

The Case for Real Estate Securities

- 2 Executive Summary
- 3 Strong Historical Total Returns
- 5 Dividend Income and Growth Potential
- 8 Liquidity
- 8 Transparency and Corporate Governance
- 9 Diversification by Country and Property Type
- 10 Participation in Local Economies
- 11 Value Creation by Company Managements
- 11 Closing Perspective

Real estate securities provide the benefits of commercial real estate investing without the cost or illiquidity of owning property directly. In this paper, we examine the investment characteristics of this unique asset class—most notably, its history of attractive total returns and high current income. We also discuss features of listed real estate not available through direct property ownership, such as daily liquidity and the ability to achieve global diversification with relatively little capital. We believe that these and other characteristics provide a compelling argument for a strategic allocation to real estate securities.

Executive Summary

Real estate securities combine the benefits of owning commercial real estate with the features of publicly traded stocks. This unique combination results in a set of investment characteristics that we believe make a compelling case for a long-term strategic allocation to the asset class.

Strong historical total returns

Real estate securities have consistently produced strong returns relative to other equities and fixed-income securities, benefiting from a business model focused on generating stable and growing cash flows. As an investment in tangible assets, real estate securities also benefit from barriers to competition and property values that tend to rise with inflation.

Dividend income and growth potential

Many real estate securities offer above-average dividend yields due in large part to the minimum distribution requirement for companies structured as REITs (real estate investment trusts). Real estate securities also have a history of consistently raising their dividends, resulting from cash flow growth that can come organically from rising rents and occupancies, or externally from development and acquisitions.

Liquidity

Public equity markets provide a high level of liquidity, distinguishing real estate securities from the relative illiquidity of the properties they own. This distinction is critical, as it enables investors to efficiently access and manage their capital, obtain daily market-cleared prices and adjust their investment allocations to take advantage of attractive opportunities.

Transparency and corporate governance

Publicly traded real estate companies are subject to the discipline and regulations of public markets, including audited financial statements and oversight by a board of directors or trustees. Direct real estate investments generally do not offer the same transparency or governance standards, especially in global markets.

Diversification by country and property type

A portfolio of real estate securities may represent thousands of properties around the world, making it possible to diversify assets across geographic regions and property sectors. This diversification can help reduce risk at the property level, while providing access to a wide range of property markets with different return profiles and cycles.

Participation in local economies

Real estate securities typically derive a large portion of their income from properties within their home country. This makes them one of the most direct ways to participate in the growth of a local economy, providing a sharp contrast to many multinational corporations, which have more global revenue streams.

Value creation by company managements

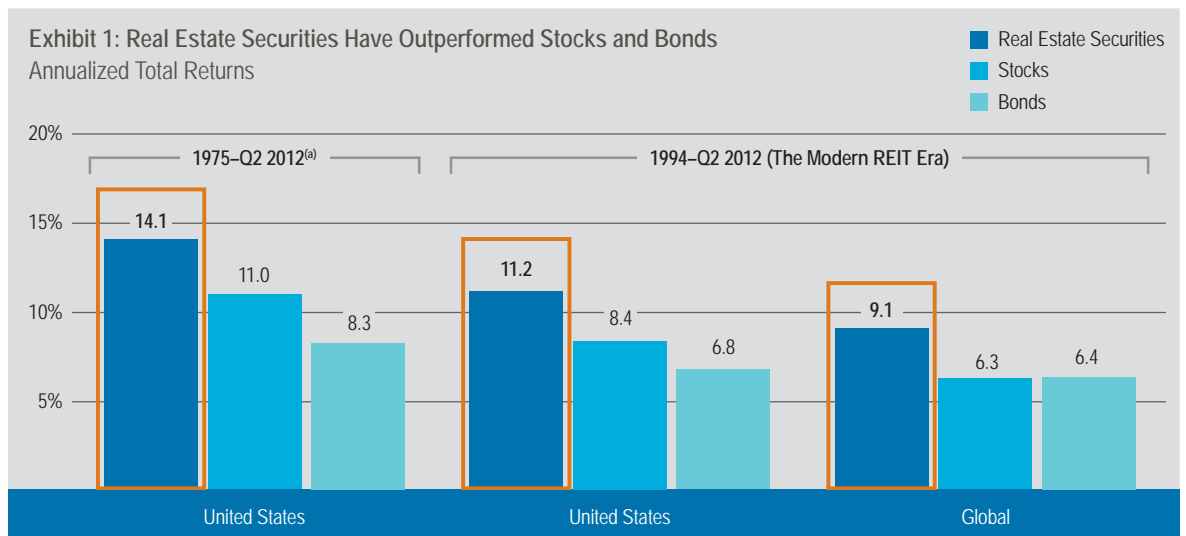
Management teams of public real estate companies may pursue acquisitions, disposals and development activities, which have the potential to add value for shareholders beyond the companies' real estate holdings.

In this paper, we will put each of these features and potential benefits into perspective.

The Case for Real Estate Securities

Strong Historical Total Returns

Real estate securities have a track record of delivering compelling total returns over the long term. As shown in Exhibit 1, real estate securities have meaningfully outperformed stocks and bonds in both the U.S. and global markets during the modern REIT era. Going back even further, we see that U.S. REITs have maintained their overall performance advantage over multiple decades. *(A global comparison is not provided for this period, as the global real estate securities market was relatively small, and it was not until 1990 that the FTSE EPRA/NAREIT Developed Real Estate Index was created.)*



As of June 30, 2012. Source: Bloomberg and Morningstar.

Past performance is no guarantee of future results. Investors cannot invest directly in an index. The information presented above does not reflect the performance of any fund or other account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance reflected above. There is no guarantee that any historical trend illustrated above will be repeated in the future, and there is no way to predict precisely when such a trend will begin.

U.S. REITs are represented by the FTSE NAREIT Equity REIT Index; U.S. stocks are represented by the S&P 500 Index; U.S. bonds are represented by the Barclays Capital U.S. Aggregate Bond Index; global real estate securities are represented by the FTSE EPRA/NAREIT Developed Index; global stocks are represented by the MSCI World Index; global bonds are represented by the Barclays Capital Global Aggregate Bond Index. See page 13 for index definitions.

(a) Returns for global markets not provided from 1975, as the FTSE EPRA/NAREIT Developed Index was not launched until 1990.

We believe there are strong fundamental reasons why real estate securities have been able to do well. Most importantly, real estate securities tend to have stable business models that attract long-term investment capital, while also offering the valuable inflation-fighting characteristics of tangible assets.

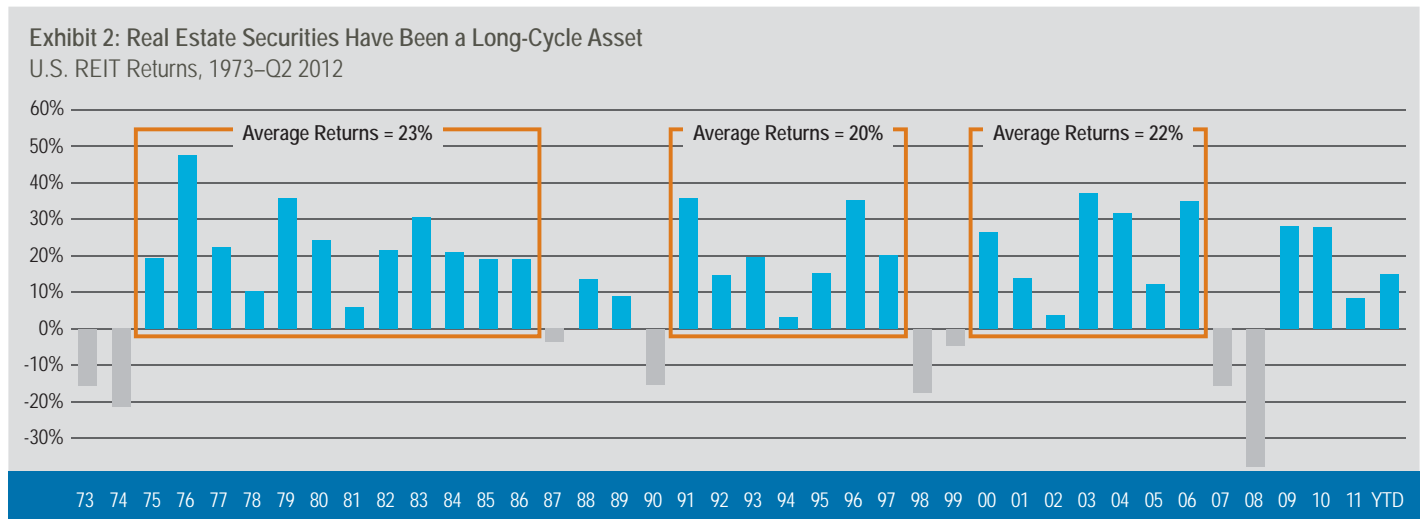
An attractive business model. The objective of a property owner is to develop or acquire assets that produce a recurring stream of rental income tied to leases. These companies often benefit from a favorable spread between their financing costs and the cash flows generated by the property. Real estate holdings may also rise in value over time due to strengthening real estate fundamentals, tenant upgrades or local infrastructure improvements. This model has provided an attractive framework for generating strong total returns for shareholders.

An investment in tangible assets. The underlying assets of real estate securities are land and buildings that have intrinsic value based on their location, quality and leases. Because of this, real estate securities exhibit several distinctive characteristics common to real assets:

- *Inflation-linked values:* The price of a property can be measured in relation to the current cost of land, materials and labor that would be required to build a replacement from scratch, otherwise known as the replacement cost. Since replacement costs tend to rise with inflation, real estate is often viewed as a good store of value and a hedge against inflation.
- *Barriers to supply:* Property values are directly related to the supply and demand for a given type of real estate in a specific area. Supply is often limited, particularly in the better locations, due to land availability, zoning requirements and long construction cycles. These supply barriers provide existing landlords with some measure of protection against competition.
- *Pricing power:* Property owners are generally able to pass along higher operating costs by raising rents in periods of rising inflation. This pricing power allows companies' cash flows to grow organically with inflation.

U.S. REIT cycles have historically been characterized by multi-year bull markets.

A history of multi-year bull markets. U.S. REITs have had a strong run over the past several years, benefiting from sustained low interest rates and improving fundamentals for U.S. commercial real estate. This is not uncommon, as real estate securities often experience bull markets lasting multiple years, as shown in the exhibit below. We believe this is due in part to the long-term nature of property cycles, characterized by a meaningful lag between the demand for more space and the creation of new supply.



As of June 30, 2012. Source: Morningstar.

Past performance is no guarantee of future results. Investors cannot invest directly in an index. The information presented above does not reflect the performance of any fund or other account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance reflected above. There is no assurance that any historical trend illustrated above will be repeated in the future or any way to know in advance when such a trend might begin.

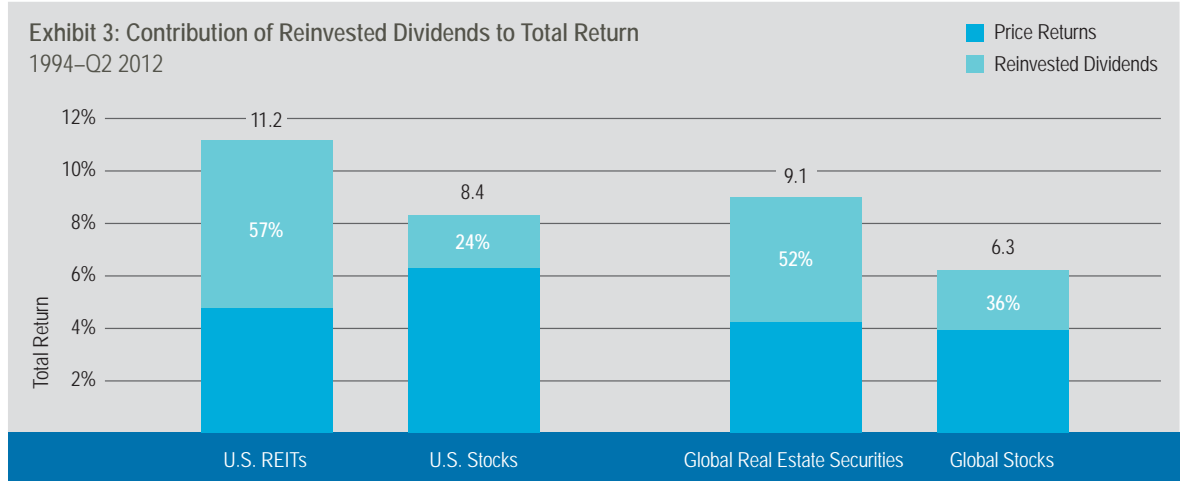
U.S. REITs are represented by the FTSE NAREIT Equity REIT Index. See page 13 for index definitions.

Dividend Income and Growth Potential

As a group, real estate securities are known for their dividends. This is due largely to the REIT structure, which is used by approximately 75% of companies in the global real estate securities market and 100% of those in the U.S. market.⁽¹⁾ REITs typically offer higher dividend yields⁽²⁾ than other equities with similar risk profiles, resulting from their cash-flow-oriented businesses and the requirement that they distribute nearly all of their taxable income to shareholders. For example, U.S. REITs must distribute at least 90% of their annual taxable net income to maintain their REIT status. For more information about the REIT structure, see our related whitepaper, *Introduction to Real Estate Securities*.

Since the emergence of the modern REIT structure, dividends have been a large factor in the outperformance of real estate securities relative to the broad equity market. Exhibit 3 shows that on average, dividends have comprised more than half of the returns for U.S. and global real estate securities, significantly more than those of the broad equity markets.

The business and structure of real estate securities generally lead to above-average dividend yields.



As of June 30, 2012. Source: Bloomberg and Morningstar.

Past performance is no guarantee of future results. Investors cannot invest directly in an index. The information presented above does not reflect the performance of any fund or other account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance reflected above. There is no guarantee that any historical trend illustrated above will be repeated in the future, and there is no way to predict precisely when such a trend will begin.

The contribution of reinvested dividends is the difference between the total return and price return published by the index provider. U.S. REITs are represented by the FTSE NAREIT Equity REIT Index; global real estate securities are represented by the FTSE EPRA/NAREIT Developed Real Estate (net) Index; U.S. stocks are represented by the S&P 500 Index; global stocks are represented by the MSCI World (net) Index. See page 13 for index definitions.

(1) As of June 30, 2012, as defined by the FTSE EPRA/NAREIT Developed Real Estate Index (global) and the FTSE NAREIT Equity REIT Index (U.S.).

(2) The dividend yield, or distribution rate, is equal to the annual dividend per share divided by the share price.

REIT yields relative to other asset classes. Over the past decade, the average dividend yield for U.S. REITs has trended downward from the 8% seen in the late 1990s to below 4% today, as many of these companies have reduced payouts to the minimum level required by law. As a result, a greater proportion of total returns have come from price appreciation in recent years. That said, U.S. REIT dividend yields remain higher than the yields of most other equity and fixed income asset classes, as shown below.

Exhibit 4: Income Comparison, by Asset Class

Equity Dividend Yields		Fixed Income Yields	
Global Real Estate Securities	3.79%	High Yield Bonds	7.35%
U.S. REITs	3.46%	Global Bonds	2.08%
Global Stocks	2.89%	U.S. Bonds	1.98%
U.S. Stocks	2.09%	10-Year Treasury	1.67%

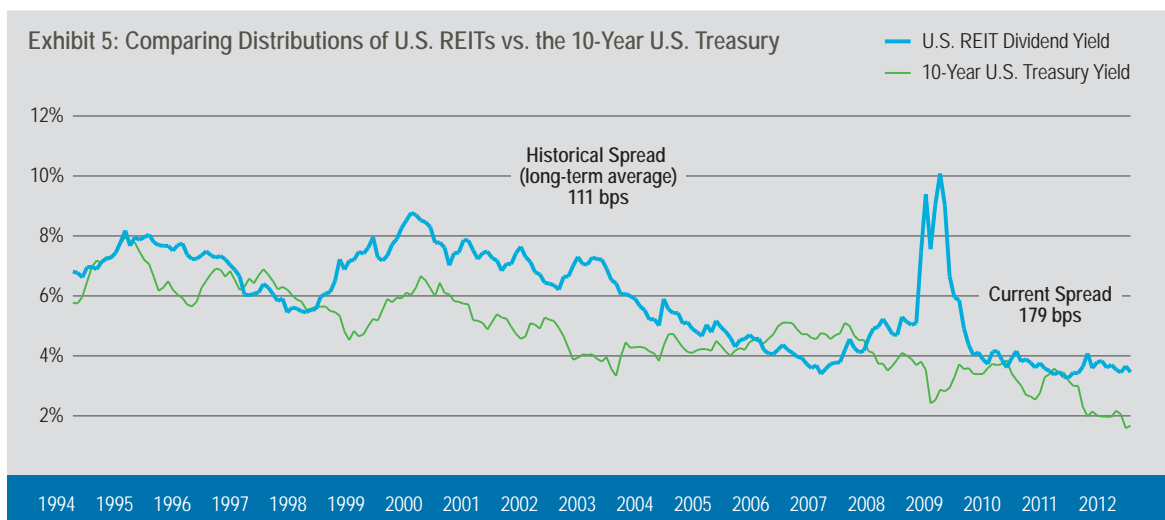
As of June 30, 2012. Source: FTSE, NAREIT, Bloomberg and Barclays Capital.

Past performance is no guarantee of future results. Investors cannot invest directly in an index. The information presented above does not reflect the performance of any fund or other account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance reflected above. There is no guarantee that any historical trend illustrated above will be repeated in the future, and there is no way to predict precisely when such a trend will begin.

U.S. Treasury securities are backed by the full faith and credit of the U.S. Government. Because of this they are much less sensitive to changes in economic conditions compared with equities (including REITs).

U.S. REITs are represented by the FTSE NAREIT Equity REIT Index; global real estate securities are represented by the FTSE EPRA/NAREIT Developed Real Estate (net) Index; U.S. stocks are represented by the S&P 500 Index; global stocks are represented by the MSCI World (net) Index; U.S. bonds are represented by the Barclays Capital U.S. Aggregate Bond Index; global bonds are represented by the Barclays Capital Global Aggregate Bond Index; high yield bonds are represented by the Barclays Capital U.S. Corporate High Yield Index. See page 13 for index definitions.

To put this in a different perspective, since 1994, dividend yields for U.S. REITs have averaged approximately 110 basis points more than the 10-year Treasury yield to compensate investors for REITs' relatively greater risk. Today, they offer a yield premium of approximately 180 basis points relative to Treasuries, providing a potentially attractive alternative for income-seeking investors.



As of June 30, 2012. Source: Bloomberg and NAREIT (dividend ex-date methodology).

Past performance is no guarantee of future results. Investors cannot invest directly in an index. The information presented above does not reflect the performance of any fund or other account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance reflected above. There is no guarantee that any historical trend illustrated above will be repeated in the future, and there is no way to predict precisely when such a trend will begin.

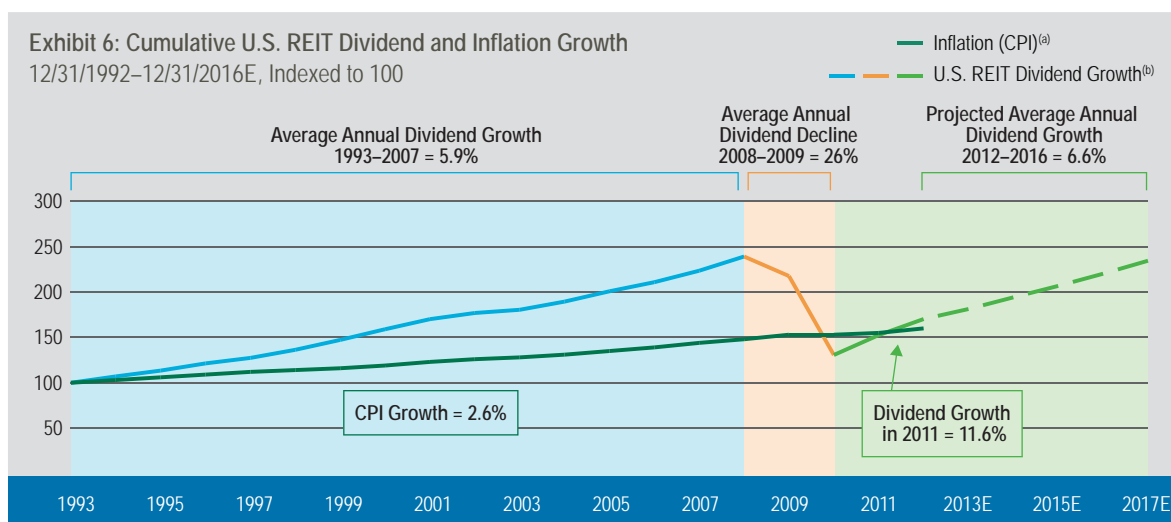
U.S. Treasury securities are backed by the full faith and credit of the U.S. Government. Because of this they are much less sensitive to changes in economic conditions compared with equities (including REITs). U.S. REITs are represented by the FTSE NAREIT Equity REIT Index. See page 13 for index definitions.

U.S. REIT dividend growth has exceeded inflation in the modern REIT era.

REIT dividend growth and inflation. Real estate securities have a history of consistently raising dividends due to the inflationary nature of rents and property values. From the early 1990s through 2007, U.S. REITs raised dividends at an average annual rate of 5.9% compared with a 2.6% long-term inflation rate (shown in the chart below). With the onset of the global financial crisis in 2008, many REITs cut dividend payouts to the minimum required level to preserve capital, and also began issuing a portion of dividends in common stock. As conditions have improved, cash dividends have made a strong comeback.

We believe U.S. REITs will continue to raise their dividends at an above-trend rate over the next several years, growing 6.6% per year on average through 2016, based on our estimates. This projection is based on the improving cash flows we are seeing in nearly all property sectors. Cash flow growth can come organically from rising rents and occupancies, or externally from development or through the acquisition of properties or companies.

As a REIT's income grows, the company must ensure its distribution rate remains above the level required by law, which often means it must raise its dividend. For example, in the second quarter of 2012, Simon Property Group (SPG) grew its earnings by 17% year over year and raised its dividend for the fourth quarter in a row, up 31% from the same quarter last year. Since its payout is near the minimum level required for REITs, it must raise its dividend as its cash flows grow.



As of June 30, 2012. Source: FTSE NAREIT actual results through 2007; Cohen & Steers calculated results for 2008 through 2011; Cohen & Steers estimates for 2012 through 2016. See methodology below (footnote b).

Past performance is no guarantee of future results. Investors cannot invest directly in an index. The information presented above does not reflect the performance of any fund or other account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance reflected above. There is no guarantee that any historical trend illustrated above will be repeated in the future, and there is no way to predict precisely when such a trend will begin.

(a) The Consumer Price Index (CPI) is a broad yardstick of consumer inflation. It measures the average price changes for a diverse basket of goods and services typically purchased by urban consumers, across diverse households and geographies.

(b) Actual annual dividend growth through 2007 was compiled using the methodology of and data provided by NAREIT. Annual growth rates represent a market cap-weighted average on the year-over-year percent change in cash-only income distributions for the constituent companies in the FTSE NAREIT All REIT Index. Accordingly, any stock dividends paid by index constituents are not included. This methodology overstates the importance of large percentage changes in dividends by the largest index constituents. Therefore, Cohen & Steers estimates of dividend growth rates from 2008 through 2011 were calculated based on actual dividend yields and price values for the FTSE NAREIT Equity REIT Index. The five-year dividend growth projection was compiled by Cohen & Steers, based on a statistical model using historical dividend payout ratios and cash earnings growth as inputs. The projection of equity REITs was then derived by averaging the model's projected dividend growth rates from 2012 through year-end 2016. See page 13 for index definitions.

Liquidity

Real estate securities provide a liquid vehicle for investing in real estate, an inherently illiquid asset class. Whereas physical properties may take months to market and sell, real estate securities are traded daily on stock exchanges. This statement may seem obvious at face value, but it carries critical implications with regard to portfolio construction, capital management and valuation.

Globally diversified real estate portfolios. Investors can use real estate securities to quickly and easily construct a global real estate portfolio using relatively little capital. In contrast, direct real estate portfolios typically require a substantial capital commitment, invest in only a handful of properties, and can take several years to structure and fund.

Flexible capital management. The liquidity of real estate securities makes it easy to access investment capital at any time. Compare this with the relatively long lock-up periods and limited secondary markets of private real estate investments. This can be crucial during periods of market stress, as seen in the global financial crisis when commercial property transactions drew to a standstill. Many private real estate funds were forced to put a freeze on client withdrawals, since the funds were unable to liquidate private assets. In contrast, investors in real estate securities had ready access to their capital, allowing them to tactically adjust their allocations or meet their cash flow needs.

Daily market pricing. As publicly traded entities, real estate securities are priced daily, whereas private real estate is valued using longer-term appraisal-based methods. While daily pricing offers the convenience and comfort of knowing a precise value at a given moment, it also results in higher perceived volatility. However, we believe there are misperceptions about the volatility of real estate securities relative to private real estate. This is because the methodology used to value private property likely does not accurately capture large fluctuations in real estate prices, potentially understating the risk of private investment. (See sidebar on next page.)

Liquidity provides the flexibility to easily manage capital allocations and pursue global opportunities.

Transparency and Corporate Governance

Unlike investments in private real estate, companies that issue real estate securities are subject to oversight by government regulatory agencies, which require strict standards of corporate governance, financial reporting and information disclosure. Like other public companies, they are managed by a board of directors or trustees. In our view, the combination of regulation and transparency enhances managements' focus on effective capital allocation and enables investors to make informed investment decisions.

Misperceptions of Volatility in Listed Real Estate

We have observed two common misperceptions about listed and private real estate: 1) that private real estate is not volatile, and 2) that listed REITs are much more volatile than private real estate. We believe these perceptions have, in some cases, led to sub-optimal allocation decisions.

Even though real estate is considered a long-term investment, the perception that real estate securities exhibit higher risk stems from the short-term volatility associated with liquid securities markets. Asset allocation models are typically structured to capture the risk of an asset class through the standard deviation⁽¹⁾ of either monthly or quarterly returns. Due to the normal fluctuations of equity markets, measured volatility for real estate securities tends to be relatively high. In contrast, direct real estate valuations use appraisal-based equilibrium prices, which, due to their infrequent nature, may artificially smooth the returns of the underlying assets.

Given these differences in measurement frequency and methodology, it is our view that many asset allocation models significantly understate the true investment risk of direct property investments, leading to a systematic over-allocation to private real estate. Furthermore, we believe that a risk assessment using more comparable methods would likely lead to greater allocations to real estate securities.

We present alternative methods for comparing risk in listed and private real estate in our whitepaper, *The Truth About Real Estate Allocations: Part II*, which can be found on our website at cohenandsteers.com/insights.

Diversification by Country and Property Type

A portfolio of global real estate securities may represent thousands of underlying properties spanning multiple property types in dozens of countries. This diversification can help reduce risk at the property level, while providing access to a wide range of property markets, each with different return profiles depending on the local economy, sector-specific trends and monetary policy.

The benefit of a diversified real estate portfolio can be readily seen in the divergence of returns across countries and sectors. In 2011, there was a difference of 40 percentage points between the top performer (Canada, +12.3% total return⁽²⁾) and the bottom performer (Singapore, -27.7%) in the major markets. Among U.S. REIT sectors, self storage companies (+35.2%⁽³⁾) outperformed hotel owners (-14.3%) by nearly 50 percentage points during the same period.

(1) Standard deviation is a statistical measure of volatility.

(2) Based on the FTSE EPRA/NAREIT Developed Real Estate Index, in local currencies.

(3) Based on the FTSE NAREIT Equity REIT Index.

Real estate securities can provide access to property markets across the globe in a single portfolio—a feat that would be difficult, if not impossible, through other means. In addition, real estate securities may invest in property types that are not easily accessible through the private market, including hotels, self storage, life-sciences facilities and data centers. We believe these properties are best owned through an operating company, given the specialized management expertise required.

By having a diversified asset base, investors can mitigate potential risks associated with individual properties, sectors or geographic regions. Furthermore, by investing in an actively managed portfolio of real estate securities, investors may benefit from the insights of professional asset managers, who can adjust a portfolio's allocation based on their view of the risks and opportunities offered by various securities and market segments.

A portfolio of real estate securities can provide an efficient means of allocating to real estate globally.

Participation in Local Economies

Real estate is an inherently local business. Listed real estate companies typically own properties located within their home country, generating a majority of their income from local sources. As a result, real estate securities offer one of the most direct means of participating in local economic growth. This offers a distinct contrast to many large global enterprises, which may have relatively little exposure to the country in which they are domiciled. The table below compares the portion of revenues generated domestically for public real estate companies with that of multinational companies commonly found in equity indexes.

Exhibit 7: Underlying Local Exposure of Major Index Constituents

Market	Largest Real Estate Company	Local Revenue ^(a)	Major Local Equity Index Component	Local Revenue ^(a)
United States	Ventas	95%	PepsiCo	50%
Europe	Unibail-Rodamco	100%	Ericsson	14%
Japan	Nippon Building Fund	100%	Honda Motor Co.	11%
Hong Kong	Sun Hung Kai Properties	91%	AIA Group	9%

Source: FactSet, Bloomberg and company reports.

The mention of specific securities is not a recommendation or solicitation for any person to buy, sell or hold any particular security.

(a) Percent of 2009 revenues from home market. Real estate securities represented by the FTSE EPRA/NAREIT Developed Real Estate Index. U.S. equities represented by the S&P 500 Index. European equities represented by the MSCI Europe Index. Japanese equities represented by the Nikkei 225. Hong Kong equities represented by the Hang Seng Index. See page 13 for index definitions.

Value Creation by Company Managements

The management teams of listed real estate companies can add value beyond that of their property assets by enhancing operating efficiencies. Managements can also drive value creation through effective capital allocation as they access capital through public markets or make accretive acquisitions. Below are recent examples:

- **Simon Property Group**, a U.S.-based owner of regional malls, recently acquired a 29% stake in European mall owner Klépierre from BNP Paribas for approximately €1.5 billion (US\$2 billion). Simon financed the deal within 24 hours of the announcement through public equity and bond offerings, gaining valuable European assets with long-term growth potential. Simon continues to acquire malls in the United States and recently signed joint ventures to build outlet centers in Brazil and China.
- **Deutsche Wohnen**, a German residential owner/operator, announced in May the accretive acquisition of a portfolio of 23,500 residential units at a value of €1.2 billion (US\$1.5 billion). The addition significantly expanded its presence in Berlin and other German cities. Unit privatizations have also created value.
- **BR Properties**, which owns office, industrial and retail properties in Brazil, has been consolidating the country's prime office markets through acquisition and development to drive strong cash flow growth and value creation. In September 2011, the company acquired its biggest competitor, WTorre Properties, to increase scale and pricing power.

Closing Perspective

Investors have long looked to commercial real estate for its attractive wealth-building characteristics, including its stable income stream and its potential for capital growth. Real estate securities provide a simple way to invest in real estate, while also offering characteristics that are not available through direct property investment, including liquidity and the ability to build a globally diversified real estate portfolio.

Over the past decade, global real estate securities have outperformed other major asset classes, including the broad equity market, investment-grade bonds and commodities, as shown in Exhibit 8 on the next page. This reinforces our view that real estate securities offer a meaningfully different return profile from other asset classes, warranting a separate strategic allocation.

Exhibit 8: Real Estate Securities Are an Asset Class, Not a Trade

										10-Year Return (2002–2011)	
2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Cumulative	Annualized
Commodities 25.9%	U.S. Small Cap Stocks 47.3%	Global Real Estate 38.0%	Commodities 21.4%	Global Real Estate 41.8%	Commodities 16.2%	Investment-Grade Bonds 5.2%	Global Real Estate 37.1%	U.S. Small Cap Stocks 26.9%	Investment-Grade Bonds 7.8%	Global Real Estate 139.5%	Global Real Estate 9.1%
Investment-Grade Bonds 10.3%	Global Real Estate 40.7%	International Stocks 20.2%	Global Real Estate 14.9%	International Stocks 26.3%	International Stocks 11.2%	Asset Allocation -27.4%	International Stocks 31.8%	Global Real Estate 19.6%	Broad U.S. Stock Market 2.1%	Commodities 90.0%	Commodities 6.6%
Global Real Estate 2.8%	International Stocks 38.6%	U.S. Small Cap Stocks 18.3%	International Stocks 13.5%	Global Stocks 20.1%	Global Stocks 9.0%	U.S. Small Cap Stocks -33.8%	Global Stocks 30.0%	Commodities 16.8%	Asset Allocation -1.1%	Asset Allocation 78.4%	Asset Allocation 6.0%
Asset Allocation -4.7%	Global Stocks 33.1%	Global Stocks 14.7%	Global Stocks 9.5%	U.S. Small Cap Stocks 18.4%	Investment-Grade Bonds 7.0%	Commodities -35.6%	U.S. Small Cap Stocks 27.2%	Broad U.S. Stock Market 15.1%	U.S. Small Cap Stocks -4.2%	Investment-Grade Bonds 75.4%	Investment-Grade Bonds 5.8%
International Stocks -15.9%	Broad U.S. Stock Market 28.7%	Asset Allocation 13.6%	Asset Allocation 8.2%	Broad U.S. Stock Market 15.8%	Asset Allocation 6.0%	Broad U.S. Stock Market -37.0%	Broad U.S. Stock Market 26.5%	Asset Allocation 13.8%	Global Stocks -5.5%	U.S. Small Cap Stocks 72.8%	U.S. Small Cap Stocks 5.6%
Global Stocks -19.9%	Asset Allocation 25.0%	Broad U.S. Stock Market 10.9%	Broad U.S. Stock Market 4.9%	Asset Allocation 15.2%	Broad U.S. Stock Market 5.5%	Global Stocks -40.7%	Asset Allocation 22.0%	Global Stocks 11.8%	Global Real Estate -6.5%	International Stocks 57.8%	International Stocks 4.7%
U.S. Small Cap Stocks -20.5%	Commodities 23.9%	Commodities 9.1%	U.S. Small Cap Stocks 4.6%	Investment-Grade Bonds 4.3%	U.S. Small Cap Stocks -1.6%	International Stocks -43.4%	Commodities 18.9%	International Stocks 7.8%	International Stocks -12.1%	Global Stocks 42.7%	Global Stocks 3.6%
Broad U.S. Stock Market -22.1%	Investment-Grade Bonds 4.1%	Investment-Grade Bonds 4.3%	Investment-Grade Bonds 2.4%	Commodities 2.1%	Global Real Estate -7.4%	Global Real Estate -48.2%	Investment-Grade Bonds 5.9%	Investment-Grade Bonds 6.5%	Commodities -13.3%	Broad U.S. Stock Market 33.4%	Broad U.S. Stock Market 2.9%

As of December 31, 2011. Source: Morningstar and Cohen & Steers.

Past performance does not guarantee future results. An investor cannot invest directly in an index. The information presented above does not reflect the performance of any fund or other account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance reflected above. There is no guarantee that any historical trend illustrated above will be repeated in the future, and there is no way to predict precisely when such a trend will begin.

Traditional asset allocation models typically allocate assets among U.S. and international stocks, bonds and alternative investments. To illustrate the potential benefits of broad diversification within an investor's portfolio, the Asset Allocation blend above comprises stocks (50%)—S&P 500 (25%), Russell 2000 Index (10%), MSCI EAFE (net) Index (15%); bonds (30%)—Barclays Capital U.S. Aggregate Bond Index (30%); alternative investments (20%)—Dow Jones-UBS Commodity Index (10%), FTSE EPRA/NAREIT Developed Real Estate (net) Index (10%). Asset allocation portfolio assumes annual rebalancing. See page 13 for index definitions.

At Cohen & Steers, we have been helping investors access opportunities in this unique market for more than 25 years. Established in 1986, we were the first investment manager dedicated to real estate securities, and today, we remain one of the largest investors in the asset class. We have remained actively involved in the REIT community throughout our history, and have maintained a steady approach to investing, using our perspective gained over multiple real estate cycles.

As a global investment manager, our real estate strategies cover a wide range of markets, and allow investors to benefit from one of the largest and most experienced real estate securities investment teams.

To learn how to invest with us, visit cohenandsteers.com.

Important Disclosures

The views and opinions in the preceding commentary are as of the date of publication and are subject to change. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice, is not intended to predict or depict performance of any investment and does not constitute a recommendation or an offer for a particular security. We consider the information in this presentation to be accurate, but we do not represent that it is complete or should be relied upon as the sole source of suitability for investment. Past performance does not guarantee future results. There is no guarantee that any historical trend illustrated in this commentary will be repeated in the future, and there is no way to predict precisely when such a trend will begin. There is no guarantee that a market forecast made in this commentary will be realized.

Risks of Investing in Real Estate Securities

Property values may fall due to increasing vacancies, declining rents resulting from economic, legal, tax, political or technological developments, lack of liquidity, limited diversification and sensitivity to certain economic factors such as interest rate changes and market recessions. The risks of investing in REITs are similar to those associated with direct investments in real estate securities. Foreign securities involve special risks, including currency fluctuations, lower liquidity, political and economic uncertainties, and differences in accounting standards. Some international securities may represent small- and medium-sized companies, which may be more susceptible to price volatility and less liquidity than larger companies.

Index Definitions

Investors cannot invest directly in an index, and index performance does not reflect the deduction of any fees, expenses or taxes.

Barclays Capital Global Aggregate Bond Index is designed to be a broad-based measure of the global investment-grade, fixed rate, fixed income corporate markets outside of the United States.

Barclays Capital U.S. Aggregate Bond Index (formerly the Lehman Brothers U.S. Aggregate Bond Index) is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

Barclays Capital U.S. Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging-market countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included.

Dow Jones-UBS Commodity Index is composed of futures contracts on physical commodities and represents 19 separate commodities traded in U.S. exchanges, with the exception of aluminum, nickel and zinc.

FTSE NAREIT All REIT Index is an unmanaged, market-capitalization-weighted index of all publicly traded U.S. REITs, including companies that invest in the equity ownership of real estate, timberland and timber-related products and activities, infrastructure REITs, and assets invested in mortgage loans or mortgage-backed securities.

FTSE NAREIT Equity REIT Index is an unmanaged, market-capitalization-weighted index of all publicly traded U.S. REITs that invest predominantly in the equity ownership of real estate, not including timber and infrastructure.

FTSE EPRA/NAREIT Developed Real Estate Index is an unmanaged market-weighted total return index which consists of many companies from developed markets whose floats are larger than \$100 million and who derive more than half of their revenue from property-related activities.

Hang Seng Index is an index tracking several dozen publicly traded companies listed on the Hong Kong Stock Exchange, weighted for market capitalization.

MSCI EAFE (Europe, Australia, Far East) Index is used to measure international equity performance. It comprises 21 MSCI country indexes, representing the developed markets outside North America.

MSCI Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 24 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

Nikkei 225 is a price-weighted index consisting of 225 prominent stocks listed on the Tokyo Stock Exchange.

Russell 2000 Index measures the performance of the 2000 smallest U.S. companies in the Russell 3000 Index, which, in turn, measures the performance of the 3000 largest U.S. companies.

S&P 500 Index is an unmanaged index of 500 large-capitalization, publicly traded U.S. stocks representing a variety of industries.

About Cohen & Steers

Founded in 1986, Cohen & Steers is a global investment manager focused on specialty asset classes. Throughout our longstanding leadership, we have fostered a culture of knowledge, innovation and advocacy on behalf of our clients. Known for a strong long-term track record and our best-in-class client service, we have earned the trust of large and small investors around the world.

Cohen & Steers (NYSE:CNS), which is majority owned by employees, has been listed on the New York Stock Exchange since 2004. As of June 30, 2012, the company had \$44.4 billion in assets under management. Cohen & Steers is headquartered in New York City, with offices in London, Brussels, Hong Kong, Tokyo and Seattle.

Copyright © 2012 Cohen & Steers, Inc. All rights reserved.

We believe accessing investment opportunities around the world requires local knowledge and insight into specialized and regional markets. Cohen & Steers maintains a global presence through the following offices:

Americas

NEW YORK

Corporate Headquarters
280 Park Avenue, 10th Floor
New York, New York 10017
Phone 212 832 3232
Fax 212 832 3622

SEATTLE

Cohen & Steers Capital Management, Inc.
1201 Third Avenue, Suite 3810
Seattle, Washington 98101
Phone 206 788 4240

Europe

LONDON

Cohen & Steers UK, Limited
21 Sackville Street, 4th Floor
London W1S 3DN
United Kingdom
Phone +44 207 460 6350

BRUSSELS

Cohen & Steers Europe SA
166 Chaussée de la Hulpe
1170 Brussels
Belgium
Phone +32 2 679 0660

Asia Pacific

HONG KONG

Cohen & Steers Asia, Limited
Suites 1201-02, 12/F, Citibank Tower
Citibank Plaza, 3 Garden Road
Central, Hong Kong
Phone +852 3667 0080

TOKYO

Cohen & Steers Capital Management, Inc.
Kamiyacho MT Bldg. 14F
4-3-20 Toranomom, Minato-ku
Tokyo 105-0001 Japan
Phone +81 3 5404 3503