Cohen & Steers Master Limited Partnership Strategy

Analysis of a Strong Three-Year Track Record

We are pleased to announce that Cohen & Steers Master Limited Partnership (MLP) Strategy established its three-year track record on February 28, 2014. Cohen & Steers has been investing in global listed infrastructure, including MLPs and other midstream energy companies, since 2004. Launched in 2011, our standalone MLP Strategy has achieved a strong and consistent record of outperformance.

Cohen & Steers has a specialist portfolio management team with deep experience in midstream energy markets, grounded in decades of experience investing in global infrastructure companies. Our focus on companies with attractive business models, strong management teams and prospects for high distribution and dividend growth has allowed us to monetize alpha in this rapidly expanding universe of midstream investment opportunities.

Performance Summary

For the three-year period ended February 28, 2014, the Cohen & Steers MLP Strategy significantly outperformed its benchmark, the Alerian MLP Index. As highlighted in Exhibit 1, the excess annualized return of 4.3% was achieved with lower volatility, resulting in a significantly higher Sharpe ratio than that of the benchmark.

The Strategy has regularly added alpha under varying market environments. As shown in Exhibit 2, the Strategy outperformed its benchmark in the vast majority of three-month rolling periods since inception, achieving a batting average of 88%. Furthermore, the average excess return in periods of outperformance was approximately 104 basis points per three-month period, almost five times greater than the average underperformance in periods of lagging returns. With a tracking error of 2.10, the strategy also has an impressive information ratio of 2.08.

Exhibit 1: Three-Year Performance

<table>
<thead>
<tr>
<th></th>
<th>Annualized Return</th>
<th>Standard Deviation</th>
<th>Sharpe Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cohen &amp; Steers MLP Composite</td>
<td>17.1%</td>
<td>13.1%</td>
<td>1.3</td>
</tr>
<tr>
<td>Alerian MLP Index(a)</td>
<td>12.8%</td>
<td>13.5%</td>
<td>0.9</td>
</tr>
<tr>
<td>Difference</td>
<td>+4.3%</td>
<td>-0.4%</td>
<td>+0.4</td>
</tr>
</tbody>
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(a) An investor cannot invest directly in an index and index performance does not reflect the deduction of any fees, expenses or taxes. Performance data quoted represents past performance. Past performance is no guarantee of future results. Returns stated are gross of fees.

Exhibit 2a: Key Three-Year Performance Statistics(a)

- Batting Average: 88%
- Tracking Error: 2.10
- Information Ratio: 2.08
- Average Three-Month Excess Returns in Periods of Outperformance: 1.04%
- Average Three-Month Excess Returns in Periods of Underperformance: -0.21%

(a) All periods ending February 28, 2014.

Exhibit 2b: Cohen & Steers MLP Strategy Batting Average

Three-Month Rolling Periods Ending February 28, 2014

Performance data quoted represents past performance. Past performance is no guarantee of future results.

Source: Cohen & Steers.

(a) Composite returns are represented by the Cohen & Steers Master Limited Partnership composite. Returns are stated gross of fees. Information is provided as supplemental to the composite performance disclosure available upon request. The benchmark for the composite is the Alerian MLP Index. An investor cannot invest directly in an index and index performance does not reflect the deduction of any fees, expenses or taxes.
We attribute much of the portfolio’s strong performance to the following factors:

- Led by a **specialist investment team** with several decades of experience in energy infrastructure investing, Cohen & Steers has developed a deep understanding of, and a research process for, midstream energy businesses.
- We take a **broad view of the midstream energy universe**, including companies both structured as master limited partnerships as well as traditional C corporations operating in the same businesses.
- A **strategy focused on total return, not yield**—we continue to believe that amid a fast-expanding universe of investment opportunities and rising dispersion of total returns, that companies best positioned to deploy capital and grow will generate superior returns.
- Our significant infrastructure assets under management provides resources, yet we are **well sized to be nimble in MLPs**—allowing us to pursue smaller-capitalization opportunities and to move quickly to implement position changes in our portfolios.

**Attribution: How We Have Generated Alpha**

**Security selection matters most, particularly given growing dispersion of returns**

A review of portfolio attribution reveals that the vast majority of outperformance has stemmed from security selection, as shown in Exhibit 3. This is consistent with the rising dispersion of total returns within the MLP universe.

The investable universe of MLPs continues to grow larger and broader in scope. Nine years ago, there were 30 MLPs with an aggregate market capitalization of $47 billion; today, over 100 MLPs have publicly traded units with a total market capitalization of $518 billion. The scope of assets that MLPs can own has also expanded to include business models that reach more broadly across the energy value chain. As a result, today’s universe of MLPs is much less homogeneous, which with evolving fundamental energy market trends will drive further performance dispersion. Exhibit 4 highlights this variance by comparing MLP returns in the years that pre-date the extremes of the financial crisis, from 2004 to 2007, with those of the post-crisis era from 2010 to 2013.
Further attribution analysis highlights the benefit of our total return-oriented process

Our performance has also benefited from our strategy of focusing on total return. Exhibit 5 dissects our portfolio’s performance by dividend yield quintile, and demonstrates that the greatest alpha was generated from our underweight in the two highest yielding quintiles and our overweight in the lowest yielding quintile.

This analysis is supported by a review of the relationship between distribution growth and total return across the overall MLP universe. Exhibit 6 illustrates that MLPs with the most rapid distribution growth have generally had the highest total returns.

We believe that strategies with too much focus on yield within the midstream energy universe should be viewed with caution, as demonstrated earlier this year by the distribution cuts of three higher-yielding MLPs. These strategies are the result of many income-oriented mutual funds that have been formed over the past three years. The optimal approach, in our view, is to balance the trade-off between yield and distribution growth, seeking an objective of maximum total return.

Attractive investment opportunities in the midstream energy universe beyond the MLP structure

We utilize the flexibility to invest a portion of the portfolio in midstream energy companies structured as C corporations, which are often general partners of MLPs or operate in related businesses. Through this broadened universe, we are also able to seek value among interrelated securities and uncover and exploit potential arbitrage opportunities. These holdings have averaged less than 10% of our portfolio over the past three years.
The Cohen & Steers Advantage

The midstream energy sector is no longer a homogeneous group of companies that provide high income. The process of identifying the best long-term investment opportunities has become increasingly complex, requiring careful analysis of each company’s partnership structure, growth prospects, management strength and strategic positioning. We believe that Cohen & Steers offers a competitive edge in this market segment, based on our comprehensive MLP knowledge and long history of investing in energy infrastructure. To summarize, Cohen & Steers offers:

- A specialist portfolio management team with decades of experience investing in energy infrastructure and a deep understanding of midstream energy trends.
- A differentiated strategy focused on total return.
- Substantial scale yet ample capacity for growth: $1.4 billion under management in MLPs and related midstream energy companies provides significant AUM capacity.
- Access to a fully integrated Real Assets platform, which includes dedicated commodity and global natural resource equity investment teams.

About Cohen & Steers

Founded in 1986, Cohen & Steers is a leading global investment manager with a long history of innovation and a focus on real assets, including real estate, infrastructure and commodities. Headquartered in New York City, with offices in London, Hong Kong, Tokyo and Seattle, Cohen & Steers serves institutional and individual investors around the world.

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