

## Preferred Securities

*An income advantage in a low-yield environment.*



### The case for investing in preferred securities is strong.

- With inflation fears receding and interest rates at record lows, preferred securities are attracting income-seeking investors.
- Preferred securities' *income advantage* over Treasuries and corporate bonds has widened recently, and is well above historical norms.
- Investors seeking to manage portfolio risk are diversifying into preferreds, which historically have had a *low correlation* to stocks and bonds—and further diversifying their preferred investments across industries and countries.
- The majority of preferred securities are rated *investment grade*, which allows investors to boost yield without significantly sacrificing quality.

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*“The Fed is on hold,  
credit quality is  
improving and the  
income preferreds offer  
is very hard to beat.”*

*William Scapell, SVP  
Director of Fixed Income  
Cohen & Steers*

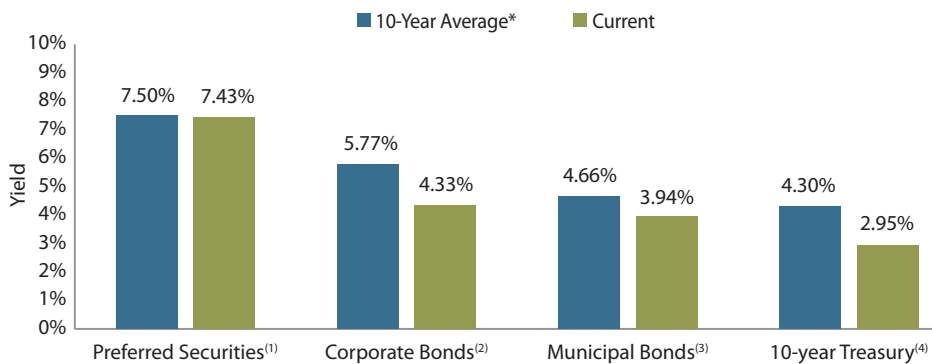
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*This brochure must be accompanied by the most recent applicable quarterly Cohen & Steers mutual fund fact sheet(s) if used in connection with the sale of mutual fund shares.*

## Income in a Low-Yield Environment

Preferred securities have historically generated among the highest income rates in the investment-grade fixed income universe. Currently, their income advantage over corporate bonds and other fixed income asset classes is well above historical norms. An allocation to preferreds may enhance a fixed income portfolio's yield without significantly changing the credit quality profile.

### PREFERRED SECURITIES' INCOME ADVANTAGE



Source: Bloomberg and Cohen & Steers at June 30, 2010.

*Past performance does not guarantee future results.* The information presented above does not reflect the performance of any fund managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance reflected above. An investor cannot invest directly in an index.

\* Average of the annual income rate using month-end index information from 6/30/2000–6/30/2010.

(1) BofA Merrill Lynch Fixed Rate Preferred Securities Index (credit quality: BBB+) (2) BofA Merrill Lynch Corporate Master Index (credit quality: A-)

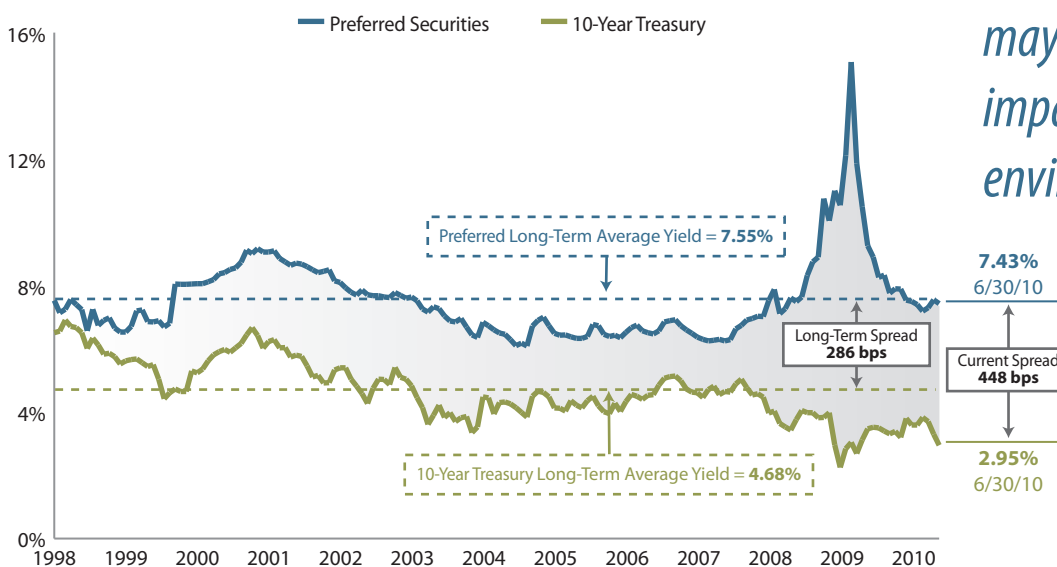
(3) BofA Merrill Lynch Municipal Master Index (credit quality: AA-) (4) 10-year Treasury (credit quality: AAA).

See back page for index definitions.

Preferred yields remain near historical averages, in contrast to investment-grade corporate bonds, whose yields have declined. Preferred spreads over 10-year Treasuries remain wide, which may provide a buffer if inflation heats up. Against this backdrop, investors seeking income should find appeal in preferred securities.

### YIELD HISTORY

December 1998–June 30, 2010



Source: Bloomberg and Cohen & Steers.

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See back page for index definitions.

*Preferred spreads over other fixed income investments is above historical norms.*

*Wide spreads and generally stable income may cushion the impact of a rising rate environment.*

## Diversification Within Preferreds

Preferred securities also offer diversification by industry. Although financial companies account for the majority of the market, utilities, telecommunications, real estate and cable companies also issue preferreds.

### INDUSTRY OUTLOOK AND TOTAL RETURN THROUGH JUNE 30, 2010

Industry	YTD Total Return <sup>(1)</sup>	Cohen & Steers' Outlook
Cable/Media	8.0%	The economic rebound is helping media. We favor cable companies for the long term.
Real Estate	7.1%	Operating fundamentals to trough in 2010. Balance sheets are mostly sound after recapitalizations, and some companies are ready for offense. Good income rates/discounts.
Insurance	5.4%	Although life insurers are recovering, we still favor property & casualty and reinsurance companies.
Banking	4.3%	A rapidly stabilizing sector with good opportunities. Spreads are attractive, but challenges, including banking reform, persist. We remain opportunistic.
Utility	4.3%	Generally stable; we are watching the supply and free cash flow picture.
Telecom	3.3%	The credit outlook for national players is generally benign.

Source: Bloomberg and Cohen & Steers.

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(1) Data represent market value statistics based on BofA Merrill Lynch Fixed Rate Preferred Securities Index at June 30, 2010.

(2) At June 30, 2010 as measured by BofA Merrill Lynch Fixed Rate Preferred Securities Index and the S&P 500 Index.

See back page for index definitions.

*In the first half of 2010 preferred securities had a total return of 4.7%, vastly outpacing the broad equity market return of -6.7%.<sup>(2)</sup>*

## U.S. Financial Reform and the European Debt Crisis

Global governments' work toward economic recovery and a stronger financial system will have an impact on preferred securities.

In the United States, hybrid preferred securities, such as trust preferred securities will likely be phased out of banks' Tier 1 capital, as they are a form of debt, rather than equity. (They will still qualify as Tier 2 capital.)<sup>(3)</sup> While this will happen incrementally over several years, refinancing existing securities with new ones and/or call, tender and buyback activity could be a positive catalyst for the market.

The European sovereign debt crisis has put the continent's banks under the microscope, and could result in calls for higher capital. The Committee of European Banking Supervisors conducted stress tests to determine capital adequacy. While most large organizations will require little or no new capital, we believe that the market may benefit from additional equity, possibly including preferred securities.

(3) Tier 1 capital is a regulatory capital concept. The ratio of Tier 1 to risk-weighted assets is one important measure of financial strength. It consists primarily of common stock and disclosed reserves or retained earnings, but may also include convertible and preferred securities. Tier 2 capital consists of supplementary capital, such as undisclosed reserves, revaluation reserves, general provisions, hybrid instruments and subordinated term debt.

## Why Invest in Preferred Securities

<b>Competitive yield and income potential</b>	Preferreds have historically generated among the highest income rates in the investment-grade fixed income universe.
<b>Quality</b>	The majority of the \$500 billion preferred market is investment grade. <sup>(1)</sup>
<b>Diversification</b>	Preferreds have historically demonstrated a low correlation to other asset classes.
<b>Tax-advantaged payouts</b>	Some classes pay dividends rather than interest income. Qualified Dividend Income (QDI) is currently taxed at 15%, and interest is taxed as ordinary income. <sup>(2)</sup>
<b>Tailored investment opportunities</b>	There are preferreds to meet a number of investment and tax objectives.

(1) Source: Bloomberg and Cohen & Steers.

(2) QDI tax rate 15%; this rate is expected to expire at the end of 2010, unless extended by Congress.

## Why Cohen & Steers

Cohen & Steers is a manager of income-oriented portfolios specializing in U.S. and international real estate securities, large cap value stocks, utilities and listed infrastructure, and preferred securities. Our preferred securities investment team, which comprises four investment professionals and a dedicated trader, brings an average of 10 years of experience. The team covers preferred and other fixed income securities, and can draw on the firm's deep research resources in real estate and large cap value stocks, utilities and listed infrastructure.

### Risks of Investing in Preferred Securities

Investing in any market exposes investors to risks. In general, the risks of investing in preferred securities are similar to those of investing in bonds, including credit risk and interest-rate risk. As nearly all preferred securities have issuer call options, call risk and reinvestment risk are also important considerations. In addition, investors face equity-like risks, such as deferral or omission of distributions, subordination to bonds and other more senior debt, and higher corporate governance risks with limited voting rights.

#### Index Definitions

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

**10-Year Treasury:** A 10-year Treasury is a debt obligation issued by the U.S. Treasury that has a term of more than one year, but not more than 10 years.

**Municipal bonds:** The BofA Merrill Lynch Municipal Master Index tracks the performance of U.S. dollar-denominated investment-grade tax-exempt debt publicly issued by U.S. states and territories and their political subdivisions in the U.S. domestic market. Qualifying securities must have at least one year remaining to final maturity, a fixed coupon schedule and an investment-grade rating (based on an average of Moody's, S&P and Fitch).

**Corporate bonds:** The BofA Merrill Lynch Corporate Master Index tracks the performance of U.S. dollar-denominated investment-grade corporate debt publicly issued in the U.S. domestic market.

Qualifying securities must have an investment-grade rating (based on an average of Moody's, S&P and Fitch) and 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).

**Preferred securities:** 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).

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

Please consider the investment objectives, risks, charges and expenses of a fund carefully before investing. A prospectus containing this and other information may be obtained from your financial advisor or by calling 800.330.7348 or visiting [cohenandsteers.com](http://cohenandsteers.com). Please read the prospectus carefully before investing.

This brochure is provided for informational purposes only, should not be considered investment advice and represents an assessment of the market environment at a specific point in time. The views and opinions expressed herein are as of the date of publication and are subject to change at any time based upon market or other conditions.

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