COHEN & STEERS

Cohen & Steers Emerging Markets Real Estate Securities Strategy

We would like to share with you our review and outlook for emerging markets real estate securities as of February 29, 2012. For the month, the FTSE EPRA/NAREIT Emerging Real Estate Index had a total return of +8.9% in U.S. dollars (net of dividend withholding taxes), compared with +3.5% for the FTSE EPRA/NAREIT Developed Real Estate Index (net), a broad measure of the global real estate securities market. Year to date, the indexes had returns of +24.6% and +11.5%, respectively.

Investment Review

Emerging market real estate securities added to their year-to-date gains in February, although the pace of the rally slowed. Notwithstanding rising oil prices, most markets continued to benefit from moderating inflation, which has opened doors to more policy easing. Emerging markets outpaced their developed counterparts in an environment that especially favored investments with higher risk/reward profiles.

Brazil had a total return of +7.6%.[(1)] Inflation continued to moderate from a peak of 7.3% in September and was modestly lower than expected in February, increasing the likelihood that the country's central bank would continue to lower interest rates (which it did in March). BR Malls, one of the market's largest constituents, announced solid fourth-quarter earnings fueled by strong internal growth. Mexico (–12.6%), by contrast, was a poor performer. The market has been characterized by relatively lackluster real estate business models. And although the government has increased its mortgage subsidies, it is now focused on vertical housing, which has been a difficult transition for the home builders.

China (+22.5%) rallied on optimism that a "soft landing" scenario will involve lifting restrictions on housing activity, which were clearly effective in cooling prices in 2011. Within India (+11.6%), residential developer Unitech was a leading performer in a period that benefited riskier assets. South Africa (+1.6%), whose property companies have relatively stable cash flows, underperformed amid increased tolerance for risk.

Investment Outlook

As emerging economies work through the late stages of a mid-cycle slowdown, policy markets are attempting to engineer soft landings as inflation pressures continue to moderate. Given the potential for better domestic growth in such an environment, we expect to take advantage of buying opportunities among residential developers, and have selectively been moving in that direction.

Index Performance (USD)

Period	FTSE EPRA/NAREIT Emerging Index (Net)
February 2012	8.9%
YTD	24.6%
1 Year	2.7%
3 Years	31.1%

Past performance does not guarantee future results. This information is not representative of any Cohen & Steers account and no such account will seek to replicate an index. You cannot invest directly in an index. Total returns of the FTSE EPRA/NAREIT Emerging Index (Net), is an unmanaged portfolio of approximately 89 constituents from 14 countries, the returns of which reflect no deduction for fees and expenses but are net of dividend withholding taxes.

Index Characteristics

Premium to Net Asset Value	5.4%
Premium to Dividend Discount Model	4.4%
Dividend Yield	2.7%
Price/Cash Flow (2012E)	15.8x
Cash Flow Growth (2012E vs. 2011)	19.0%
Cash Flow Growth (2013E vs. 2012E)	15.2%
Weighted-Average Market Cap.	$3.1B%
Total Market Capitalization	$156.0B
Number of Securities	107
Number of Countries	15

Source: Cohen & Steers.

Characteristics are market capitalization-weighted averages of estimates for companies in the FTSE EPRA/NAREIT Emerging Index and are subject to change over time.

(1) Country returns are in local currency as measured by the FTSE EPRA/NAREIT Emerging Real Estate Index.

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Index Performance by Country

	February		YTD	
	Local	USD	Local	USD
Latin America	**5.9%**	**8.0%**	**17.6%**	**27.8%**
Brazil	7.6%	9.7%	19.3%	29.6%
Chile	7.2%	10.1%	10.5%	20.1%
Mexico	**-12.6%**	**-11.2%**	0.9%	10.0%
Asia Pacific	**9.1%**	**9.9%**	**20.4%**	**24.4%**
Taiwan	25.8%	26.6%	46.5%	50.9%
India	11.6%	12.6%	37.9%	49.4%
China	22.5%	22.5%	40.2%	40.4%
Philippines	9.5%	9.8%	28.6%	31.9%
Thailand	5.3%	7.6%	11.5%	16.2%
Malaysia	0.7%	2.3%	5.8%	11.9%
Indonesia	5.5%	5.2%	7.6%	8.2%
Europe	**5.1%**	**7.2%**	**14.3%**	**24.3%**
Turkey	9.4%	11.0%	17.2%	26.7%
Poland	-12.5%	-8.2%	1.8%	13.7%
Middle East/Africa	**5.1%**	**9.0%**	**11.1%**	**18.5%**
Egypt	64.9%	64.8%	116.9%	116.9%
United Arab Emirates	16.9%	16.9%	24.1%	24.1%
South Africa	1.6%	6.3%	7.0%	16.0%

Source: Bloomberg.

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Our favored markets include Brazil, based on its natural resources, growing consumption trends and shareholder-friendly business environment. We particularly like the retail market, which continues to exhibit strong fundamentals. We prefer Asia Pacific countries with more flexible economic policies, particularly Thailand and Indonesia. South Africa has attractive characteristics in the form of stable cash flows and relatively low volatility. We are underweight in Mexico and continue to view the Middle East as unsuitable for investment due to political instability.

Index rebalancing

As of March 16, FTSE rebalanced and expanded its Emerging Market Real Estate Index. Among the changes, several large China companies have migrated from FTSE's Developed Real Estate Index, and China accounts for 25% of the Emerging index, up from an 8% weight (the Developed index now offers almost no access to emerging real estate markets).

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