

Cohen & Steers Global Real Estate Securities Strategy

We would like to share with you our review and outlook for the global real estate securities market as of March 31, 2012. The FTSE EPRA/NAREIT Developed Real Estate Index had a total return of +12.7% for the first quarter (net of dividend withholding taxes) in U.S. dollars.

Investment Review

Global real estate securities had a strong gain in the first quarter, a positive period for stocks broadly amid a lessening of macro risk concerns. Investor confidence improved as Europe avoided a bank liquidity crisis, the U.S. showed modest but sustained growth and China appeared headed for a soft landing.

The U.S. had a total return of +10.8% as measured by the FTSE NAREIT Equity REIT Index. All U.S. property sectors advanced during the quarter, led by industrial REITs (+23.6%⁽¹⁾ in the index). The sector's largest constituent, ProLogis, reported solid revenue growth due to occupancy gains, including surprising strength in its European assets. Hotels (+13.5%), arguably the most economically sensitive property type, also outperformed.

Owners of regional malls (+15.2%) and shopping centers (+14.9%) had strong returns amid better consumer sentiment and jobs growth, with Class B and C property owners, such as Pennsylvania REIT, benefiting the most. Office REITs (+10.7%) were mixed, characterized by stronger-than-expected demand in specific markets, including the West Coast (technology and life sciences) and Manhattan (media and technology).

Defensive property sectors underperformed, including health care (+2.3%) and self storage (+6.6%). Apartment REITs (+8.5%) also lagged the index, despite generally good earnings reports, due to early signs that the clearing of foreclosed homes is creating new competition via rental units.

Property transactions demonstrated access to capital

U.S. REITs continued to take advantage of their ability to raise equity and debt capital at historically low rates. This advantage was on display in March with Simon Property Group's acquisition of a 29% stake in Klépierre, a French retail landlord majority-owned by BNP Paribas. Simon moved quickly on this long-term growth opportunity, funding the transaction within 24 hours of the announcement through a heavily subscribed equity offering.

(1) Sector returns are measured by the FTSE NAREIT Equity REIT Index.

(2) Country returns are in local currencies as measured by the FTSE EPRA/NAREIT Developed Real Estate Index.

Europe rebounded

The European Central Bank alleviated fears of a bank liquidity crisis by expanding its Long-Term Refinancing Operation (LTRO), first announced in December. The program allowed virtually any European bank to receive low-cost three-year loans using flexible collateral requirements.

The U.K had a total return of +10.5%⁽²⁾, participating in the broad rise in assets despite a weak economy as investors embraced more risk. There were also positive amendments announced to the country's REIT legislation as part of the draft legislation for Finance Bill 2012. Among them were 1) abolition of the 2% entry charge, making it easier for companies to

Index Performance (USD)

Period	FTSE EPRA/NAREIT Developed Real Estate Index (Net)
Q1 2012	12.7%
1 Year	2.5%
3 Years	30.6%
5 Years	-4.8%
10 Years	9.9%

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 Developed Real Estate Index (Net), 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. Periods greater than one year are annualized. Returns from 02/28/05 to the present are calculated net of dividend withholding taxes. As the index does not calculate the net return prior to 02/28/05, the 10-year return is a blend of net and gross.

Index Characteristics

Premium to Net Asset Value	3.7%
Premium to Dividend Discount Model	0.3%
Dividend Yield	3.8%
Price/Cash Flow (2012E)	17.4x
Cash Flow Growth (2012E vs. 2011)	5.1%
Cash Flow Growth (2013E vs. 2012E)	7.5%
Weighted-Average Market Cap.	\$11.1B
Total Market Capitalization	\$996.0B
Number of Securities	282

Source: Cohen & Steers.

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

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Index Performance by Country

	Q1 2012	
	Local	USD
Asia Pacific	17.8%	16.5%
Singapore	25.6%	29.5%
Japan	31.6%	23.0%
Hong Kong	12.8%	12.8%
New Zealand	5.4%	10.8%
Australia	7.3%	8.5%
Europe	10.0%	12.8%
Italy	32.3%	35.8%
Norway	20.7%	26.2%
Netherlands	14.5%	17.5%
Germany	12.1%	15.0%
France	10.8%	13.6%
United Kingdom	10.5%	13.6%
Finland	10.2%	13.0%
Greece	6.3%	9.0%
Austria	4.5%	7.2%
Switzerland	4.4%	8.0%
Sweden	3.9%	7.3%
Belgium	2.3%	4.9%
Spain	-32.0%	-30.2%
North America	10.4%	10.6%
United States	10.9%	10.9%
Canada	6.7%	8.7%

Source: Bloomberg.

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convert to the tax-efficient REIT status, and 2) a new diverse-ownership rule, allowing certain institutional investors to own majority stakes (up to 100%) in REITs without breaching regulations.

In France (+10.8%), Klépierre was a strong performer due to the Simon acquisition. The deal signaled that well-capitalized companies such as Simon can take advantage of property buying opportunities in Europe. It was also taken as a positive sign regarding Europe's banking sector: the transaction raised fresh equity for BNP Paribas.

The Netherlands (+14.5%) saw strong gains from Corio and Eurocommercial Properties, whose portfolios include properties in Italy and Spain; they benefited disproportionately as perceived risk diminished. They drew further support from the Klépierre news, as it suggested that other companies with pan-European portfolios might be candidates for a similar transaction.

Asia Pacific was lifted by strength in Japan

Japan (+31.6%) led the rally in Asia Pacific markets. The Bank of Japan, attempting to shift the country away from its persistent deflation, announced an explicit target of 1% annual gains in consumer prices. The yen reversed its upward trend to depreciate in the quarter, sparking hopes that Japan's exports would revive and help the country's fragile economy. The bank also continued to buy J-REITs as part of its asset purchasing program.

In Hong Kong (+12.8%), shares of lower-quality developers rallied on speculation that the government might limit its directed policies on residential development. The rally in Singapore (+25.6%) was paced by development companies that had previously been under pressure from government regulatory actions to push down residential property prices.

Australia (+7.3%) underperformed. The country's central bank, which reduced interest rates twice in late 2011, held rates steady at 4.25% through the quarter, disappointing investors expecting at least one more cut. The bank indicated that it will keep rates on hold over the near term absent a significant weakening in the domestic economy.

Investment Outlook

We are encouraged by the recent trend of U.S. economic data showing measured improvement, although our expectation for GDP growth in 2012 remains modest at around 2%. With funding costs likely to remain low and demand showing signs of strengthening, we believe U.S. real estate fundamentals will continue to gradually improve in 2012, driven by growing demand from tenants and the scarcity of new supply in most markets. We believe these fundamentals will help support growth in asset values and dividend distributions for the U.S. public real estate sector.

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Europe faces challenges

Europe's attempt to rein in its fiscal imbalances has made for a negative macroeconomic backdrop, and we expect a moderate recession as a base-case scenario for the continent, marked by more severe contraction in the southern region. The recent LTRO facilities have prevented a severe credit crunch and collapse of the EU banking system. However, we take the view that this three-year program merely buys time to sort out the overleveraged balance sheets of most EU banks. It does not solve the long-term solvency crisis facing Greece and possibly Portugal.

Given this environment, we seek to invest in companies that are best able to shield themselves from the most adverse effects of slowing economies and a general deleveraging. We favor owners of prime office and retail properties that also have solid balance sheets, a combination that provides an alternative to pure banking finance: access to debt capital markets.

Asia Pacific leans toward policy easing

We remain underweight Japan based on relative fundamentals and business models. In the office market, we expect tenants will become more discerning on earthquake resistance, and favor newer and safer buildings, which should benefit companies that own such properties.

Hong Kong's economy is likely to moderate further, although renewed liquidity in China could create select pockets of strength. The prime retail sector stands to benefit most from mainland tourist spending, but nationwide sales growth may slow due to tempering consumer confidence.

In Australia, we expect only a slow recovery in consumer spending given the central bank's reluctance to loosen monetary policy further. The mining economy continues to be a strong driver of incremental growth, but the non-mining economy has not seen a significant benefit from stronger capital expenditures.

Singapore's cyclical sectors, such as offices and hotels, stand to benefit the most as the global growth recovers, given the country's open economy nature. We are more positive on hotels due to tighter supply and strong intra-regional traveling.

Past performance is no guarantee of future results. The performance information in the preceding commentary does not reflect the performance of any fund, product or account managed or serviced by Cohen & Steers. The views and opinions in the preceding commentary are as of the date of publication and are subject to change. There is no guarantee that any market forecast set forth in this presentation will be realized. This material should not be relied upon as investment advice, does not constitute a recommendation to buy or sell a security or other investment and is not intended to predict or depict performance of any investment.