Global Real Estate Securities Valuations Present Potential Opportunity

Global real estate securities are trading towards the middle of their five-year historical range relative to their underlying property assets (upper chart) and towards the bottom relative to cash flows (lower chart). We believe this is appropriate considering the steady growth of the global economy, modest new supply and still historically low financing costs. When compared to broad equities—which are trading at the top of their five-year P/E range in the U.S. and globally—we believe global real estate securities represent an attractive opportunity.

At July 31, 2017.

Source: Cohen & Steers estimates based on proprietary qualitative and quantitative metrics. Only major REIT sectors are shown individually.

Data quoted represents past performance, which is no guarantee of future results. The information presented above does not reflect the performance of any fund or account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance reflected above. There is no guarantee that any historical trend illustrated above will be repeated in the future, and there is no way to predict precisely when such a trend might begin. An investor cannot invest directly in an index and index performance does not reflect the deduction of any fees, expenses or taxes.

(a) NAV (Net Asset Value) seeks to calculate the net market value of all of a company’s assets after subtracting liabilities. (b) The 5-Year Historical Range begins on 8/31/2012 and ends on 7/31/2017. The range was calculated using Cohen & Steers’ valuation metrics and is based on the FTSE EPRA/NAREIT Developed Real Estate Index—net at the end of each month. (c) Current numbers were calculated using Cohen & Steers’ valuation metrics and are based on securities that are in Cohen & Steers’ coverage universe which represents a 97% overlap with securities included in the FTSE EPRA/NAREIT Developed Real Estate Index. Certain companies in sectors, such as infrastructure, are covered by Cohen & Steers but are not in the FTSE EPRA/NAREIT Developed Real Estate Index - net. The FTSE EPRA/NAREIT Developed Real Estate Index is an unmanaged market-weighted total return index which consists of many companies from developed markets who derive more than half of their revenue from property-related activities. (d) Global Total represents the weighted average of all REIT sectors. (e) FFO (Funds from operations) is the REIT industry’s key earnings metric. It is calculated as GAAP net income, plus real estate gains (minus real estate losses), plus GAAP real estate depreciation and amortization. (f) U.S. Equity represents the weighted harmonic average P/E multiple based on the S&P 500 Index. The S&P 500 Index is an unmanaged index of 500 large-capitalization stocks that is frequently used as a general measure of U.S. stock market performance. (g) Global Equity represents the weighted harmonic average P/E multiple based on the MSCI World Index. The MSCI World Index - net is a free-float-adjusted index that measures performance of large- and mid-capitalization companies representing developed market countries and is net of dividend withholding taxes.
The Added Value of Active Portfolio Management

We believe that investing in global real estate securities with an experienced active manager offers several important advantages over passively managed investments such as exchange-traded funds (ETFs). Here are a few reasons why:

Different real estate securities are better suited for different phases of an economic cycle. Certain real estate securities may be more or less cyclical than others, depending largely on the duration of their leases, which can range from a single day (hotels) to a decade or more (hospitals). Active managers can adjust a portfolio’s allocation depending on their economic outlook in an effort to enhance absolute returns over full market cycles.

Differences in country valuations may provide opportunities for global investors. Some global real estate companies, in countries across the globe, trade at discounts to the estimated net asset value (NAV) of their underlying holdings, while in other countries many may trade at a premium to NAV. Finding value is the foundation of active portfolio management, which we believe is the best way to invest in real estate markets worldwide.

Flexibility among market capitalizations. ETFs are typically weighted by market cap, meaning that large-cap REITs will dominate the fund’s holdings. By contrast, an active manager can increase allocations to select small-cap real estate securities that may offer greater growth potential.

The importance of fundamental analysis. Returns often vary widely among regions, sectors and individual companies. As a global active manager, Cohen & Steers conducts extensive research on each company, evaluating its management team, its acquisition and development strategy, the quality of its properties, and the strength of its balance sheet, using these inputs to assess the stock’s value relative to its peers.

Cohen & Steers offers a suite of standard and custom global and regional real estate securities strategies to meet various client objectives:

Global Real Estate Securities Strategies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>What It Offers</th>
<th>Holdings</th>
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<tbody>
<tr>
<td>Global Real Estate Securities</td>
<td>Our broadest real estate securities portfolio, providing an efficient allocation to listed real estate globally</td>
<td>50–80 Separate Accounts &amp; Luxembourg SICAV</td>
</tr>
<tr>
<td>Global Realty Focus</td>
<td>A concentrated global portfolio for investors with higher risk tolerance seeking enhanced returns</td>
<td>25–40 Separate Accounts</td>
</tr>
<tr>
<td>Global Rental Securities</td>
<td>A global diversified portfolio invested in core listed real estate that derive a majority of revenue from income-producing properties</td>
<td>50–60 Separate Accounts</td>
</tr>
</tbody>
</table>

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