**Whitepaper** March 2013

COHEN & STEERS

# The Case for Real Estate Securities



Real estate securities provide the benefits of commercial real estate investing without the cost or illiquidity of owning property directly. In this paper, we examine the investment characteristics of this unique asset class—most notably, its history of attractive total returns and high current income. We also discuss features of listed real estate not available through direct property ownership, such as daily liquidity and the ability to achieve global diversification with relatively little capital. We believe that these and other characteristics provide a compelling argument for a strategic allocation to real estate securities.

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# Executive Summary

Real estate securities combine the benefits of owning commercial real estate with the features of publicly traded stocks. This unique combination results in a set of investment characteristics that we believe make a compelling case for a long-term strategic allocation to the asset class.

**Strong historical total returns**
Real estate securities have consistently produced strong returns relative to other equities and fixed-income securities, benefiting from a business model focused on generating stable and growing cash flows. As an investment in tangible assets, real estate securities also benefit from barriers to competition and property values that tend to rise with inflation.

**Dividend income and growth potential**
Historically, real estate securities have offered above-average dividend yields due in large part to the minimum distribution requirement for companies structured as REITs (real estate investment trusts). Real estate securities also have a history of consistently raising their dividends, resulting from cash flow growth that can come organically from rising rents and occupancies, or externally from development and acquisitions.

**Liquidity**
Public equity markets provide a high level of liquidity, distinguishing real estate securities from the relative illiquidity of the properties they own. This distinction is critical, as it enables investors to efficiently access and manage their capital, obtain daily market-cleared prices and adjust their investment allocations to take advantage of attractive opportunities.

**Transparency and corporate governance**
Publicly traded real estate companies are subject to the discipline and regulations of public markets, including audited financial statements and oversight by a board of directors or trustees. Direct real estate investments generally do not offer the same transparency or governance standards, especially in global markets.

**Diversification by country and property type**
A portfolio of real estate securities may represent thousands of properties around the world, making it possible to diversify assets across geographic regions and property sectors. This diversification can help reduce risk at the property level, while providing access to a wide range of property markets with different return profiles and cycles.

**Participation in local economies**
Real estate securities typically derive a large portion of their income from properties within their home country. This makes them one of the most direct ways to participate in the growth of a local economy, providing a sharp contrast to many multinational corporations, which have more global revenue streams.

**Value creation by company managements**
Management teams of public real estate companies may pursue acquisitions, disposals and development activities, which have the potential to add value for shareholders beyond the companies' real estate holdings.

*In this paper, we will put each of these features and potential benefits into perspective.*

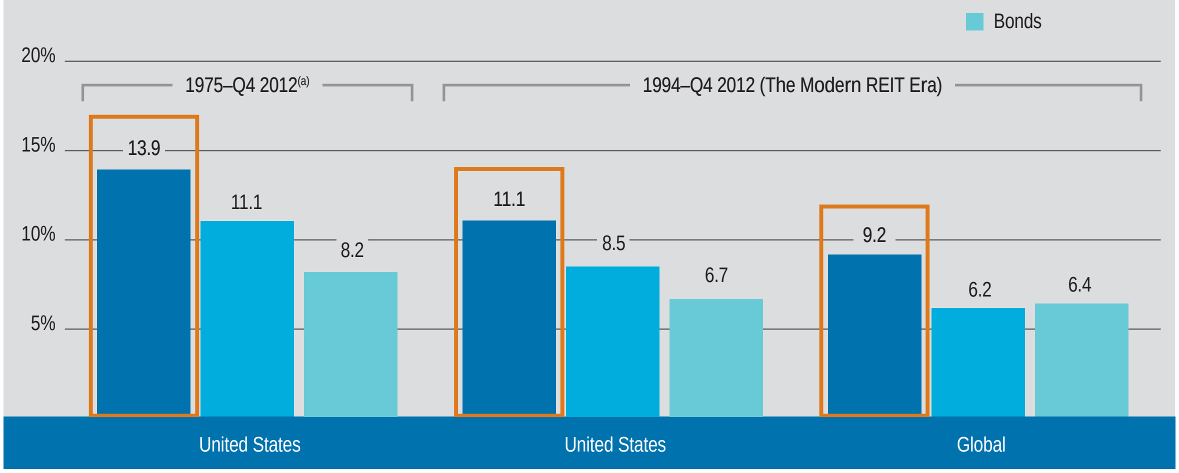
# The Case for Real Estate Securities

## Strong Historical Total Returns

Real estate securities have a track record of delivering compelling total returns over the long term. As shown in Exhibit 1, real estate securities have meaningfully outperformed stocks and bonds in both the U.S. and global markets during the modern REIT era. Going back even further, we see that U.S. REITs have maintained their overall performance advantage over multiple decades. *(A global comparison is not provided for this period, as the global real estate securities market was relatively small, and it was not until 1990 that the FTSE EPRA/NAREIT Developed Real Estate Index was created.)*

Exhibit 1: Real Estate Securities Have Outperformed Stocks and Bonds

Annualized Total Returns




At December 31, 2012. Source: Bloomberg and Morningstar.

*Performance data quoted represents past performance. 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, expenses or taxes. The information presented above does not reflect the performance of any fund or other 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 will begin.

U.S. REITs are represented by the FTSE NAREIT Equity REIT Index; U.S. stocks are represented by the S&P 500 Index; U.S. bonds are represented by the Barclays Capital U.S. Aggregate Bond Index; global real estate securities are represented by the FTSE EPRA/NAREIT Developed Index; global stocks are represented by the MSCI World Index; global bonds are represented by the Barclays Capital Global Aggregate Bond Index. See page 14 for index definitions.

(a) Returns for global markets not provided from 1975, as the FTSE EPRA/NAREIT Developed Index was not launched until 1990.

We believe there are strong fundamental reasons why real estate securities have been able to do well. Most importantly, real estate securities tend to have stable business models that attract long-term investment capital, while also offering the valuable inflation-fighting characteristics of tangible assets.

**An attractive business model.** The objective of a property owner is to develop or acquire assets that produce a recurring stream of rental income tied to leases. These companies often benefit from a favorable spread between their financing costs and the cash flows generated by the property. Real estate holdings may also rise in value over time due to strengthening real estate fundamentals, tenant upgrades or local infrastructure improvements. This model has provided an attractive framework for generating strong total returns for shareholders.

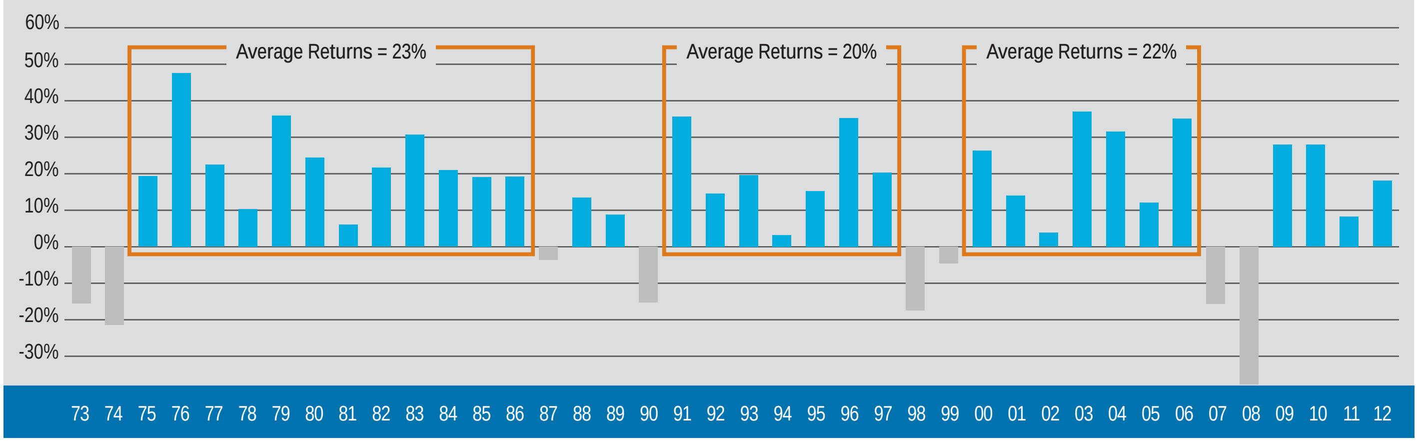
**An investment in tangible assets.** The underlying assets of real estate securities are land and buildings that have intrinsic value based on their location, quality and leases. Because of this, real estate securities exhibit several distinctive characteristics common to real assets:

- *Inflation-linked values*: The price of a property can be measured in relation to the current cost of land, materials and labor that would be required to build a replacement from scratch, otherwise known as the replacement cost. Since replacement costs tend to rise with inflation, real estate is often viewed as a good store of value and a hedge against inflation.
- *Barriers to supply:* Property values are directly related to the supply and demand for a given type of real estate in a specific area. Supply is often limited, particularly in the better locations, due to land availability, zoning requirements and long construction cycles. These supply barriers provide existing landlords with some measure of protection against competition.
- *Pricing power*: Property owners are generally able to pass along higher operating costs by raising rents in periods of rising inflation. This pricing power allows companies' cash flows to grow organically with inflation.

U.S. REIT cycles have historically been characterized by multi-year bull markets.

**A history of multi-year bull markets.** U.S. REITs have had a strong run over the past several years, benefiting from sustained low interest rates and improving fundamentals for U.S. commercial real estate. This is not uncommon, as real estate securities often experience bull markets lasting multiple years, as shown in the exhibit below. We believe this is due in part to the long-term nature of property cycles, characterized by a meaningful lag between the demand for more space and the creation of new supply.

Exhibit 2: Real Estate Securities Have Been a Long-Cycle Asset
U.S. REIT Returns, 1973–Q4 2012




At December 31, 2012. Source: Morningstar.

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U.S. REITs are represented by the FTSE NAREIT Equity REIT Index. See page 14 for index definitions.

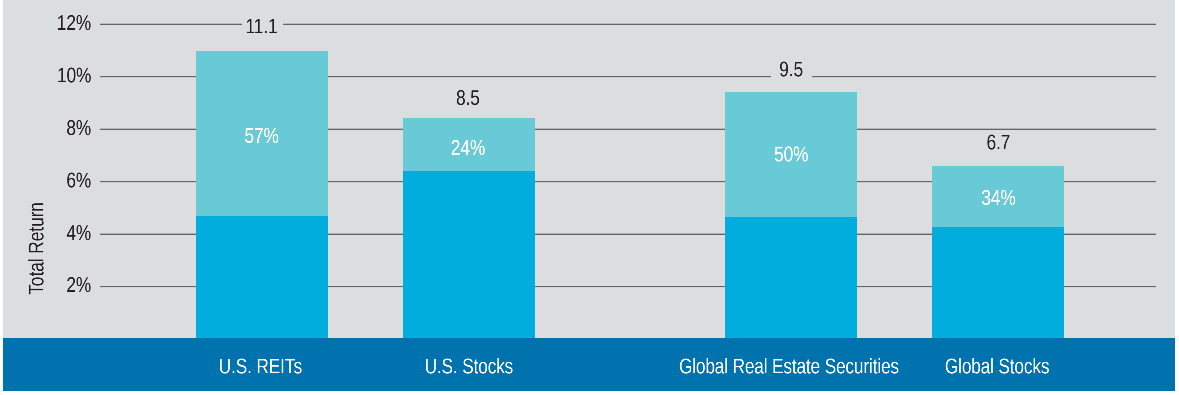
## Dividend Income and Growth Potential

As a group, real estate securities are known for their dividends. This is due largely to the REIT structure, which is used by approximately 75% of companies in the global real estate securities market and 100% of those in the U.S. market.[(1)] Historically, REITs have offered higher dividend yields[(2)] than other equities with similar risk profiles, resulting from their cash-flow-oriented businesses and the requirement that they distribute nearly all of their taxable income to shareholders. For example, U.S. REITs must distribute at least 90% of their annual taxable net income to maintain their REIT status. For more information about the REIT structure, see our related whitepaper, *Introduction to Real Estate Securities.*

Since the emergence of the modern REIT structure, dividends have been a large factor in the outperformance of real estate securities relative to the broad equity market. Exhibit 3 shows that on average, dividends have comprised more than half of the returns for U.S. and global real estate securities, significantly more than those of the broad equity markets.

A large portion of real estate securities' total returns have historically come from dividends.

Exhibit 3: Contribution of Reinvested Dividends to Total Return
December 1994–December 2012




At December 31, 2012. Source: Bloomberg and Morningstar.

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The contribution of reinvested dividends is the difference between the total return and price return published by the index provider. U.S. REITs are represented by the FTSE NAREIT Equity REIT Index; global real estate securities are represented by the FTSE EPRA/NAREIT Developed Real Estate Index; U.S. stocks are represented by the S&P 500 Index; global stocks are represented by the MSCI World Index. See page 14 for index definitions.

(1) As of December 31, 2012, as defined by the FTSE EPRA/NAREIT Developed Real Estate Index (global) and the FTSE NAREIT Equity REIT Index (U.S.).

(2) The dividend yield, or distribution rate, is equal to the annual dividend per share divided by the share price.

**REIT yields relative to other asset classes.** Over the past decade, the average dividend yield for U.S. REITs has trended downward from the 8% seen in the late 1990s to below 4% today, as many of these companies have reduced payouts to the minimum level required by law. As a result, a greater proportion of total returns have come from price appreciation in recent years. That said, U.S. REIT dividend yields remain higher than the yields of most other equity and fixed-income asset classes, as shown below.

Exhibit 4: Income Comparison, by Asset Class

| Equity Dividend Yields | | Fixed Income Yields | |
|---|---|---|---|
| U.S. REITs | 3.70% | High Yield Bonds | 7.88% |
| Global Real Estate Securities | 3.62% | Global Bonds | 1.70% |
| Global Stocks | 2.71% | U.S. Bonds | 1.74% |
| U.S. Stocks | 2.24% | 10-Year Treasury | 1.72% |

At December 31, 2012. Source: FTSE, NAREIT, Bloomberg and Barclays Capital.

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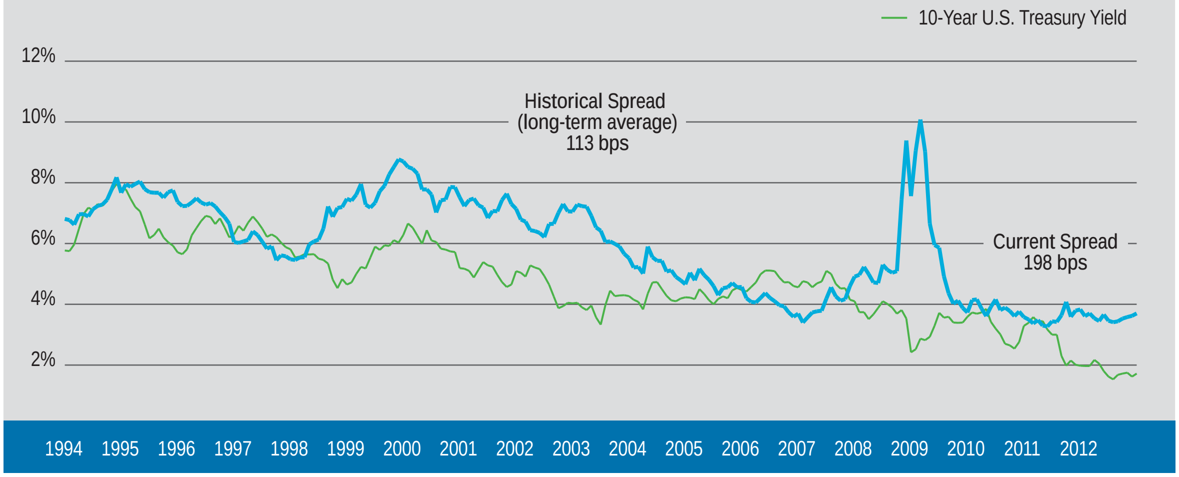
U.S. Treasury securities are backed by the full faith and credit of the U.S. Government. Because of this they are much less sensitive to changes in economic conditions compared with equities (including REITs).

U.S. REITs are represented by the FTSE NAREIT Equity REIT Index; global real estate securities are represented by the FTSE EPRA/NAREIT Developed Real Estate Index; U.S. stocks are represented by the S&P 500 Index; global stocks are represented by the MSCI World Index; U.S. bonds are represented by the Barclays Capital U.S. Aggregate Bond Index; global bonds are represented by the Barclays Capital Global Aggregate Bond Index; high yield bonds are represented by the Barclays Capital U.S. Corporate High Yield Index. See page 14 for index definitions.

To put this in a different perspective, since 1994, dividend yields for U.S. REITs have averaged approximately 113 basis points more than the 10-year Treasury yield to compensate investors for REITs' relatively greater risk. Today, they offer a yield premium of nearly 200 basis points relative to Treasurys, providing a potentially attractive alternative for income-seeking investors.

Exhibit 5: Comparing Distributions of U.S. REITs vs. the 10-Year U.S. Treasury




At December 31, 2012. Source: Bloomberg and NAREIT (dividend ex-date methodology).

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U.S. REIT dividend growth has exceeded inflation in the modern REIT era.

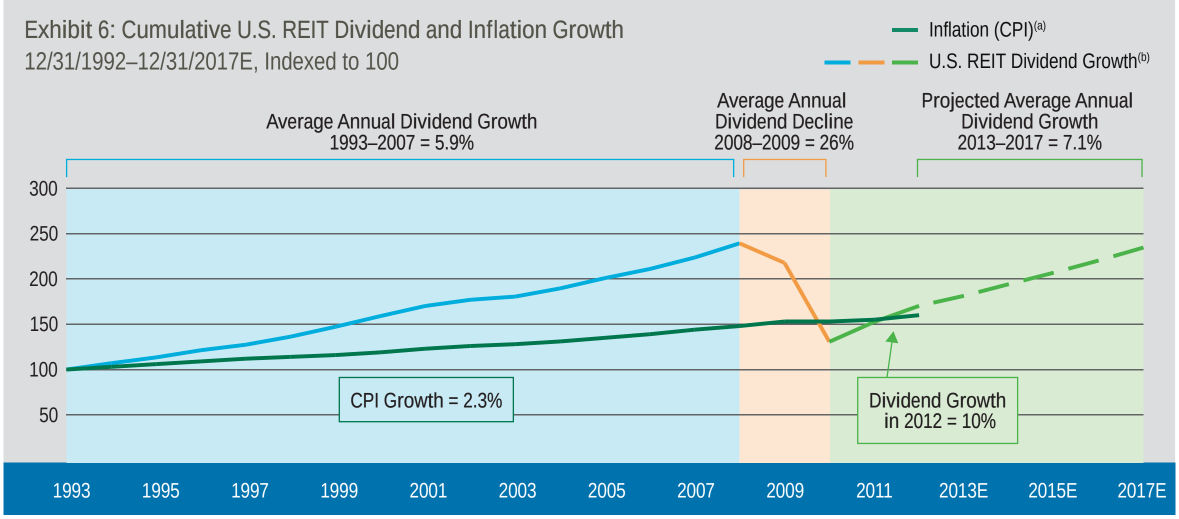
**REIT dividend growth and inflation.** Real estate securities have a history of consistently raising dividends due to the inflationary nature of rents and property values. From the early 1990s through 2007, U.S. REITs raised dividends at an average annual rate of 5.9% compared with a 2.3% long-term inflation rate (shown in the chart below). With the onset of the global financial crisis in 2008, many REITs cut dividend payouts to the minimum required level to preserve capital, and also began issuing a portion of dividends in common stock. As conditions have improved, cash dividends have made a strong comeback.

We believe U.S. REITs will continue to raise their dividends at an above-trend rate over the next several years, growing 7.1% per year on average through 2017, based on our estimates. This projection is based on the improving cash flows we are seeing in nearly all property sectors. Cash flow growth can come organically from rising rents and occupancies, or externally from development or through the acquisition of properties or companies.

As a REIT's income grows, the company must ensure its distribution rate remains above the level required by law, which often means it must raise its dividend. For example, in the fourth quarter of 2012, Simon Property Group grew its earnings (as measured by funds from operations) by 20% year over year, while its regular cash dividend increased by 22% versus the same quarter the previous year. Since its payout remained near the minimum level required for REITs, it will have to continue raising its dividend as its cash flows grow.

Exhibit 6: Cumulative U.S. REIT Dividend and Inflation Growth

12/31/1992–12/31/2017E, Indexed to 100




At December 31, 2012. Source: FTSE NAREIT actual results through 2007; Cohen & Steers calculated results for 2008 through 2012; Cohen & Steers estimates for 2013 through 2017. See methodology below (footnote b).

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(a) The Consumer Price Index (CPI) is a broad yardstick of consumer inflation. It measures the average price changes for a diverse basket of goods and services typically purchased by urban consumers, across diverse households and geographies.

(b) Actual annual dividend growth through 2007 was compiled using the methodology of and data provided by NAREIT. Annual growth rates represent a market cap-weighted average on the year-over-year percent change in cash-only income distributions for the constituent companies in the FTSE NAREIT All REIT Index. Accordingly, any stock dividends paid by index constituents are not included. This methodology overstates the importance of large percentage changes in dividends by the largest index constituents. Therefore, Cohen & Steers estimates of dividend growth rates from 2008 through 2012 were calculated based on actual dividend yields and price values for the FTSE NAREIT Equity REIT Index. The five-year dividend growth projection was compiled by Cohen & Steers, based on a statistical model using historical dividend payout ratios and cash earnings growth as inputs. The projection of equity REITs was then derived by averaging the model's projected dividend growth rates from 2013 through year-end 2017.

See page 14 for index definitions.

## Liquidity

Real estate securities provide a liquid vehicle for investing in real estate, an inherently illiquid asset class. Whereas physical properties may take months to market and sell, real estate securities are traded daily on stock exchanges. This statement may seem obvious at face value, but it carries critical implications with regard to portfolio construction, capital management and valuation.

**Globally diversified real estate portfolios.** Investors can use real estate securities to quickly and easily construct a global real estate portfolio using relatively little capital. In contrast, direct real estate portfolios typically require a substantial capital commitment, invest in only a handful of properties, and can take several years to structure and fund.

**Flexible capital management.** The liquidity of real estate securities makes it easy to access investment capital at any time. Compare this with the relatively long lock-up periods and limited secondary markets of private real estate investments. This can be crucial during periods of market stress, as seen in the global financial crisis when commercial property transactions drew to a standstill. Many private real estate funds were forced to put a freeze on client withdrawals, since the funds were unable to liquidate private assets. In contrast, investors in real estate securities had ready access to their capital, allowing them to tactically adjust their allocations or meet their cash flow needs.

**Daily market pricing.** As publicly traded entities, real estate securities are priced daily, whereas private real estate is valued using longer-term appraisal-based methods. While daily pricing offers the convenience and comfort of knowing a precise value at a given moment, it also results in higher perceived volatility. However, we believe there are misperceptions about the volatility of real estate securities relative to private real estate. This is because the methodology used to value private property likely does not accurately capture large fluctuations in real estate prices, potentially understating the risk of private investment. (See sidebar on next page.)

Liquidity provides the flexibility to easily manage capital allocations and pursue global opportunities.

## Transparency and Corporate Governance

Unlike investments in private real estate, companies that issue real estate securities are subject to oversight by government regulatory agencies, which require strict standards of corporate governance, financial reporting and information disclosure. Like other public companies, they are managed by a board of directors or trustees. In our view, the combination of regulation and transparency enhances managements' focus on effective capital allocation and enables investors to make informed investment decisions.

## Misperceptions of Volatility in Listed Real Estate

We have observed two common misperceptions about listed and private real estate: 1) that private real estate is not volatile, and 2) that listed REITs are much more volatile than private real estate. We believe these perceptions have, in some cases, led to sub-optimal allocation decisions.

Even though real estate is considered a long-term investment, the perception that real estate securities exhibit higher risk stems from the short-term volatility associated with liquid securities markets. Asset allocation models are typically structured to capture the risk of an asset class through the standard deviation(1) of either monthly or quarterly returns. Due to the normal fluctuations of equity markets, measured volatility for real estate securities tends to be relatively high. In contrast, direct real estate valuations use appraisal-based equilibrium prices, which, due to their infrequent nature, may artificially smooth the returns of the underlying assets.

Given these differences in measurement frequency and methodology, it is our view that many asset allocation models significantly understate the true investment risk of direct property investments, leading to a systematic over-allocation to private real estate. Furthermore, we believe that a risk assessment using more comparable methods would likely lead to greater allocations to real estate securities.

We present alternative methods for comparing risk in listed and private real estate in our whitepaper, *The Truth About Real Estate Allocations: Part II*, which can be found on our website at cohenandsteers.com/insights.

## Diversification by Country and Property Type

A portfolio of global real estate securities may represent thousands of underlying properties spanning multiple property types in dozens of countries. This diversification can help reduce risk at the property level, while providing access to a wide range of property markets, each with different return profiles depending on the local economy, sector-specific trends and monetary policy.

In 2012, there was a difference of almost 60 percentage points between the top performer (Japan, +68.2% total return(2)) and the bottom performer (the Netherlands, +8.9%) in the major markets. Among U.S. property sectors, industrial REITs (+31.3%(3)) outperformed apartment REITs (6.9%) by nearly 25 percentage points during the same period.

(1) Standard deviation is a statistical measure of volatility.
(2) Based on the FTSE EPRA/NAREIT Developed Real Estate Index, in local currencies.
(3) Based on the FTSE NAREIT Equity REIT Index.

Real estate securities can provide access to property markets across the globe in a single portfolio—a feat that would be difficult, if not impossible, through other means. In addition, real estate securities may invest in property types that are not easily accessible through the private market, including hotels, self storage, life-sciences facilities and data centers. We believe these properties are best owned through an operating company, given the specialized management expertise required.

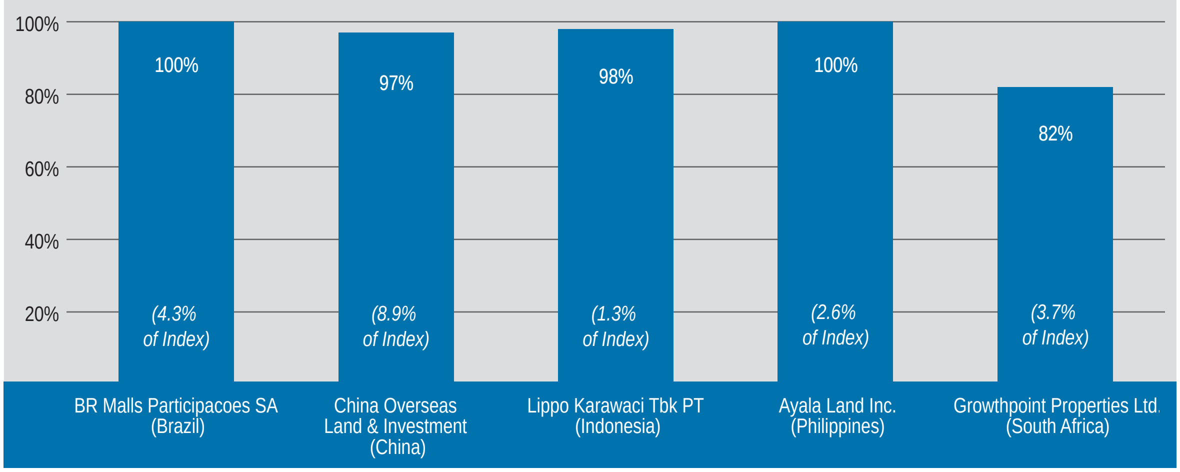
By having a diversified asset base, investors can mitigate potential risks associated with individual properties, sectors or geographic regions. Furthermore, by investing in an actively managed portfolio of real estate securities, investors may benefit from the insights of professional asset managers, who can adjust a portfolio's allocation based on their view of the risks and opportunities offered by various securities and market segments.

A portfolio of real estate securities can provide an efficient means of allocating to real estate globally.

## Participation in Local Economies

Real estate is an inherently local business. Listed real estate companies typically own properties located within their home country, generating a majority of their income from local sources. As a result, real estate securities offer one of the most direct means of participating in local economic growth. This offers a distinct contrast to many large global enterprises, which may have relatively little exposure to the country in which they are domiciled. Examples can be seen in Exhibit 7, which lists the largest constituent in each country that comprises more than 5% of the FTSE EPRA/NAREIT Emerging Markets Real Estate Index.

Exhibit 7: 2011 Percent Revenues Generated from the Home Countries of Major Companies of the Emerging Markets Real Estate Index




At December 31, 2012. Source: Bloomberg.

*The mention of specific securities is not a recommendation or solicitation for any person to buy or hold a particular security and should not be relied upon as investment advice.*

Largest Emerging Markets Real Estate Company by market capitalization in its respective country represented by FTSE EPRA/NAREIT Emerging Markets Real Estate Index. An investor cannot invest directly in an index and index performance does not reflect the deduction of any fees, expenses or taxes.

See page 14 for index definitions.

## Value Creation by Company Managements

The management teams of listed real estate companies can add value beyond that of their property assets by enhancing operating efficiencies. Managements can also drive value creation through effective capital allocation as they access capital through public markets or make accretive acquisitions. Below are recent examples:

- **Simon Property Group**, a U.S.-based owner of regional malls, acquired a 29% stake in European mall owner Klépierre from BNP Paribas for approximately €1.5 billion (US$2 billion) in early 2012. Simon financed the deal within 24 hours of the announcement through public equity and bond offerings, gaining valuable European assets with long-term growth potential. Simon continues to acquire malls in the United States and recently signed joint ventures to build outlet centers in Brazil and China.
- **Digital Realty Trust**, is a U.S.-based company that owns, operates and develops data centers throughout the world. In mid-2012 the company paid just over US$1 billion for three under-leased data centers in Greater London from a distressed private seller. Digital Realty used its low cost of capital and operational expertise to recapitalize the properties and expand its presence in this key market.
- **Deutsche Wohnen**, a German residential owner/operator, announced in May 2012 the accretive acquisition of a portfolio of 23,500 residential units at a value of €1.2 billion (US$1.5 billion). The addition significantly expanded its presence in Berlin and other German cities. Unit privatizations have also created value.

## Closing Perspective

Investors have long looked to commercial real estate for its attractive wealth-building characteristics, including its stable income stream and its potential for capital growth. Real estate securities provide a simple way to invest in real estate, while also offering characteristics that are not available through direct property investment, including liquidity and the ability to build a globally diversified real estate portfolio.

Over the past decade, global real estate securities have outperformed other major asset classes, including the broad equity market, investment-grade bonds and commodities, as shown in Exhibit 8 on the next page. This reinforces our view that real estate securities offer a meaningfully different return profile from other asset classes, warranting a separate strategic allocation.

## Exhibit 8: A Strong Decade for Real Estate Securities

| | | | | | | | | | | 10-Year Return (2003–2012) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Cumulative | Annualized |
| U.S. Small Cap Stocks 47.3% | Global Real Estate 38.0% | Commodities 21.4% | Global Real Estate 41.8% | Commodities 16.2% | Investment-Grade Bonds 5.2% | Global Real Estate 37.1% | U.S. Small Cap Stocks 26.9% | Investment-Grade Bonds 7.8% | Global Real Estate 27.7% | Global Real Estate 197.5% | Global Real Estate 11.5% |
| Global Real Estate 40.7% | International Stocks 20.2% | Global Real Estate 14.9% | International Stocks 26.3% | International Stocks 11.2% | U.S. Small Cap Stocks -33.8% | International Stocks 31.8% | Global Real Estate 19.6% | Broad U.S. Stock Market 2.1% | U.S. Small Cap Stocks 16.4% | U.S. Small Cap Stocks 152.8% | U.S. Small Cap Stocks 9.7% |
| International Stocks 38.6% | U.S. Small Cap Stocks 18.3% | International Stocks 13.5% | Global Stocks 20.1% | Global Stocks 9.0% | Commodities -35.6% | Global Stocks 30.0% | Commodities 16.8% | U.S. Small Cap Stocks -4.2% | International Stocks 17.3% | International Stocks 120.2% | International Stocks 8.2% |
| Global Stocks 33.1% | Global Stocks 14.7% | Global Stocks 9.5% | U.S. Small Cap Stocks 18.4% | Investment-Grade Bonds 7.0% | Broad U.S. Stock Market -37.0% | U.S. Small Cap Stocks 27.2% | Broad U.S. Stock Market 15.1% | Global Stocks -5.5% | Global Stocks 15.8% | Global Stocks 106.3% | Global Stocks 7.5% |
| Broad U.S. Stock Market 28.7% | Broad U.S. Stock Market 10.9% | Broad U.S. Stock Market 4.9% | Broad U.S. Stock Market 15.8% | Broad U.S. Stock Market 5.5% | Global Stocks -40.7% | Broad U.S. Stock Market 26.5% | Global Stocks 11.8% | Global Real Estate -6.5% | Broad U.S. Stock Market 16.0% | Broad U.S. Stock Market 98.6% | Broad U.S. Stock Market 7.1% |
| Commodities 23.9% | Commodities 9.1% | U.S. Small Cap Stocks 4.6% | Investment-Grade Bonds 4.3% | U.S. Small Cap Stocks -1.6% | International Stocks -43.4% | Commodities 18.9% | International Stocks 7.8% | International Stocks -12.1% | Investment-Grade Bonds 4.2% | Investment-Grade Bonds 65.8% | Investment-Grade Bonds 5.2% |
| Investment-Grade Bonds 4.1% | Investment-Grade Bonds 4.3% | Investment-Grade Bonds 2.4% | Commodities 2.1% | Global Real Estate -7.4% | Global Real Estate -48.2% | Investment-Grade Bonds 5.9% | Investment-Grade Bonds 6.5% | Commodities -13.3% | Commodities -1.1% | Commodities 49.3% | Commodities 4.1% |

At December 31, 2012. Source: Morningstar and Cohen & Steers.

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Asset classes are represented by the following indexes: broad U.S. stock market: S&P 500 Index; U.S. small cap stocks: Russell 2000 Index; international stocks: MSCI EAFE Index (net); global stocks: MSCI World Index (net); investment grade bonds: Barclays U.S. Aggregate Bond Index; commodities: Dow Jones-UBS Commodity Index; global real estate securities: FTSE EPRA/NAREIT Developed Real Estate (net) Index. See index definitions on page 14.

At Cohen & Steers, we have been helping investors access opportunities in this unique market for more than 25 years. Established in 1986, we were the first investment manager dedicated to real estate securities, and today, we remain one of the largest investors in the asset class. We have remained actively involved in the REIT community throughout our history, and have maintained a steady approach to investing, using our perspective gained over multiple real estate cycles.

As a global investment manager, our real estate strategies cover a wide range of markets, and allow investors to benefit from one of the largest and most experienced real estate securities investment teams.

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## Important Disclosures

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## Risks of Investing in Real Estate Securities

Property values may fall due to increasing vacancies, declining rents resulting from economic, legal, tax, political or technological developments, lack of liquidity, limited diversification and sensitivity to certain economic factors such as interest rate changes and market recessions. The risks of investing in REITs are similar to those associated with direct investments in real estate securities. Foreign securities involve special risks, including currency fluctuations, lower liquidity, political and economic uncertainties, and differences in accounting standards. Some international securities may represent small- and medium-sized companies, which may be more susceptible to price volatility and less liquidity than larger companies.

This article must be accompanied by the most recent applicable quarterly Cohen & Steers mutual fund factsheet(s) if used in connection with the sale of U.S. mutual fund shares.

## Index Definitions

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

Barclays Capital Global Aggregate Bond Index is designed to be a broad-based measure of the global investment-grade, fixed-rate, fixed-income corporate markets outside of the United States.

Barclays Capital U.S. Aggregate Bond Index (formerly the Lehman Brothers U.S. Aggregate Bond Index) is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

Barclays Capital U.S. Corporate High Yield Index covers the universe of fixed-rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging-market countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included.

Dow Jones-UBS Commodity Index is composed of futures contracts on physical commodities and represents 19 separate commodities traded in U.S. exchanges, with the exception of aluminum, nickel and zinc.

FTSE NAREIT All REIT Index is an unmanaged, market-capitalization-weighted index of all publicly traded U.S. REITs, including companies that invest in the equity ownership of real estate, timberland and timber-related products and activities, infrastructure REITs, and assets invested in mortgage loans or mortgage-backed securities.

FTSE NAREIT Equity REIT Index is an unmanaged, market-capitalization-weighted index of all publicly traded U.S. REITs that invest predominantly in the equity ownership of real estate, not including timber and infrastructure.

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

FTSE EPRA/NAREIT Emerging Markets Real Estate Index (net) is designed to track the performance of listed real estate companies in emerging countries worldwide and is net of dividend withholding tax.

Hang Seng Index is an index tracking several dozen publicly traded companies listed on the Hong Kong Stock Exchange, weighted for market capitalization.

MSCI EAFE (Europe, Australia, Far East) Index is used to measure international equity performance. It comprises 22 MSCI country indexes, representing the developed markets outside North America.

MSCI Europe Index is a free float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI World Index is a free float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 24 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

Nikkei 225 is a price-weighted index consisting of 225 prominent stocks listed on the Tokyo Stock Exchange.

Russell 2000 Index measures the performance of the 2000 smallest U.S. companies in the Russell 3000 Index, which, in turn, measures the performance of the 3000 largest U.S. companies.

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

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