

# Emerging Market Real Estate Securities Risk/Return Profile and Asset Allocation

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We believe that investing in listed real estate is a direct and efficient way to capitalize on the high growth of emerging economies. Supporting our case is the significant demand for improved real estate infrastructure, coupled with the economic expansion of these markets and rising levels of securitization.

We now take this view a step further by examining these securities from an asset allocation perspective. Our assessment of long-term performance shows that adding emerging market (“EM”) real estate securities can enhance a portfolio’s risk-adjusted return characteristics. Listed property also can offer some distinct advantages over direct real estate investment in emerging markets. At the same time, these securities provide unique access to EM opportunities—which are often not available in other asset classes, including broad equity emerging markets and developed listed real estate markets.

Investors in this market segment should consider carefully the macroeconomic and market factors of each country, along with the liquidity features, management quality, corporate governance, and intrinsic enterprise characteristics of each underlying company. As a manager with longstanding expertise in these markets, we offer a framework for assessing the opportunities and understanding the risks.

## A Favorable Profile for Return and Risk

We see higher growth potential for EM real estate securities than for developed market real estate securities or broad equity developed markets.

### Strong Prospects for Growth

With the continued robust economic environment and extensive real estate opportunities in emerging economies, we believe that growth potential is higher for EM real estate securities than for either developed property or broad equity markets. Our 2011–2012 forecasts call for annual EPS growth of 10.7% from EM real estate securities. Coupled with a 2.2% yield, we think these investments are attractive from the standpoint of valuation as well as total return potential. In comparison, we forecast annual EPS growth of 6.5% for developed market real estate securities, which was yielding 3.6% as of December 2010.<sup>(1)</sup>

### A History of Outperformance

*A note about performance: In order to create a meaningful track record of performance of the EM real estate securities universe in this whitepaper, we used a linked benchmark consisting of the FTSE EPRA/NAREIT Emerging Real Estate Index for periods after the October 31, 2008 inception of this Index, and the S&P Emerging Property Index for periods before October 31, 2008.*

As shown in Exhibit 1, EM real estate securities have outperformed developed property markets over the past five and ten years, participating in the return profile of emerging market equities, as a whole. This asset class also proved relatively resilient in the financial-crisis downdraft, returning -4.8% from February 2007 to July 2009, vs. -25.3% for the MSCI World Index and -46.8% for the FTSE EPRA/NAREIT Developed Real Estate Index.

#### EXHIBIT 1. ANNUALIZED RETURNS BY ASSET CLASS

	1 Year	3 Year	5 Year	10 Year
Emerging Market Real Estate Securities <sup>(a)</sup>	14.4%	-7.4%	15.6%	12.2%
Developed Market Real Estate Securities <sup>(b)</sup>	20.4%	-4.5%	2.9%	9.8%
U.S. REITs <sup>(c)</sup>	28.0%	0.7%	3.0%	10.8%
Emerging Market Equities <sup>(d)</sup>	19.2%	0.0%	13.1%	16.2%
Global Equities <sup>(e)</sup>	12.3%	-4.3%	3.0%	2.8%
U.S. Equities <sup>(f)</sup>	15.1%	-2.9%	2.3%	1.4%
Global Bonds <sup>(g)</sup>	5.5%	5.8%	6.7%	6.7%

As of December 31, 2010.

Source: Bloomberg, Standard & Poor's, FTSE EPRA/NAREIT, Cohen & Steers.

Past performance is no guarantee of future results. An investor cannot invest directly in an index.

(a) Emerging Market Real Estate Linked Benchmark; (b) FTSE EPRA/NAREIT Developed Real Estate Index; (c) FTSE NAREIT Equity REIT Index; (d) MSCI Emerging Markets Index; (e) MSCI World Index; (f) S&P 500 Index; (g) Barclays Capital Global Aggregate Bond Index. See page 14 for index definitions.

### Risk/Reward Characteristics

Considering the high growth of emerging markets, we believe the standard deviation for EM real estate securities is reasonable when compared with other markets. Exhibit 2 shows the five-year standard deviation and Sharpe ratio for different asset classes at December 31, 2010. We look back 10 years in Exhibit 3A, which highlights the attractive risk/return characteristics of emerging market real estate securities compared with other asset classes. The five-year country-by-country comparisons shown in Exhibit 3B point to the higher returns achievable by EM real estate securities, relative to those in developed markets.

(1) Developed and emerging real estate markets are represented by the FTSE EPRA/NAREIT Emerging Real Estate Index and the FTSE EPRA/NAREIT Developed Real Estate Index, respectively. Forecasts are based on the weighted average of Cohen & Steers' estimates of expected earnings for companies in the universe. See page 14 for index definitions.

## The Risk/Return Characteristics of Emerging Markets

### EXHIBIT 2. FIVE-YEAR STANDARD DEVIATION AND SHARPE RATIO

The Sharpe ratio of EM real estate securities is higher than in many other asset classes.

	Standard Deviation	Sharpe Ratio
Emerging Market Real Estate Securities <sup>(a)</sup>	35.4%	0.37
Developed Market Real Estate Securities <sup>(b)</sup>	26.6%	0.02
U.S. REITs <sup>(c)</sup>	32.6%	0.02
Emerging Market Equities <sup>(d)</sup>	28.1%	0.38
Global Equities <sup>(e)</sup>	19.4%	0.03
U.S. Equities <sup>(f)</sup>	17.8%	0.00
Global Bonds <sup>(g)</sup>	6.8%	0.64

As of December 31, 2010.

Source: Zephyr, Cohen & Steers.

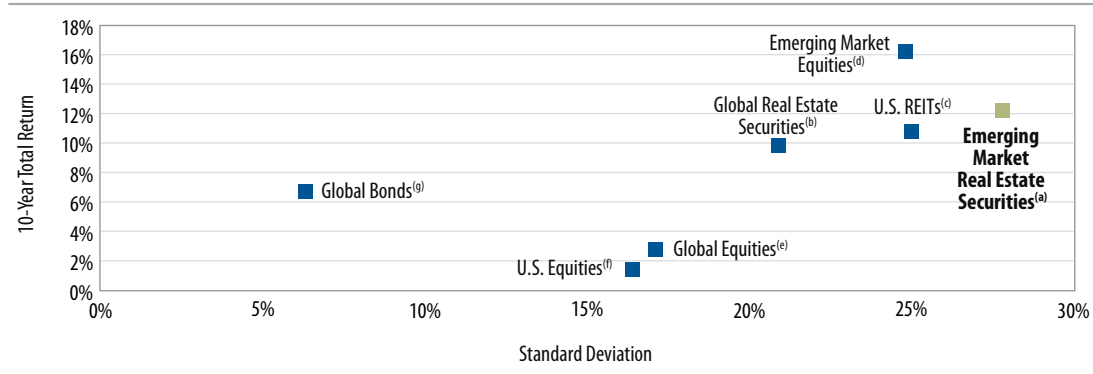
Past performance is no guarantee of future results. An investor cannot invest directly in an index.

(a) Emerging Market Real Estate Linked Benchmark; (b) FTSE EPRA/NAREIT Developed Real Estate Index; (c) FTSE NAREIT Equity REIT Index; (d) MSCI Emerging Markets Index; (e) MSCI World Index; (f) S&P 500 Index; (g) Barclays Capital Global Aggregate Bond Index. See page 14 for index definitions.

Given the high growth in emerging market regions, we believe the standard deviation is reasonable.

### EXHIBIT 3A. 10-YEAR RISK/RETURN PROFILE OF EM REAL ESTATE SECURITIES VS. OTHER ASSET CLASSES

Despite this higher volatility, EM real estate securities offer an attractive risk/return profile, as demonstrated below in Exhibits 3A and 3B.



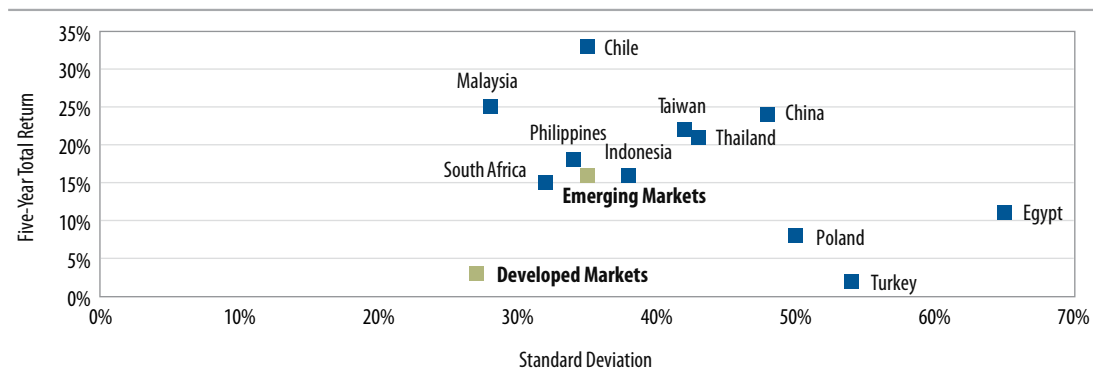
As of December 31, 2010.

Source: Zephyr, Cohen & Steers.

Past performance is no guarantee of future results. An investor cannot invest directly in an index.

(a) Emerging Market Real Estate Linked Benchmark. (b) FTSE EPRA/NAREIT Developed Real Estate Index. (c) FTSE NAREIT Equity REIT Index. (d) MSCI Emerging Markets Index. (e) MSCI World Index. (f) S&P 500 Index. (g) Barclays Capital Global Aggregate Bond Index. See page 14 for index definitions.

### EXHIBIT 3B. FIVE-YEAR RISK/RETURN PROFILE OF EM REAL ESTATE SECURITIES MARKETS



As of December 31, 2010.

Source: Standard & Poor's.

Past performance is no guarantee of future results. An investor cannot invest directly in an index.

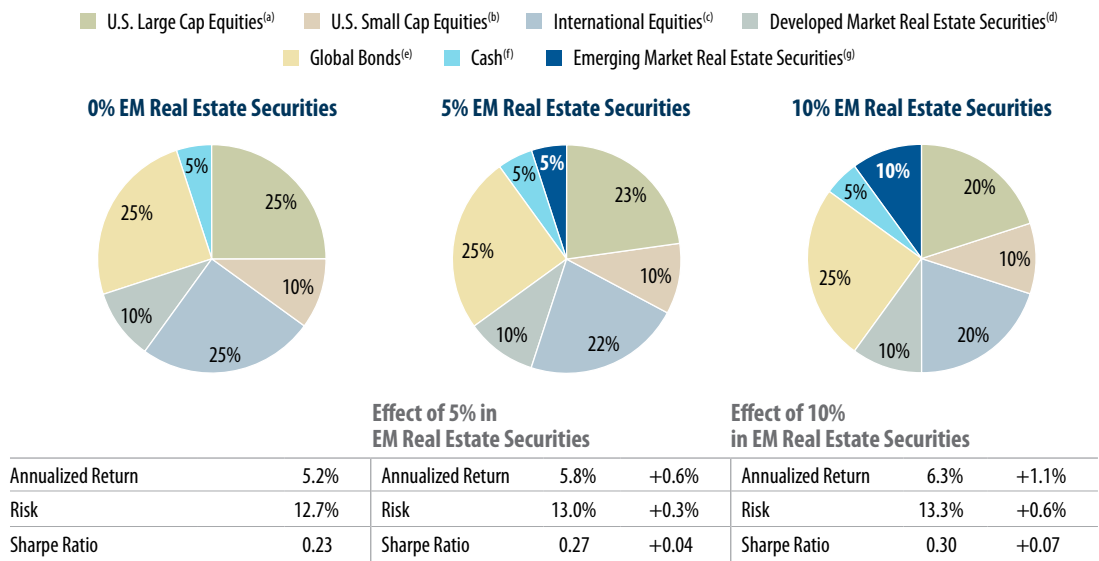
Country returns reflect components of the S&P Emerging Property Index. The analysis does not include Brazil because a five-year history is not available. See page 14 for index definitions.

Historically, adding EM real estate securities has benefited the risk and return characteristics of a diversified portfolio.

### The Benefits of a Long-Term Allocation to Emerging Market Real Estate Securities

Exhibit 4 illustrates how an allocation to EM real estate securities can enhance the risk/return profile of a diversified global portfolio, based on increasing allocations to this asset class. For the 10-year period ended December 31, 2010, a portfolio that included a 10% allocation to EM real estate securities would have returned 1.1% per annum more than a portfolio excluding this allocation. Portfolio volatility, as measured by standard deviation, would have increased modestly.

EXHIBIT 4. BENEFITS TO INCREASING EM REAL ESTATE SECURITIES ALLOCATION  
10 Years Ended December 31, 2010



Source: Cohen & Steers.

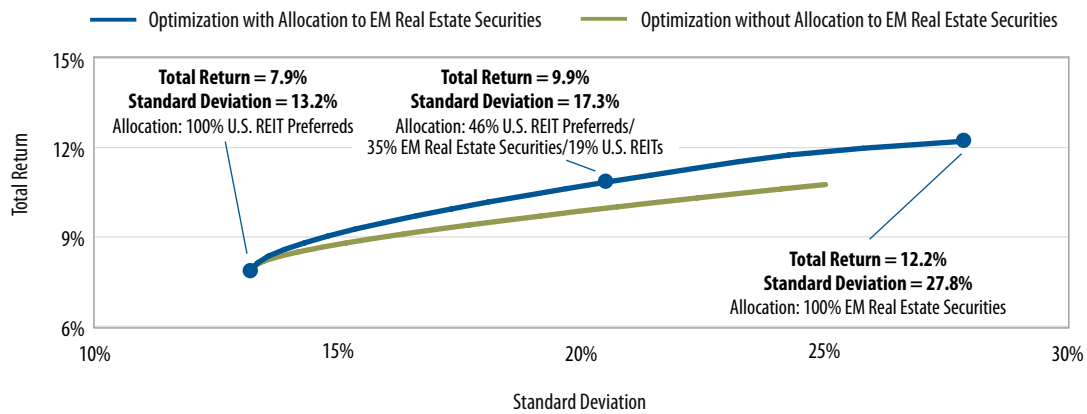
Past performance is no guarantee of future results. An investor cannot invest directly in an index.

(a) S&P 500 Index; (b) Russell 2000 Index; (c) MSCI EAFE Index; (d) FTSE EPRA/NAREIT Developed Real Estate Index; (e) Barclays Capital Global Aggregate Bond Index; (f) Citigroup 3-Month T-Bill; (g) Emerging Market Real Estate Linked Benchmark. See page 14 for index definitions.

The above asset allocation chart is hypothetical and is not intended to represent the results of any account or product managed by Cohen & Steers. Actual results may differ from those depicted in the chart. Asset allocation cannot assure a profit or protect against a loss in a declining market.

In Exhibit 5, an investor’s hypothetical real estate securities portfolio has been optimized to show how increasing an allocation to EM real estate securities in a portfolio of U.S. REIT preferreds, U.S. real estate and developed real estate securities can enhance return characteristics, without increasing risk excessively. The dark blue line labeled “Optimization with Allocation to EM Real Estate Securities” shows allocations ranging from 100% in U.S. REIT Preferreds (lowest risk; lowest returns), rising on the curve to 100% EM Real Estate Securities (highest Risk, highest returns). The green line labeled “Optimization without Allocation to EM Real Estate Securities” shows allocations ranging from 100% U.S. REIT Preferreds (lowest risk; lowest returns), rising on the curve to 100% U.S. real estate securities (highest risk, highest returns).

**EXHIBIT 5. OPTIMIZATION CHART**  
10 Years Ended December 31, 2010



As of December 31, 2010.

Source: Cohen & Steers.

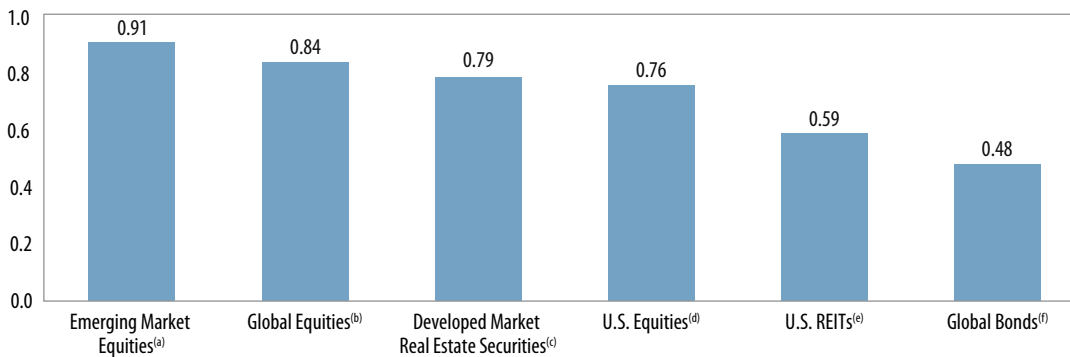
Past performance is no guarantee of future results. An investor cannot invest directly in an index.

Emerging Market Real Estate Securities are represented by the Emerging Market Real Estate Linked Benchmark. U.S. REITs are represented by the FTSE NAREIT Equity REIT Index. U.S. REIT Preferreds are represented by the BofA Merrill Lynch Fixed Rate Preferred Securities Index; Developed Market Real Estate Securities are represented by the FTSE EPRA/NAREIT Developed Real Estate Index. See page 14 for index definitions.

The above chart is hypothetical and is not intended to represent the results of any account or product managed by Cohen & Steers. Actual results may differ from those depicted in the chart.

Although historically there has been a high correlation between the returns of EM real estate securities and other asset classes, we expect this to change. As observed in other property markets as they mature from the early stages of development, correlations tend to fall as market performance becomes less driven by global influences and more linked to local economic conditions. We also may see correlations fall as more commercial (vs. residential) real estate is securitized in these regions.

**EXHIBIT 6. FIVE-YEAR CORRELATIONS TO EM REAL ESTATE SECURITIES**



As of December 31, 2010.

Source: Cohen & Steers.

Past performance is no guarantee of future results. An investor cannot invest directly in an index.

(a) MSCI Emerging Markets Index; (b) MSCI World Index; (c) FTSE EPRA/NAREIT Developed Real Estate Index; (d) S&P 500 Index; (e) FTSE NAREIT Equity REIT Index; (f) Barclays Capital Global Aggregate Bond Index. See page 14 for index definitions.

Today's high correlations with other asset classes should fall as market performance becomes less driven by global influences and more linked to local economic conditions.

Interestingly, correlations among property markets in various emerging countries are quite low, as we show in Exhibit 7. As such, investments in these individual markets can offer unique diversification benefits to an existing real estate allocation, and within an allocation to EM real estate securities.

EXHIBIT 7. FIVE-YEAR CORRELATIONS AMONG EMERGING REAL ESTATE SECURITIES MARKETS  
S&P Emerging Property Index

	Chile	China	Egypt	Indonesia	Malaysia	Philippines	Poland	South Africa	Taiwan	Thailand	Turkey
<b>Chile</b>	1.00										
<b>China</b>	0.39	1.00									
<b>Egypt</b>	0.52	0.33	1.00								
<b>Indonesia</b>	0.47	0.48	0.42	1.00							
<b>Malaysia</b>	0.52	0.44	0.33	0.45	1.00						
<b>Philippines</b>	0.54	0.39	0.41	0.50	0.56	1.00					
<b>Poland</b>	0.44	0.48	0.37	0.45	0.55	0.59	1.00				
<b>South Africa</b>	0.38	0.57	0.27	0.49	0.60	0.51	0.55	1.00			
<b>Taiwan</b>	0.44	0.50	0.27	0.42	0.23	0.35	0.38	0.19	1.00		
<b>Thailand</b>	0.47	0.46	0.33	0.36	0.43	0.56	0.44	0.46	0.55	1.00	
<b>Turkey</b>	0.42	0.43	0.43	0.58	0.61	0.62	0.56	0.71	0.25	0.44	1.00

As of December 31, 2010.

Source: S&P Emerging Property Index.

Past performance is no guarantee of future results. An investor cannot invest directly in an index. See page 14 for index definitions.

EM real estate securities have low country-to-country correlations, creating unique diversification opportunities.

## Unique Access to Emerging Market Opportunities

We view real estate investing as a direct and efficient way to capitalize on the regional and economic growth of emerging markets. For this reason, we believe real estate investments offer one of the most attractive opportunities within the EM universe. Often, these opportunities are not available through allocations to broad equities, developed property and direct EM property.

### Opportunities Not Available in Broad Equity or Developed Property Indexes

EM real estate securities have little or no representation in U.S., global and emerging equity markets; the same is true for developed market real estate securities.

EXHIBIT 8. ALLOCATION TO REAL ESTATE SECURITIES IN CORE ASSET CLASSES

Property Sector	Real Estate Securities	EM Real Estate Securities
S&P 500 Index	1.5%	0.0%
MSCI World Index	2.5%	0.0%
MSCI Emerging Market Index	1.7%	1.7%
FTSE EPRA/NAREIT Developed Real Estate Index	100.0%	2.7%

As of December 31, 2010.

Source: Bloomberg.

Past performance is no guarantee of future results. An investor cannot invest directly in an index. See page 14 for index definitions.

Real estate offers direct access to the high growth of emerging economies. These opportunities are very limited in developed market property or broad global equity indexes.

### U. S. and Global Equities

Global and U.S. equity market indexes each have a small allocation to real estate securities, but no exposure to emerging markets.

## Broad Equity Emerging Market Real Estate

While the largest real estate companies have direct exposure to their local markets, as shown in Exhibit 9, the largest index constituents of the broad equity index do not have this level of local exposure. For the most part, these companies are focused on resources and manufacturing, which are heavily influenced by global drivers and not as much by local drivers. For example, the fundamentals of exploration company LUKOIL—a major constituent of the Russian broad equity market—are driven mostly by global oil markets.

EXHIBIT 9. UNDERLYING LOCAL EXPOSURE OF MAJOR INDEX CONSTITUENTS

Market	Largest Real Estate Company	Local Exposure <sup>(a)</sup>	Major Local Equity Index Component	Local Index Weight	Local Exposure <sup>(a)</sup>	Sector Exposure
Brazil	PDG Realty SA Empreendi	99%	Petrobras	14%	75%	Resources
Russia	LSR	100%	LUKOIL	15%	43%	Resources
India	DLF Limited	100%	Reliance Industries	12%	43%	Resources
South Africa	Growthpoint Properties	96%	BHP Billiton PLC <sup>(b)</sup>	17%	2%	Resources

Source: Bloomberg, FTSE EPRA/NAREIT, Standard & Poor's.

The mention of specific securities is not a recommendation or solicitation for any person to buy, sell or hold any particular security. An investor cannot invest directly in an index.

(a) Percent of 2009 revenues from home country.

(b) BHP Billiton is an Australian Company listed on the JSE. In 2008, 2% of revenues were generated from operations in South Africa, while 9% was generated in Australia.

Russian equities are represented by the Moscow Interbank Currency Exchange (MICEX); Indian equities are represented by the Sensex; South African equities are represented by the JSE Limited; Chinese equities are represented by the FTSE China 25 Index. EM real estate securities are represented by the Emerging Market Real Estate Linked Benchmark. See the index definitions on page 14.

EM listed real estate companies tend to have a much higher exposure to local economic growth than other EM companies.

## Developed Market Real Estate Securities

The developed market real estate securities offer some access to emerging markets; however, the exposure is minimal (2.7% of the FTSE EPRA/NAREIT Developed Real Estate Index at 12/31/10). Further, approximately 90% of this EM allocation is through Hong Kong-listed companies that own property in China (mostly residential development).

Exhibit 10 provides a list of the top 10 companies in the FTSE EPRA/NAREIT Developed Real Estate Index that own property in emerging markets. In aggregate, these 10 companies create less than 5% of exposure to emerging markets. Notably, in March 2012, the pure Chinese developers will be removed from the FTSE EPRA/NAREIT Developed Real Estate Index (and moved to the FTSE EPRA/NAREIT Emerging Market Index).

EXHIBIT 10. DEVELOPED MARKET LISTED PROPERTY COMPANIES WITH EMERGING MARKET EXPOSURE

Company	Exchange	NAV EM Exposure	EPRA Developed Index Weight	EM Exposure	Country Exposure
China Overseas Land & Inv.	Hong Kong	100%	1.2%	1.2%	China
CapitalLand Ltd.	Singapore	48%	1.3%	0.6%	China
Sun Hung Kai Properties Ltd.	Hong Kong	15%	3.9%	0.6%	China
Hang Lung Properties Ltd.	Hong Kong	47%	1.1%	0.5%	China
China Resources Land Ltd.	Hong Kong	100%	0.5%	0.5%	China
Shimao Property Holdings Ltd.	Hong Kong	100%	0.3%	0.3%	China
Agile Property Holdings Ltd.	Hong Kong	100%	0.2%	0.2%	China
The Wharf (Holdings) Ltd.	Hong Kong	18%	1.1%	0.2%	China
Henderson Land Development	Hong Kong	18%	1.0%	0.2%	China
CapitaMalls Asia Ltd.	Singapore	48%	0.4%	0.2%	China

As of December 31, 2010.

Source: Cohen & Steers, FTSE EPRA/NAREIT.

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

In summary, EM real estate securities provide exposure to developing economies not found in global equity or developed property market indexes. They also generate a substantial portion of revenues from their home countries, providing direct access to the growth of these dynamic markets.

## Advantages of Listed Over Direct Real Estate Investments

### Liquidity

A key advantage of listed over direct property markets is liquidity. While it can be especially difficult to exit a direct real estate investment in less developed regions, listed investments can be constructed, sold and rebalanced on a timely basis. Liquidity also facilitates the ability to capitalize on different phases of each emerging market's economic and real estate cycles.

### The Information Advantage, Disclosure and Corporate Governance

Listed real estate markets offer a distinct advantage over direct property investments. Since listed companies are subject to the discipline of public market standards and regulations (e.g., disclosure and governance), real estate securities offer a much higher level of property and financial information to help investors make informed investment decisions. In contrast, many direct property markets are not mature, and the institutional management/third-party advisor market is limited.

### Value Creation from Effective Capital Allocation

We have also observed the ability of skilled management teams to create value beyond the underlying asset value of the real estate through acquisitions, dispositions and development. With leverage of just 12% (which is lower than the average 41% leverage of developed market real estate companies), EM real estate companies have strong balance sheets to fund growth. In addition, most listed property companies in emerging markets have a history of working successfully with foreign investors. We see this as an important advantage because of the cultural differences and language barriers that tend to be magnified in emerging countries.

### Ease of Diversification

Investors in EM real estate securities can diversify across a broad range of markets without the high capital investment often required with direct property investment. There is also a preponderance of companies in this universe that hold portfolios of multiple property investments, which can further mitigate the risks of investing.

## A Framework for Asset Allocation

We believe that 10%–20% of an investor's overall real estate investment portfolio should be allocated to EM real estate securities, subject to individual return and risk requirements. There are a number of ways to establish this portfolio weighting, such as basing the allocation on:

- The value of global listed property markets (about 8% of the \$1.2 trillion universe is in emerging markets)<sup>(1)</sup>
- A GDP-weighting approach (emerging markets comprise about 33% of global GDP)<sup>(2)</sup>
- A rough estimate of the world's underlying real estate (approximately 12% is in emerging markets)<sup>(3)</sup>
- An optimization approach (according to the optimization in Exhibit 5, the middle point on the curve has 35% allocated to EM)<sup>(4)</sup>

Source: (1) FTSE EPRA/NAREIT as of December 31, 2010; (2) IMF as of December 31, 2010 (3) Cohen & Steers estimates as of December 31, 2010; (4) Cohen & Steers as of December 31, 2010.

EM real estate securities offer distinct benefits over direct investment, from the perspective of liquidity, corporate governance and diversification potential.

Regardless of the methodology used to establish a portfolio weighting, we believe all investors should give careful consideration to the following:

### Existing Real Estate Portfolio Allocations

Investors should assess an allocation to emerging market real estate securities in the context of their existing frameworks for asset allocation:

- The tradeoffs between listed and direct property should be considered. In part, an appropriate allocation would be based on the investor's liquidity needs, time horizon, amount invested and appetite for risk.
- The investor's allocation to developed market real estate securities is also a factor. Since many developed market companies own properties in emerging markets, an investment in a listed developed market strategy already has approximately 2.7%<sup>(1)</sup> allocated to emerging markets. However, as noted earlier, the vast majority of this emerging market allocation is in Chinese properties, offering little diversification within the emerging market universe, and scheduled for removal from the FTSE EPRA/NAREIT Developed Real Estate Index in March 2012.

EM property companies tend to place a higher focus on development than developed market companies. Accordingly, the yield component tends to be lower.

### Business Models of Individual Property Companies

The business models of EM property companies place a greater focus on development, especially those in the residential for sale sector. As a result, the yield component tends to be lower relative to real estate companies in developed markets.

Today, about 51% of the universe is in residential development; however, we expect the percentage of investor companies (which own and operate existing real estate) to rise as new securitization occurs. We have already seen signs of this trend with the proportion of companies focused on commercial real estate ownership increasing 25% since the inception of the FTSE EPRA/NAREIT Emerging Real Estate Index on October 31, 2008. At the end of 2010, 30% of companies had a pure commercial focus, reflecting the growth of existing companies as well as a significant number of IPOs, including Fibro Uno (the first Mexican REIT), Sonae Sierra and BR Properties.

### Risk Profiles

The risks of investing in EM real estate securities should be assessed at the regional, country and company-specific level. Some important factors are outlined below:

#### Demographics and Income Levels

Demographic trends such as birth rates, the changing mix of age groups and urbanization are important demand drivers, and they are foundations to our expectations of the growth profile of EM companies. Income levels are also important; while demand is infinite, the ability to own a home, visit a shopping center and consume business services is limited to purchasing power. Evidence suggests that discretionary spending power begins to increase significantly at income levels above US\$10,000 per household.<sup>(2)</sup> However, the growth of these markets would be compromised to the extent these trends fail to develop.

Risks should be assessed at the sovereign and macroeconomic levels, with careful attention to demographic trends and government policy.

(1) Based on FTSE EPRA/NAREIT Developed Real Estate Index.

(2) Source: U.S. Bureau of Labor Statistics.

### **Macroeconomics**

The most important variables, in our view, are as follows:

- Economic growth: Often this is coupled with an outlook for export markets.
- Inflation: Emerging markets have a tendency to see inflationary pressures build when demand grows quickly.
- Fiscal imbalances: Note that deficits above 5% of GDP exacerbate the risk of capital flight, higher interest rates and/or currency devaluation.

### **Access to Financing and Government Policy**

Most emerging markets are underpenetrated in terms of mortgage and consumer finance availability, but this is changing rapidly. Access to debt financing is increasing and this can accelerate the effects of demographic drivers.

Often, access to financing in emerging markets is either direct (through a government agency) or indirect (by creating banking sector incentives encouraged by governments). It is important to understand local market policies specifically directed to real estate, including subsidies for home ownership (typically for lower income buyers), limits on down payments and selling practices, and any provisions for state housing.

### **Property Rights and Sovereign Risk**

The ability to protect rights on property investments in emerging markets is crucial. For real estate, this primarily relates to land ownership, the ability to own majority interests, supply constraints, the legal system and ability to enforce rights as a foreigner, and capital controls (i.e., the ability to execute on a viable exit strategy). In addition, political risk is generally higher, leading to the potential for changes to rules and regulations.

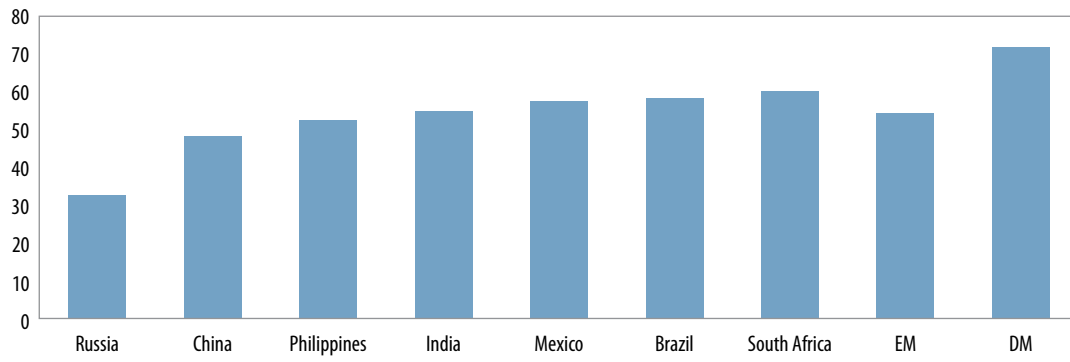
### **Liquidity and Corporate Governance**

The heightened risks of investing in emerging market real estate securities require a greater focus on liquidity and corporate governance, compared with developed markets.

To help qualify the above risks from a listed real estate perspective, Cohen & Steers has designed a corporate governance rating system, which we apply to both emerging markets and developed markets. This rating system is incorporated into our investment process, where risk premiums impact our bottom-up company valuations. We consider a variety of structural factors, including board composition, corporate governance, past conduct, compensation and incentives, potential conflicts of interests and transparency/disclosure, among others. Exhibit 11 presents our governance ratings for emerging markets.

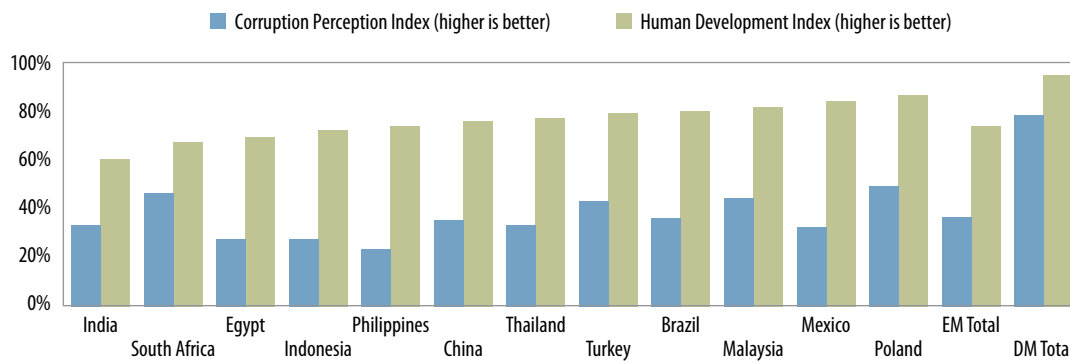
The heightened risks of investing in emerging market real estate securities require a greater focus on liquidity and corporate governance.

EXHIBIT 11. CORPORATE GOVERNANCE RATINGS



As of December 31, 2010.  
 Source: Cohen & Steers.  
 EM = Emerging Markets.  
 DM = Developed Markets.

EXHIBIT 12. EM CORRUPTION PERCEPTION AND HUMAN DEVELOPMENT INDEX



As of December 31, 2010.  
 Source: World Bank.

## Conclusion

Through our research, we have made the case that EM real estate securities can access unique opportunities in global markets. In our opinion, high-growth expectations for these markets, coupled with the attractive risk/return profiles of this asset class, point to the potential benefits an allocation to EM real estate securities can have on an investor’s overall portfolio. We emphasize investments with ample liquidity, in companies led by strong management teams focused on corporate governance and value creation. We also assess a home country’s macroeconomic outlook, sovereign risks and government policies with respect to real estate. While the case for EM real estate securities is compelling, we advocate active management by investors with experience in these markets, given the complexities and heightened risks of investing.

## Appendix: Geographic and Sector Breakdowns and Characteristics of Emerging Market Real Estate Securities

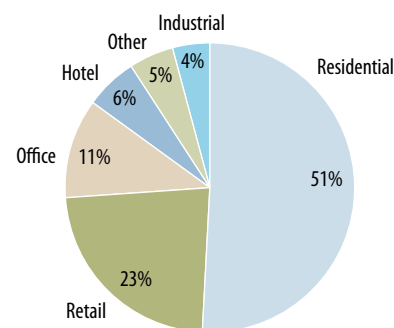
Below, we provide details on the FTSE EPRA/NAREIT Emerging Real Estate Index at December 31, 2010. The index spans 14 countries across the Asia Pacific region, Latin America, the Middle East/Africa and Europe. Brazil is by far the largest market, followed by South Africa, China and India. Considering population and urbanization trends in these countries, it's not surprising that residential real estate comprises a high percentage of the market.

EXHIBIT 13A. GEOGRAPHIC WEIGHTS

Region/Country	% of Index
<b>Asia Pacific</b>	<b>40.4%</b>
China	10.1%
India	9.3%
Malaysia	6.1%
Philippines	5.5%
Thailand	5.1%
Indonesia	4.0%
Taiwan	0.3%
<b>Latin America</b>	<b>37.4%</b>
Brazil	31.5%
Mexico	5.9%
<b>Middle East/Africa</b>	<b>21.0%</b>
South Africa	15.5%
United Arab Emirates	4.3%
Egypt	0.8%
Turkey	0.4%
<b>Europe</b>	<b>1.2%</b>
Poland	1.2%

As of December 31, 2010.  
Source: FTSE EPRA/NAREIT Emerging Real Estate Index.  
Portfolio weights are subject to change.

EXHIBIT 13B. PROPERTY SECTOR WEIGHTS



As of December 31, 2010.  
Source: FTSE EPRA/NAREIT Emerging Real Estate Index.  
Portfolio weights are subject to change.

EXHIBIT 14. CHARACTERISTICS

	Emerging Market Index <sup>(a)</sup>	Developed Market Index <sup>(b)</sup>
Premium or Discount to Net Asset Value	0.3%	3.7%
Dividend Yield <sup>(c)</sup>	2.2%	3.6%
Weighted Average Market Cap.	US\$3.3B	US\$10.4B
Number of Holdings	89	282
Number of Countries	14	21
REITs	4%	68%
% Development	37%	10%
Debt-to-Asset Value	12%	41%

As of December 31, 2010.  
*Past performance is no guarantee of future results.* An investor cannot invest directly in an index.  
(a) FTSE EPRA/NAREIT Emerging Real Estate Index.  
(b) FTSE EPRA/NAREIT Developed Real Estate Index.  
(c) IDC/Wilshire (dividend declaration methodology).  
Weighted-average characteristics of common stocks in the index. Certain characteristics are estimates based on an analysis by Cohen & Steers; actual results could vary.

EXHIBIT 15. TOP CONSTITUENTS BY REGION

	Country	Sector	% of Index <sup>(a)</sup>
<b>Asia Pacific</b>			
DLF Limited	India	Diversified Developer	4.0%
Unitech Limited	India	Diversified Developer	3.4%
Ayala Land Inc.	Philippines	Residential Developer	2.4%
<b>Europe/Middle East/Africa</b>			
Growthpoint Properties	South Africa	Retail Investor	5.3%
Redefine Properties Ltd.	South Africa	Retail Investor	3.9%
Emaar Properties	United Arab Emirates	Diversified Developer	3.5%
<b>Latin America</b>			
PDG Realty SA Empreendimentos e Participações	Brazil	Homebuilder	8.1%
Cyrela Brazil Realty	Brazil	Homebuilder	5.0%
BR Malls Participações	Brazil	Retail Investor	3.8%

As of December 31, 2010.

Source: FTSE EPRA/NAREIT.

The mention of specific securities is not a recommendation or solicitation for any person to buy, sell or hold any particular security. An investor cannot invest directly in an index.

(a) FTSE EPRA/NAREIT Emerging Real Estate Index.

### **Index Definitions**

#### ***Past performance is no guarantee of future results.***

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

The S&P 500 Index, a gauge of the U.S. equities market, includes a sample of 500 leading companies in leading industries of the U.S. economy.

The MSCI World Index consists of a wide selection of stocks traded in 23 developed countries. It is weighted for market capitalization and is considered an important benchmark of the state of global stock markets.

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The Citigroup 3-Month T-Bill Index measures monthly return equivalents of yield averages that are not marked to market. The Three-Month Treasury Bill Indexes consist of the last three three-month Treasury Bill issues.

The Barclays Capital Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities.

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

The FTSE EPRA/NAREIT Emerging Real Estate Index is an unmanaged portfolio of approximately 97 constituents from 15 countries, the returns of which reflect no deduction for fees and expenses but are net of dividend withholding taxes.

The FTSE NAREIT Equity REIT Index is an unmanaged market-capitalization-weighted index of all tax-qualified Equity REITs listed on the NYSE, AMEX and Nasdaq that have 75% or more of their gross invested book assets invested directly or indirectly in the equity ownership of real estate.

The S&P Emerging Property Index is an unmanaged portfolio of approximately 141 constituents from 13 countries.

The Emerging Market Real Estate Linked Benchmark is a linked benchmark, using the S&P Emerging Property Index for periods prior to October 31, 2008 and the FTSE EPRA/NAREIT Emerging Market Real Estate (net) Index for periods thereafter.

The BofA Merrill Lynch Fixed Rate Preferred Securities Index tracks the performance of fixed-rate U.S. dollar-denominated preferred securities issued in the U.S. domestic market. Qualifying securities must be rated investment grade (based on an average of Moody's, S&P and Fitch) and must have an investment grade-rated country of risk (based on an average of Moody's, S&P and Fitch foreign currency long-term sovereign debt ratings).

The Moscow Interbank Currency Exchange (MICEX) trades stocks, bonds, currencies, and derivatives in more than 600 publicly traded companies with a market capitalization of tens of trillions of rubles.

Sensex is an index of the 30 most actively traded stocks on the Bombay Stock Exchange (BSE). The Sensex is considered the most important benchmark index on the BSE, and it is the oldest stock index in India.

The JSE Limited, previously the JSE Securities Exchange and the Johannesburg Stock Exchange, is the largest stock exchange in Africa.

The FTSE China 25 Index consists of the 25 largest and most liquid Chinese stocks listed and traded on the SEHK.

## Glossary of Terms

**Asset Allocation:** The asset allocation is for illustrative purposes only and is not intended to represent the returns of any specific security. It provides historical risk and return data for various indices. Asset allocation cannot assure a profit or protect against a loss in a declining market.

**Standard Deviation:** Risk is measured by standard deviation. Standard deviation is a measure of the dispersion of a set of data from its mean. The more spread apart the data is, the higher the deviation. The higher the standard deviation of an investment's returns, the greater the relative riskiness because of uncertainty in the amount of returns.

**Sharpe ratio:** Used to characterize how well the return of an asset compensates the investor for the risk taken; the higher the Sharpe ratio the better.

**Correlation:** Statistical measure that defines the degree of relationship between two variables. Correlation coefficients measure the degree to which the returns of one index move together with the other indexes. The correlation coefficient will vary from -1.0 (perfect negative correlation) to 1.0 (perfect positive correlation).

**Optimization:** An optimized portfolio is allocated in such a way that return is maximized for a given risk level, or risk is minimized for a given expected return level.

*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 as of April 2011, 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.*

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**Risks** of investing in REITs are similar to those associated with direct investments in real estate securities, including falling property values due to increasing vacancies, declining rents resulting from economic, legal, tax or political developments, lack of liquidity, limited diversification and sensitivity to certain economic factors such as interest rate changes and market recessions.

Risks of investing in foreign securities, which can be expected to be greater for investments in emerging markets, include currency risks, future political and economic developments and possible imposition of foreign withholding taxes on income payable on the securities. In addition, there may be less publicly available information about a foreign issuer than about a domestic issuer, and foreign issuers may not be subject to the same accounting, auditing and financial recordkeeping standards and requirements as domestic issuers.

Securities of companies in emerging markets may be more volatile than those of companies in more developed markets. Emerging market countries generally have less developed markets and economies and, in some countries, less mature governments and governmental institutions. Investing in securities of companies in emerging markets may entail special risks relating to potential economic, political or social instability and the risks of expropriation, nationalization, confiscation or the imposition of restrictions on foreign investment, the lack of hedging instruments, and on repatriation of capital invested. The securities and real estate markets of some emerging market countries have in the past sometimes experienced substantial market disruptions and may do so in the future.

*This commentary must be accompanied by the most recent Cohen & Steers Fund fact sheet if used in connection with the sale of mutual fund shares.*

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## About Cohen & Steers

Cohen & Steers is a manager of portfolios specializing in U.S. and international real estate securities, large cap value stocks, listed infrastructure and utilities, and preferred securities. The company also manages alternative investment strategies such as hedged real estate securities portfolios and private real estate multimanager strategies for qualified investors. Headquartered in New York City, with offices in London, Brussels, Hong Kong and Seattle, Cohen & Steers serves individual and institutional investors through a broad range of investment vehicles.

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