

**Cohen & Steers Asia Limited**  
**1201-1202 Citibank Tower, Citibank Plaza**  
**3 Garden Road**  
**Central, Hong Kong**  
**+ 852 36670080**  
**[www.cohenandsteers.com](http://www.cohenandsteers.com)**

**Part 2A of Form ADV: Firm Brochure**

Dated: March 31, 2014

This brochure provides information about the qualifications and business practices of Cohen & Steers Asia Limited. If you have any questions, you can contact us in writing at the address above or call + 852 36670080. The information that follows has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any foreign or state securities authority.

Additional information about Cohen & Steers Asia Limited is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any reference to Cohen & Steers Asia Limited as a registered investment advisor or registered entity refers to registration with the SEC or other regulatory agency and does not imply a certain level of skill or training.

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### **Item 2: Material Changes**

This section of the Cohen & Steers Asia Limited (“Cohen & Steers” or the “firm”) brochure highlights and discusses only specific material changes that have been made to this brochure since its last annual update.

**Item 5 and 16** – Added references to cash balances, even if managed by a client’s custodian or invested in third party investment funds, which may be considered as account assets for purposes of determining management fees.

**Item 7** – Added Collective Investment Trusts to the types of accounts managed by Cohen & Steers and increased the separate account minimum from \$10 million to \$20 million.

**Item 11** – Added disclosures regarding conflicts associated with gifts and entertainment and outside business activities and affiliations.

**Item 14** – Updated the disclosure regarding the firm’s arrangement with Ambassador Funds Management Services who provide certain services to institutional investors located in Australia and New Zealand.

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### **Item 4: Advisory Business**

Cohen & Steers is a global investment manager with a focus on real assets, including real estate, infrastructure, and commodities. Located in Hong Kong with affiliates in New York City and London, Cohen & Steers serves institutional and individual investors through a wide range of investment vehicles, including institutional accounts, registered mutual funds in the US and Luxembourg, and private funds.

Certain of the strategies offered and services discussed throughout this brochure may be offered and performed by affiliates of Cohen & Steers.

Cohen & Steers provides discretionary investment advisory services to clients pursuant to written agreements. The terms of such advisory services, including any restrictions on investments in certain types of securities, are established by the firm, as modified through negotiations with clients, and they are set forth in the agreement and/or offering documents, organizational documents and/or other documentation applicable to certain investment vehicles. Generally, client portfolios follow Cohen & Steers standard guidelines, but the firm may customize portfolios in certain situations. Examples include the use of a benchmark different from that of the strategy's preferred benchmark or the exclusion of certain securities from the portfolio.

Cohen & Steers is a wholly owned subsidiary of Cohen & Steers, Inc., a public company in which Martin Cohen and Robert Steers, each have a controlling interest. Cohen & Steers has been licensed with the Hong Kong Securities and Futures Commission to engage in portfolio management, trading and advisory activities and since August 2007 was registered with the SEC in March 2006 as a U.S. investment advisor specializing in real estate securities. As of December 31, 2013, Cohen & Steers managed \$3.1 billion in client assets, all of which is managed on a discretionary basis.

### **Item 5: Fees and Compensation**

#### *Institutional Separate Accounts and Sub-Advised Portfolios*

For institutional separate accounts (hereinafter referred to as "accounts" or "portfolios"), Cohen & Steers generally charges fees based on contractually specified percentages of the assets of each client's portfolio. Cohen & Steers or its affiliates also provides investment advisory, sub-advisory and/or administrative services to the Cohen & Steers registered investment companies and pooled investment vehicles registered in the United States, Australia and Luxembourg (collectively the "Funds"). In connection with these services, Cohen & Steers receives fees as described in the Funds' offering documents filed with the applicable regulator. Such fees are typically asset-based fees assessed on a Fund's asset size. Cash balances, even if managed by a client's custodian or invested in third party investment funds, may be considered as account assets for purposes of determining management fees.

An account's assets upon which fees are assessed may include positions that are "fair valued" by Cohen & Steers, based upon the firm's internal written procedures, when market quotations are not readily available.

### Fee Payments

For institutional separate accounts, Cohen & Steers receives a fee, generally billed and payable quarterly in arrears, equal to one-fourth of the annual management fee on all investment assets comprising the account at the close of business on the last day of the preceding calendar quarter or as stated in the investment management agreement. The fee is calculated on a trade-date basis and includes accrued but unpaid dividends and interest and receivables, net of payables.

The fee is pro-rated for any calendar quarter during which only a portion of this account is open. Cohen & Steers issues promptly following the end of each quarter a statement to the client setting forth the fee for such quarter and the basis on which the fee calculation was made. The client is required to pay the fee within 30 days of receipt of the fee statement. Clients do not pay fees in advance of Cohen & Steers' providing services.

In most cases, either Cohen & Steers or the client may unilaterally terminate the investment advisory agreement on prior written notice to the other party. If an advisory relationship is terminated at a point other than the end of the specified period used to determine the market value of the account for the purposes of calculating compensation, fees will be prorated and an adjustment will be made by Cohen & Steers.

For the Funds, Cohen & Steers is paid fees as described in the Funds' offering documents.

In connection with Cohen & Steers investment advisory services, clients may pay other fees or expenses such as brokerage and custodian fees. For global accounts, custodian fees may also include fees payable to sub-custodians in local markets or individual trade ticket charges. All such fees are negotiated and payable by the client to the third party directly and do not involve Cohen & Steers. Clients will incur brokerage and other transaction costs as part of the investment advisory services provided by Cohen & Steers. Please see Item 12 for a detailed discussion regarding such costs.

### Item 6: Performance-Based Fees and Side-by-Side Management

Cohen & Steers currently does not manage any accounts structured with performance-based fees.

### Item 7: Types of Clients

Cohen & Steers serves a wide range of institutional clients, including endowments and foundations, corporate and public defined benefit and defined contribution plans, insurance, Taft-

Hartley plans, sub-advisory relationships, collective investment trusts and registered and unregistered pooled investment vehicles such as mutual funds and closed-end funds. Cohen & Steers Funds are used by institutions, registered investment advisors, and individuals. Cohen & Steers' U.S. registered funds and private funds are distributed in the U.S. by Cohen & Steers Securities, LLC, affiliate of Cohen & Steers and an SEC registered broker-dealer.

Separate account minimums vary by strategy and are generally \$20 million or greater. Limits may be waived, at the firm's discretion. Funds impose minimum initial investment and subsequent minimum investment amounts as stated in their offering documents.

### **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

Below is a description of the current investment strategies managed by Cohen & Steers and its affiliates.

#### **Real Assets**

Cohen & Steers Real Assets Allocation Strategy (the "Real Assets strategy") seeks to achieve attractive total returns over the long-term and to maximize real returns during inflationary periods. "Real returns" are defined as total returns adjusted for the effects of inflation. The strategy pursues its objective through investments offering exposure to "real assets," which the strategy defines as (i) tangible assets such as real estate, commodities, natural resources, infrastructure, and gold and other precious metals; (ii) companies that own or derive a significant portion of their value from such tangible assets or the production thereof; and (iii) other assets expected to perform well during periods of high inflation. Under normal market conditions, the strategy seeks to achieve its investment objective by allocating predominately in U.S. and non-U.S. investments providing exposure to or investment in the following real asset classes: (i) real estate companies, including real estate investment trusts ("REITs"); (ii) commodities; (iii) natural resource companies; (iv) gold and other precious metals; and (v) infrastructure companies. The strategy may also invest in certain short-term fixed income securities and currencies which would be expected to perform well during periods of high inflation and to reduce portfolio volatility.

*Method of Analysis:* The Real Assets Strategy is actively managed by Cohen & Steers. Cohen & Steers' investment philosophy, based upon its in-depth research into the historical performance, characteristics and long-term fundamental outlook of real assets, is to construct a diversified portfolio comprised of a combination of real asset classes. Cohen & Steers employs a committee consisting of senior management (the "Allocation Committee") to determine the percentage of the strategy's assets to be allocated to each asset class within established allocation ranges. On a periodic basis the Allocation Committee will review and may adjust the specific allocation ranges based upon its judgment of economic, market and regulatory conditions.

### Real Estate Securities

Cohen & Steers manages various strategies that invest in global real estate investment trusts ("REITs") and other publicly traded real estate companies worldwide. We offer global and regional real estate strategies as well as custom portfolios which take into account specific client guidelines.

*Method of Analysis:* In managing client portfolios, the real estate team employs a relative-value investment process to identify securities that we believe are mispriced relative to underlying assets (net asset value, or NAV) and going concerns (dividend discount model, or DDM). Analysts incorporate both quantitative and qualitative analysis in their estimates, including management, strategy, asset quality, financial strength and corporate structure. The evaluation takes into account the varying business models of real estate companies, as well as differences in country risk and monetary policies. Based on the NAV and DDM estimates, the team ranks the investment universe using a proprietary valuation model. Judgments with respect to risk control, diversification, liquidity and other factors are considered along with the model's output and drive investment decisions.

### Active Commodities

Cohen & Steers Active Commodities Strategy invests in commodities primarily through exchange listed commodity futures contracts. Commodities have tangible properties and are used in commerce, such as fuels (e.g., crude oil, natural gas or gasoline), precious and industrial metals, livestock and agricultural products. In addition to investing in futures, the team may opportunistically invest in commodities by utilizing other derivatives, such as options or swaps, or by utilizing exchange traded products (ETPs).

*Method of Analysis:* The Cohen & Steers active commodities investment universe consists of all commodities in the Dow Jones-UBS Commodity Total Return Index and the S&P GSCI Commodity Index, with the ability to invest in out-of-index commodities that meet the team's specific liquidity guidelines. The team conducts bottom-up analysis focusing on supply and demand balances, inventory trends, valuation, market participant composition, technical data and structural curve analysis. Additional inputs that feed into our research process include an assessment of the macro environment, the potential influence of event risk on commodity prices, on-the-ground due diligence field trips, and commodity-related market intelligence from Cohen & Steers' investment teams. Based upon this bottom-up research, the team seeks to actively implement the strategy by tactically setting commodity position weights, employing spread trades, and actively analyzing each commodity term structure to optimize roll yield. As this is an actively managed strategy, changes to portfolio position weights may occur daily based on varying fundamentals impacting the underlying commodities.

### Global Listed Infrastructure

Cohen & Steers' Global Listed Infrastructure Strategy invests in securities of companies worldwide that exhibit key infrastructure characteristics, including stable cash flows, largely regulated and

monopolistic businesses, and high barriers to entry. Our infrastructure subsectors include airports, pipelines, marine ports, railroads, telecommunications infrastructure, toll roads, utilities and water.

*Method of Analysis:* Cohen & Steers believes that success in global listed infrastructure investing requires a balance of top-down industry sector research and bottom-up equity research. Subsectors are ranked based on industry fundamentals, economic sensitivity, commodity price leverage, the capital market environment and valuation. After we establish our subsector-level positioning, the portfolio managers determine appropriate security allocations based on the output of our analysts' company research and valuation models, while taking into account risk controls, diversification and liquidity.

### Master Limited Partnerships

Cohen & Steers Master Limited Partnerships ("MLPs") Strategy invests in MLPs and other companies in the midstream portion of the energy value chain, offering participation in investment opportunities created by the North American energy renaissance. MLPs can enhance the distribution of income through their tax-efficient pass-through structures and predictable fee-based cash flows. We see attractive total return opportunities in this market, given the production growth of crude oil, natural gas and natural gas liquids in North America.

*Method of Analysis:* In managing client portfolios, the MLP team believes MLP investing requires a relative value approach where bottom-up security analysis is expressed through a well-constructed diversified portfolio. Macro views of underlying commodity supply/demand, mergers and acquisitions activity, regulatory trends, and secular changes in consumption and production are used to assess sector exposure. The portfolio managers then determine appropriate security allocations based on the output of our analysts' fundamental company-level research and valuation models, while taking into account risk controls, diversification and liquidity.

### Preferred Securities

Cohen & Steers' Preferred Securities Strategy offers the potential for above-average income and attractive total returns, accessing the full spectrum of the preferred securities issued by U.S. and non-U.S. companies, including traditional preferred securities; hybrid preferred securities that have investment and economic characteristics of both preferred stock and debt securities; floating rate preferred securities; corporate debt securities; convertible securities; and securities of other open-end, closed-end or exchange-traded funds that invest primarily in preferred and/or debt securities markets, while managing long-term credit and interest-rate risks. The investment team conducts rigorous fundamental research by analyzing traditional credit metrics, valuing the structural features of individual securities and assessing external market values.

*Method of Analysis:* The preferred securities investment team conducts rigorous fundamental research by analyzing traditional credit metrics, valuing the structural features of individual securities and assessing external market factors. Using proprietary pricing models, the team uses these inputs to identify securities they believe to be undervalued relative to their modified option-adjusted credit risk spread.



### Large Cap Value

Cohen & Steers' Large Cap Value Strategy targets high-quality stocks with sustainable cash flows and growing dividends that are trading at a discount to their long-term earnings multiple. Stocks with these qualities tend to produce superior returns with lower volatility than other diversified equity strategies. In focusing on dividend growers, the team employs a process that invests in higher-quality businesses.

*Method of Analysis:* The large cap value team uses a bottom-up process to identify stocks that it believes offer the greatest potential for total return through sustainable dividend increases and capital appreciation. The investment team ranks each company based on its business model, market position and management, as well as key industry drivers, to determine its quality relative to peers. Stocks are then filtered based on a consistent valuation framework to find those that are most discounted relative to a target price. Portfolio buy and sell decisions also take into account risk controls and diversification factors. The nucleus of the portfolio consists of core value holdings that we believe represent long-term value over an investment horizon of approximately three to five years. In addition, roughly one quarter of the portfolio is allocated to opportunistic holdings that we believe offer enhanced return potential over a shorter time frame.

### Portfolios of Closed-End Funds

The investment objective of this strategy is total return, consisting of high current income and potential capital appreciation. The strategy seeks to achieve its objective by investing in a diversified portfolio of closed-end funds that are invested in a balanced mix of equity and fixed income securities.

*Method of Analysis:* This strategy considers a number of different factors in determining allocations to equity and fixed income investments, including fundamental, technical and quantitative analysis to assess the relative investment potential and risk of various equity/fixed income asset classes and funds. As a consequence, the percentage allocated to equity and fixed income asset classes is expected to vary. In general, this strategy seeks to identify closed-end funds that meet one or more of the following characteristics: (i) strong fundamentals, including income coverage and leverage/risk management, (ii) relatively high current income, (iii) share prices at a discount to NAV, (iv) well-regarded asset managers with strong track records, and (v) diversification of sectors and asset classes. There is no requirement that any investment satisfy all the criteria set forth above, and the portfolio manager will use discretion in selecting a portfolio of closed-end funds that the manager believes will help the portfolio meet its investment objective.

### Risk of Loss

Investing in securities and other financial instruments involves a risk of loss, including the potential loss of the entire investment that clients should be prepared to bear. All investment strategies carry some degree of investment, regulatory, market and political risk. Additional risks apply specifically to particular investment strategies or investments in different types of securities. Material risks related to each of the firm's strategies are set forth in [Appendix A](#). Investors in

registered investment companies or private funds should review the prospectuses and offering documents for additional information about risks associated with those investment products.

### **Item 9: Disciplinary Information**

Cohen & Steers, including its affiliated entities and management persons<sup>1</sup>, has not engaged in any activities or events resulting in legal or disciplinary action.

### **Item 10: Other Financial Industry Activities and Affiliations**

Cohen & Steers, including its affiliated entities or a third party may, when acting in commercial capacities, take steps in their own interests which may be adverse to a client's interests.

#### **Affiliated Broker-Dealer**

Cohen & Steers Securities, LLC ("CSSL"), an affiliate of Cohen & Steers, is registered with the SEC as a broker-dealer and is a member of the Financial Industry Regulatory Authority ("FINRA"). CSSL is a limited purpose broker-dealer, functioning primarily as the distributor of the Cohen & Steers family of U.S.-registered mutual funds as well as engaging in sales and servicing activities of private funds managed by Cohen & Steers.

Funds distributed by CSSL may pay investment management, administrative or distribution fees or sales commissions (including 12b-1 fees, loads or contingent deferred sales charges) to CSSL.

FINRA-licensed personnel of CSSL conduct sales activity in accordance with firm procedures. Cohen & Steers does not direct any trades to trading partners because of fund sales, and the compliance department monitors trading activity for evidence of this prohibited practice. The firm carefully manages this affiliation and does not believe it would lead to any conflicts of interest with the investment management of client accounts.

#### **Affiliated Investment Advisors**

There are currently three (3) other registered investment advisors affiliated with Cohen & Steers: Cohen & Steers Capital Management, Inc. ("Capital Management"), Cohen & Steers Europe SPRL ("CSE") and Cohen & Steers UK Limited ("CSUK"), each of which may serve as investment advisor or sub-investment advisor to certain Funds and separate accounts managed by Cohen & Steers pursuant to sub-advisory agreements among these entities. In this capacity, these affiliated investment advisors provide investment advisory, trading and/or research services in connection with managing the investments of a client's account. For their services, Cohen & Steers pays each affiliated advisor an advisory fee based on a portion of the account's average assets.

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<sup>1</sup> Management persons include anyone with the power to exercise, directly or indirectly, a controlling influence over the firm's management policies, or to determine the general advice given to the clients of the firm.

The affiliated investment advisors above share common resources with the firm, including but not limited to legal and compliance, investment administration, human resources, marketing and finance. Capital Management and CSUK also employ trade desks which execute transactions in the global markets for the firm's accounts pursuant to the sub advisory arrangements mentioned above. All affiliated investment advisors conduct their activities on the same instance of Cohen & Steers trade order management and compliance systems facilitating global compliance oversight.

### Affiliated Funds and Limited Partnerships

Certain employees of Cohen & Steers or its affiliates may serve as officers and directors of Funds for which the firm serves as investment advisor or sub-advisor. Officers and employees of Cohen & Steers and its affiliates may also serve as officers of certain unregistered private funds that pay fees to Cohen & Steers or an affiliate, including performance fees. As such, it is possible that the Cohen & Steers affiliated officers and employees who serve as directors may have potential conflicts of interest with the private funds. Each Cohen & Steers officer or employee who serves as a director of a Fund or private fund is mindful of his or her obligations to the Fund or private fund and will endeavor to ensure that such conflicts are resolved fairly.

In addition, affiliated entities of Cohen & Steers may also act as the general partner for limited partnerships managed by Cohen & Steers in which clients may be solicited to invest.

Capital Management sponsors a Luxembourg-based investment fund with multiple portfolios for which an affiliate serves as investment advisor and distributor. Cohen & Steers is also the sub-advisor for various other-pooled investment vehicles.

### Unaffiliated Third Parties

Subject to applicable law, Cohen & Steers may from time to time and without notice to its clients retain third parties to provide certain services in connection with the administration, analysis or management of client accounts. This may result in additional conflicts of interest.

Cohen & Steers may make information about portfolio positions available to unrelated third parties without identifying the client's identity. These third parties may use that information to provide additional market analysis and research to Cohen & Steers. Cohen & Steers may use that market analysis and research to provide investment advice to clients other than the client whose portfolio positions were used for the analysis.

Cohen & Steers may purchase access to information such as subscriptions to periodicals, participation in conferences, research papers, and access to surveys from organizations affiliated with professional consultant firms that advise potential Cohen & Steers clients. Cohen & Steers does not make payments to these firms conditioned on favorable evaluations of Cohen & Steers and payments are not made to reward these firms for client referrals. Nonetheless, these firms may believe that they have a financial incentive to give favorable evaluations of Cohen & Steers to their clients and may therefore operate as if they are faced with a conflict of interest. Clients should

inquire of their consultants as to whether Cohen & Steers purchases or receives any information from such consultant or affiliate thereof.

### **Item 11: Code of Ethics, Personal Trading and Participation or Interest in Client Transactions**

#### **Code of Ethics**

Cohen & Steers has adopted a Code of Ethics (the "Code"), which sets forth guidelines regarding the conduct of the firm and its employees. The Code requires all employees to abide by the following general fiduciary principles which govern personal investment activities; (i) the interests of clients must be placed first at all times; (ii) all personal securities transactions must be conducted in a manner that is consistent with the Code and in a way to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; (iii) individuals must not take advantage of their own positions at Cohen & Steers to misappropriate investment opportunities from clients; and (iv) individuals must comply with applicable federal securities laws.

Employees who violate the Code may be subject to remedial actions, including, but not limited to, verbal or written reprimand, profit disgorgement, fines, censure, demotion, suspension or dismissal. Employees are also required to promptly report any violation of the Code of which they become aware.

A copy of the Code is available upon request by contacting Cohen & Steers in writing at 1201-1202 Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong or by calling + 852 36670080.

#### *Employee Personal Trading*

The Code of Ethics places restrictions on securities that Cohen & Steers' employees may buy or sell for their own accounts which may also be bought or sold for client accounts. These restrictions include: (i) no personal trading in the securities of individual real estate companies, (ii) no buying or selling securities other than real estate securities on the same day there is a pending client order for such security, and (iii) for investment personnel only, no buying or selling any securities in their investment universe in a personal account. In addition, employees must obtain preclearance from the compliance department before engaging in most personal securities transactions. Securities purchased by an employee must be held for at least 30-days and all employee personal accounts must be disclosed to the firm. Using an automated system, Cohen & Steers' legal and compliance department oversees employee personal securities trading activities.

#### *Material Non-Public Information*

In connection with its activities, Cohen & Steers may receive information that is not generally available to the public. Cohen & Steers is not obligated to make such information available to its clients or to use such information to effect transactions for its clients. Also, at times, the firm's officers or employees may come into possession of material, non-public information. Under

applicable law, Cohen & Steers is prohibited from improperly disclosing or using such information, including for the benefit of a client. When it is in possession of material non-public information, Cohen & Steers may be prohibited from making certain securities transactions for its clients even when it would be beneficial to those clients to do so. The firm's procedures include, but are not limited to, restricting firm trading in certain securities while the firm is in possession of material, non-public information, mandatory annual training on inside information for all firm employees, and reporting of the receipt of material, non-public information by employees to the legal and compliance department in order to minimize the impact this information may have on trading in client accounts.

### *Gifts and Entertainment*

Employees may occasionally give or receive gifts, meals or entertainment of reasonable value, in the course of their business activities subject to compliance with applicable laws and regulations. Cohen & Steers maintains a gift and entertainment policy to address conflicts of interest related to gifts and entertainment, such as the appearance of having given or received something of value that influenced our business decisions or the business decisions of others. Among other things, this policy limits the value of business gifts to \$100 and sets basic limits on business entertainment that employees can provide or accept. Activities are recorded and reviewed by supervisory and compliance personnel, and certain activities require supervisor and compliance advance approval.

### *Outside Business Activities and Affiliations*

Employees may engage in certain outside business activities that conflict, or appear to conflict, with providing investment management services to client accounts. Further, employees may have family members or close relationships that may be employed in the securities industry or sit on the boards of publicly traded companies that could potentially create a conflict of interest. Cohen & Steers has implemented controls to mitigate potential or actual conflicts of interest that may arise between the firm, its employees, client accounts and other related or affiliated parties.

## Participation or Interest in Client Transactions

Cohen & Steers generally does not act as principal buying securities from (or selling securities to) client accounts. However, Cohen & Steers or its affiliates may recommend to clients securities in which the firm has a material financial interest. A description of these situations is set forth below.

### *Global Real Estate Long-Short Strategy*

The Global Real Estate Long-Short strategy may be offered to existing clients as separate accounts or private funds, including partnerships sponsored by Capital Management in which clients may be solicited to invest. This strategy may invest in publicly traded companies, including real estate-related securities, or make private real estate investments. For its services, Capital Management receives an asset-based fee and it, or an affiliate, receives a performance-based fee provided the long-short strategy's performance exceeds certain thresholds. Capital Management

may take positions on behalf of the long-short strategies that conflict with positions taken for other clients including clients of Cohen & Steers, such as selling a security short in the long-short strategy and purchasing the security in long-only client accounts. The firm has adopted policies and procedures to manage potential conflicts and will monitor and periodically test such trading activity for evidence of conflicts and preferential treatment of any account over another. These policies may from time to time result in accounts effecting transactions on terms less favorable than if such policies were not in effect.

### *Cohen & Steers Investment Companies*

Cohen & Steers and its affiliates provides investment advisory, sub-advisory and administrative services to U.S. registered investment companies for which clients are solicited to invest. As investment sub-advisor, Cohen & Steers furnishes a continuous investment program for each Fund's portfolio and manages the Fund's investments in accordance with the stated policies of the Fund, subject to the general supervision of the board of directors of each Fund. In connection with these services, Cohen & Steers receives fees as described in the Funds' registration statements filed with the SEC. Such fees are assessed on an account's assets under management that may include positions that are "fair valued" by Cohen & Steers or its affiliates, based upon the firm's internal written procedures, when market quotations are not readily available.

Capital Management also sponsors pooled investment vehicles registered in Luxembourg. Cohen & Steers acts as the advisor or sub-advisor to certain of the portfolios within these vehicles and receives a management fee based upon a percentage of assets. It also acts as distributor to these investment vehicles and may collect a fee for these distribution services that it may share with sub-distributors or investors who assist in distribution of interests in these vehicles or otherwise provide services to these vehicles. In addition, certain employees of Cohen & Steers and/or its affiliates may provide administration, marketing, and legal and compliance assistance to these entities. Investment in these Funds is currently limited to retail investors in select non-U.S. countries investing through a broker-dealer with a formal sub-distribution agreement in place with Capital Management and non-U.S. persons who qualify as institutional or professional investors under relevant local law.

### *Cohen & Steers Proprietary Indexes*

Capital Management also maintains proprietary indexes that are the basis for Exchange Traded Funds ("ETFs") sponsored by third parties and listed on foreign and/or domestic stock exchanges. Cohen & Steers may make revisions to its clients' portfolios that correlate, either wholly or partly, to changes that Capital Management makes in the indexes. Cohen & Steers restricts trading in client accounts for the period between the time when decisions have been made to modify the indexes (additions and deletions) and when those modifications have been made public either through press release or posting on the Standard & Poor's (S&P) website. S&P independently calculates the index. Any delay in posting to the S&P website or issuing a press release, however, could



negatively impact client portfolios to the extent Cohen & Steers is delayed in effecting changes the firm otherwise would make in a client's portfolio.

### *Cohen & Steers Proprietary Accounts*

Cohen & Steers' parent company maintains one or more accounts ("Proprietary Accounts") on behalf of Cohen & Steers or its affiliates. These may be cash or investment accounts or seeded or incubating investments intended to build an investment track record. These Proprietary Accounts are managed by portfolio managers who may also manage certain client accounts. Securities held and traded in the Proprietary Accounts also may be held and traded in one or more client accounts. It is the firm's policy, however, not to put the interests of the Proprietary Accounts ahead of the interests of client accounts. Because certain Proprietary Accounts are managed with a cash management objective, it is possible that a security will be sold out of the Proprietary Accounts but continue to be held for one or more client accounts. There may also be situations in which the reverse is true. In situations when this occurs, such security will remain in a client account only if Cohen & Steers, acting in its reasonable judgment and consistent with its fiduciary duties, believes this is appropriate and consistent with the objectives and profile of the client account.

## **Item 12: Brokerage Practices**

### **Broker Selection**

Cohen & Steers considers a range of factors when deciding where and how to place orders for execution on behalf of its clients, including price, cost, speed, liquidity, likelihood of settlement, the nature of the order, transparency of the market and other market considerations. The firm also considers the full range of a broker's services, including the value of execution capabilities, commission rates, financial responsibility, administrative resources, scope of research and responsiveness.

The Trading Committee for Cohen & Steers and its affiliates oversees all policies and procedures related to the trading process including best execution, broker approvals, research services, trade allocation and the resolution of trade errors. New brokers are approved by the Trading Committee prior to initiating a trading relationship and on an annual basis thereafter. A tiered structure has been put into place whereby only the most stable brokers, as determined by the Trading Committee, are authorized to trade the highest risk security or transaction types such as OTC derivatives or trades in emerging market regions. At the time of initial approval, the Trading Committee reviews broker financials, available regulatory filings and firm-level credit rating, if any, and the results of a background check performed by the compliance department.

### **Research and Other Soft Dollar Benefits**

Cohen & Steers uses client brokerage commissions to obtain investment research or brokerage services ("soft dollar services") and obtains a benefit because the firm does not have to produce or

pay directly for such research or services. Cohen & Steers may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the interests of clients in receiving most favorable execution. However, in all instances, the primary consideration when placing an order with a broker is overall best execution.

All soft dollar services qualify for the safe harbor in section 28(e) of the Securities Exchange Act of 1934 and other applicable laws and regulations and include proprietary research provided by full service brokers as well as eligible services provided by third parties. Such services include research reports on companies, industries and securities; economic and financial data; financial publications; web or computer based market data; research-oriented computer software and services; and brokerage services facilitating the communication of trade order information to counterparties and custodians.

Some services for which soft dollars are utilized are used across multiple strategies, others are strategy specific. Proprietary research is provided by certain brokers with whom we trade. Those brokers who provide proprietary research would receive commissions at the “full service” rate. Cohen & Steers pays these brokers in accordance with its standard, full service commission schedule that is higher than the schedule for those brokers providing only execution services. In addition to providing proprietary research, brokers receiving commissions in accordance with the full service commission schedule may also exhibit a willingness to commit capital, provide best in class service for execution, access to liquidity, market intelligence and efficiency and other capabilities we believe warrant additional compensation. In all cases, all accounts participating in a transaction will pay the same commission rate regardless of counterparty.

Cohen & Steers has negotiated Client Commission Arrangements (“CCAs”) with several large, well known brokerage firms. Our CCAs are linked to the electronic trading venues of these brokers, and the negotiated commission rates for these arrangements are lower than those for full service brokers. Pursuant to the CCAs, a predetermined portion of the commission goes towards execution of the trade and the remainder is applied to a commission credit account which is used to pay for eligible third party soft dollar services. Cohen & Steers may compensate brokers through CCA’s rather than directing trades to the proprietary trading desks of certain research providers. The soft dollar services received may benefit multiple clients, including those whose commissions were not utilized to purchase the service. No third party commission credits are generated by accounts whose investment management agreements specifically prohibit the use of soft dollars or soft commissions. The same commission rate is charged to all accounts participating in a trade, regardless of whether the account generates soft dollar commission credits through the CCA. Additionally, commissions for accounts that specifically prohibit “soft dollars” may be utilized to compensate broker-dealers for proprietary research.

Cohen & Steers may utilize soft dollars to purchase services that are not 100% eligible for the Rule 28(e) safe harbor. In these circumstances, a mixed-use allocation is proposed to and approved by the Trading Committee. The allocation designates the percentage portion of the service that is



eligible for payment with soft dollars and the percentage portion of the service that must be paid directly utilizing hard dollars.

The Trading Committee maintains primary responsibility for overseeing the soft dollar activities of the firm. Oversight includes: (i) determining whether the proposed product or service is eligible as defined in Section 28(e); (ii) assessing the extent to which certain expenditures may be “non-research” and determining the proper allocation between hard and soft dollars for a particular expenditure; (iii) assessing the execution quality of brokers who are currently providing soft dollar services, (iv) assessing the value of the service contemplated and comparing to market rates, and (v) approving all new soft arrangements and reviewing all expenditures at least annually.

### Brokerage for Client Referrals

In selecting a broker, Cohen & Steers does not consider whether the firm or a related person receives client referrals from a broker or third party.

### Directed Brokerage

Cohen & Steers generally trades all client accounts in a single block and allocates executions accordingly. The firm believes that this method is the most efficient in achieving best execution for its clients and as a result the firm does not generally participate in client directed brokerage programs requiring a set percentage of participation. Clients who request brokerage to be directed to a particular broker-dealer risk the loss of purchasing power of larger transaction sizes and can suffer less-than-optimal execution quality as a result. When a client participates in a commission recapture network of counterparties with whom the firm regularly trades, Cohen & Steers will establish accounts at participating counterparties to ensure the client receives credit for any trades done with that counterparty. Additionally, there are certain circumstances when an account is trading on its own due to specific account issues, such as cash needs or the initial construction of the portfolio, in which the firm will consider utilizing a client directed brokerage program, subject to our duty to provide best execution.

### Trade Aggregation

In making decisions regarding the placement and execution of client trades, the firm’s goal is to provide fair and equitable treatment over time to all clients. However, in terms of priority of execution and allocation of shares, and the timeliness and efficiency of execution, it is possible, although unlikely, that a specific trade may have the effect of benefiting one account against another when viewed in isolation. Consistent with its duty to seek best execution for each of its clients, Cohen & Steers may aggregate trade orders that could be effected concurrently for more than one client account.

Although allocating orders among client accounts may create potential conflicts of interest because Cohen & Steers may receive greater fees or compensation from some clients than other clients, or because Cohen & Steers may be affiliated or have other relationships with certain clients,

Cohen & Steers has policies that are intended to monitor and oversee that allocation decisions are not based on these differing interests, greater fees or compensation.

Cohen & Steers' policy is to aggregate and execute as a block order equity trades for the same security or contract with consistent attributes. Orders in the same security with different execution limits set by the portfolio manager will not be aggregated unless the trade can be executed in accordance with each portfolio manager's limits. Where a block order is executed at multiple prices, all accounts participating in the order will receive the same average price, including trading costs. In the event that an aggregated order, including shares offered in an initial public offering, can only be partially filled, participating client accounts will receive proportionate allocations on the basis of their order size subject to certain minimum trade values at the account level. In the event of a partially filled order, the Cohen & Steers portfolio manager may determine that the proportionate allocation to a particular account is not material to that account or inefficient relative to the size of the order with respect to the cost of settling the transaction, and so may waive that account's allocation. If this occurs, the account's allocation will be reallocated to other participating accounts on a proportionate basis. In addition, Cohen & Steers may determine that an account should not participate in a transaction, for example, because of cash flow or account-specific tax considerations or diversification or other portfolio management considerations. By not participating in an aggregate order clients may pay higher commissions or other fees on the transaction. It is also possible that participation in an aggregated order itself might result in a poorer execution than if a particular account's order had been executed by itself.

Allocations of fixed income securities may be made on an account-by-account basis based upon predetermined criteria in lieu of designating a pre-order allocation for each trade. Predetermined criteria may include the degree to which the security is fungible with other securities held in the portfolio, duration, cash flows, credit quality and liquidity. Contemporaneous orders for the same security are consolidated by the fixed income trader and executed as a block trade.

Certain accounts managed by affiliates of Cohen & Steers may compensate the manager using performance based fees. Orders for these accounts will be aggregated, to the extent possible, with any other account managed by Cohen & Steers, regardless of the method of compensation. In the event such orders are aggregated, allocation of partially-filled orders will be made on a pro-rata basis in accordance with pre-trade indications. An account's fee structure is not considered when making allocation decisions.

Cohen & Steers may aggregate orders of client accounts with those of the Proprietary Accounts; however, under no circumstances will preferential treatment be given to the Proprietary Accounts. For orders in securities involving the Proprietary Accounts, purchases or sales will be allocated prior to trade placement, and orders that are only partially filled will be allocated across all accounts in proportion to the shares each account, including the Proprietary Accounts, was designated to receive prior to trading. As a result, it is expected that the Proprietary Accounts will receive the same average price as other accounts included in the aggregated order. Shares will not be allocated or re-allocated to the Proprietary Accounts after trade execution or after the average price is known. In the event a pro-rata allocation is not practical, a rotational system of

allocation may be used; however, the Proprietary Accounts will not be part of that rotation or receive shares of a partially filled order other than on a pro-rata basis.

### **Item 13: Review of Accounts**

#### **Account Review**

Portfolio managers are responsible for reviewing the holdings in their client accounts on a regular basis and the compliance department monitors client accounts for compliance with account guidelines and restrictions on a daily basis. The performance department is responsible for reviewing the performance of an account relative to the account's pre-established benchmark and the account's conformity with its investment objectives and restrictions.

In addition, all accounts are reviewed by the investment administration department for the purpose of reconciling the firm's records with those of the respective accounts' custodians. Cash and portfolio holdings are reconciled by the investment administration department on a daily basis and the investment administration department prepares month-end separate account reconciliations (including cash, security positions, local market values, prices and accruals, where applicable) to a client's custodian bank account statement.

#### **Client Reporting**

Separate account generally receive a monthly report within 15 business days after month-end which includes performance, market values, attribution analysis, characteristics, largest holdings, largest overweight and underweight positions, and an investment commentary. In addition, clients also receive a monthly preliminary performance and market value report within five business days after month-end. Clients generally receive electronic notifications. Hard copies are also available upon request. In addition to our standard reports, Cohen & Steers can provide additional reports upon request as needed. Investors in Funds typically receive the relevant Fund's annual and semiannual financial statements and monthly commentaries and quarterly fund fact sheets are available on the Cohen & Steers website at [www.cohenandsteers.com](http://www.cohenandsteers.com). Investors in private funds receive quarterly investment commentaries and periodic account statements.

### **Item 14: Client Referrals and Other Compensation**

Capital Management has entered into a contractual arrangement with Ambassador Funds Management Services ("Ambassador") pursuant to which Ambassador markets the firm's separate account management and subadvisory services to institutional investors located in Australia and New Zealand. Pursuant to this arrangement, Capital Management pays Ambassador an annual retainer, a success fee based on a percentage of the first 24 months of revenue associated with a new client referred by Ambassador, and an ongoing servicing fee, based on a percentage of revenue associated with such client or investor after the first 24 months of the client relationship.

Many Cohen & Steers clients work with pension or other institutional investment consultants (collectively, "Investment Consultants"). Investment Consultants provide a wide array of services to pension plans and other institutions, including assisting in the selection and monitoring of investment advisers such as Cohen & Steers. From time to time, Cohen & Steers and/or its affiliates may work with Investment Consultants and their affiliates to provide investment management and/or risk management services, creating possible conflicts of interest.

CSSL markets and engages in sales activity for the U.S. mutual funds and private funds as described in Item 10 above.

### **Item 15: Custody**

Cohen & Steers does not maintain custody of client funds or securities. For certain private funds for which affiliates of Cohen & Steers serve as the general partner, the general partner due to its role is deemed to have constructive custody of assets; however it does not have actual custody of any assets. Separate account clients determine their own custodial arrangements. The firm works with a number of different custodian banks, including most of the major providers in this arena and several regional providers as well. Clients receive statements directly from the custodian banks and should carefully review and compare these statements with statements received from Cohen & Steers.

For the Funds, the firm has designated third party custodians to custody all assets of the Funds and to maintain the official books and records of the Funds.

### **Item 16: Investment Discretion**

Subject to pre-determined investment objectives, benchmarks, and guidelines and the execution of a written investment management agreement, Cohen & Steers has full discretionary authority to manage securities and cash held in accounts on behalf of its clients.

Decisions to buy and sell investments for clients advised by Cohen & Steers are made with a view to achieving each client's investment objectives, and so it is possible that a particular investment may be bought or sold for only one client or in different amounts and at different times for more than one but less than all clients, even though it could have been bought or sold for other clients at the same time. Likewise, a particular investment may be bought for one or more clients when one or more other clients are selling the investment. In addition, purchases or sales of the same investment may be made for two or more clients on the same date. There can be no assurance that a client will not receive less (or more) of a certain investment than it would otherwise receive if Cohen & Steers did not manage accounts on behalf of multiple clients. In effecting transactions, it may not be possible, or consistent with the investment objectives of Cohen & Steers' various clients, to purchase or redeem securities at the same time or at the same prices.

Clients may restrict the firm from transacting in certain securities or with certain executing brokers. Such restrictions are typically reflected in the investment management agreement. In addition, for certain accounts, clients may instruct Cohen & Steers to execute foreign currency exchange ("FX") transactions to settle trades in the currency of local markets and repatriate the proceeds of such trades to the base currency of the account. Some clients may require, or for certain types of FX transactions circumstances may dictate, that these FX currency transactions be executed by the clients' custodian bank, in which case Cohen & Steers assumes no responsibility for the execution or oversight of these transactions. The decision as to whether the custodian or Cohen & Steers will execute the FX transactions is at the discretion of the client and will be incorporated into the client's investment advisory agreement or amendments thereto.

Similarly, some clients have established cash management arrangements with their custodians. If a client has established such an arrangement, the client's custodian will be responsible for managing the client's cash balances and Cohen & Steers assumes no responsibility for the execution or oversight of these transactions.

Furthermore, certain investment and regulatory restrictions may limit Cohen & Steers' discretion with respect to an account and, as a result, the performance of accounts for which investment restrictions are imposed may differ from, and are sometimes worse than, the performance of accounts within the same strategy that lack such restrictions.

### **Item 17: Voting of Client Securities**

Separate account clients may grant Cohen & Steers the authority to vote or not vote the proxies of securities held in client accounts in the discretion of Cohen & Steers in accordance with the firm's proxy voting guidelines. If a client appoints Cohen & Steers to vote proxies on its behalf, this authority is complete and Cohen & Steers does not allow clients to direct how Cohen & Steers votes in a particular situation. We also do not vote proxies in accordance with any client's own guidelines, unless such guidelines are substantially similar to the Cohen & Steers guidelines.

The firm maintains policies and controls to govern its proxy voting activities. It is our objective to vote proxies in the best interests of our clients. To this end, the firm maintains an internal proxy voting committee that is responsible for overseeing the proxy voting process and ensuring that the firm meets its regulatory and corporate governance obligations for voting proxies. The committee is composed of portfolio managers and research analysts from the firm's various investment teams, as well as members of the legal and compliance department. The firm also has a dedicated Proxy Administration Team that is responsible for communicating proxies to the respective portfolio manager and/or analyst for consideration and maintaining the required documentation.

Cohen & Steers has retained a proxy voting administration vendor, Institutional Shareholder Services ("ISS"), to assist in the voting of proxies. The proxy voting vendor is responsible for coordinating with client custodians to ensure that all proxy materials received by custodians relating to client portfolio securities are processed in a timely fashion. In addition, ISS is

responsible for maintaining copies of all proxy statements received by issuers and promptly providing such materials to the firm upon request. Portfolio managers and analysts may review research reports provided by ISS or other vendors but all votes are cast in accordance with the firm's, not ISS's, guidelines.

The firm's proxy voting policy includes procedures that address material conflicts of interest that may arise between the investment advisor's interests and those of its clients. Examples of such material conflicts of interest that could arise include circumstances in which:

- management of a client is soliciting proxies and failure to vote in favor of management may harm Cohen & Steers' relationship with the client and materially impact Cohen & Steers' business; or
- a personal or familial relationship between an employee or director at Cohen & Steers and management of an issuer could impact Cohen & Steers' voting decision.

When a potential material conflict is identified, the Proxy Committee will evaluate the situation and determine whether an actual material conflict of interest exists. In the event the Proxy Committee determines that a material conflict does exist, the Proxy Committee shall make a recommendation on how Cohen & Steers shall vote the proxy.

Depending on the nature of the material conflict of interest, the Proxy Committee, in the course of addressing the material conflict, may elect to take one or more of the following measures, or other appropriate action:

- removing certain Cohen & Steers personnel from the proxy voting process;
- "walling off" personnel with knowledge of the material conflict to ensure that such personnel do not influence the relevant proxy vote;
- voting in accordance with the applicable Guidelines, if any, if the application of the Guidelines would objectively result in the casting of a proxy vote in a predetermined manner; or
- deferring the vote to an independent party, such as ISS, which will vote in accordance with its own recommendation.

Clients that grant Cohen & Steers authority to vote proxies on the client's behalf may request periodic reports from the firm detailing their proxy record and how such votes were cast. In addition, a copy of the firm's proxy voting policy is available upon request by contacting Cohen & Steers in writing at 1201-1202 Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong, or by calling + 852 36670080

### Item 18: Financial Information

As discussed in Item 5 above, Cohen & Steers does not require pre-payment of client fees and therefore is not required to include a balance sheet herein. Furthermore, no current financial

condition exists at the firm that is reasonably likely to impair our ability to meet contractual commitments to clients. Cohen & Steers has never been the subject of a bankruptcy petition.



### Appendix A

#### Risks

Investing in securities and other financial instruments involves a risk of loss, including the potential loss of the entire investment that clients should be prepared to bear. All investment strategies carry some degree of investment, legal, tax and regulatory risk. Additional risks apply specifically to particular investment strategies or investments in different types of securities. Material risks related to each of the firm's strategies are set forth below. Investors in registered investment companies or private funds should review the prospectuses, offering memorandums and constitute documents for additional information about risks associated with those products.

##### *Investment Risk*

A client's investment represents an investment in the securities of companies. The value of these securities, like other investments, may move up or down, sometimes rapidly and unpredictably, as a result of market volatility. An investment at any point in time may be worth less than the amount invested. A client's portfolio is subject to investment risk, including the possible loss of the entire principal amount of the investment.

##### *Common Stock Risk*

While common stock has historically generated higher average returns than fixed-income securities, common stock has also experienced significantly more volatility in those returns. Common stock prices fluctuate for many reasons, including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or the occurrence of political or economic events affecting issuers. In addition, common stock prices may be sensitive to interest rate fluctuations which affect the cost of capital and borrowing costs. An adverse event, such as an unfavorable earnings report, may depress the value of common stock held by the account. Also, the price of common stock is sensitive to general movements in the stock market. A drop in the stock market may depress the price of common stock held by the account.

##### *Non-U.S. Companies*

Risks of investing in non U.S. securities include currency risks, future political and economic developments and possible imposition of foreign withholding taxes on income payable on the securities. In addition, there may be less publicly available information about a foreign issuer than about a domestic issuer, and foreign issuers may not be subject to the same accounting, auditing and financial recordkeeping standards and requirements as domestic issuers.

##### *Legal, Tax and Regulatory Risk*

Cohen & Steers and certain client accounts and investments are subject to legal, tax and regulatory oversight. In the future, there may be legislative, tax and regulatory changes that may



apply to the activities of Cohen & Steers that may require material adjustments to the business and operations of, or have other material adverse effects on investments or holdings in client accounts. Any rules, regulations and other changes may result in increased costs and reduced investment and trading opportunities, all of which may negatively impact the performance of client accounts.

### *Risk of Investing in Real Estate Securities*

Risks of investing in real estate securities are similar to those associated with direct investments in real estate, including falling property values due to increasing vacancies or declining rents resulting from economic, legal, political or technological developments, lack of liquidity, limited diversification and sensitivity to certain economic factors such as interest rate changes and market recessions. Foreign real estate 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.

### *REIT Risk*

The performance of REITs is generally dependent upon the quality of internal management. Most REITs are not diversified and may be concentrated by region and/or property type. REITs are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. In addition, REITs could possibly fail to qualify for pass-through of income under the Internal Revenue Code of 1986, as amended if they are not managed correctly. Other factors may also adversely affect a borrower's or a lessee's ability to meet its obligations to the REIT. In the event of a default by a borrower or lessee, the REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments which may have a negative impact on the share price of the security.

### *Infrastructure Securities Risk*

Securities and instruments of infrastructure companies may be susceptible to adverse economic or regulatory occurrences affecting their industries. Infrastructure companies may be subject to a variety of factors that may adversely affect their business or operations, including high interest costs in connection with capital construction programs, high leverage, costs associated with environmental and other regulations, the effects of economic slowdown, surplus capacity, increased competition from other providers of services, uncertainties concerning the availability of fuel at reasonable prices, the effects of energy conservation policies and other factors. Infrastructure companies may also be affected by or subject to:

- regulation by various government authorities;
- government regulation of rates charged to customers;
- service interruption due to environmental, operational or other mishaps;

- the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards; and
- general changes in market sentiment towards infrastructure and utilities assets.

### *Master Limited Partnership (MLP) Risk*

An investment in MLP units involves some risks that differ from an investment in the common stock of a corporation. Holders of MLP units have limited control on matters affecting the partnership. Investing in MLPs involves certain risks related to investing in the underlying assets of the MLPs and risks associated with pooled investment vehicles. MLPs holding credit-related investments are subject to interest rate risk and the risk of default on payment obligations by debt issuers. MLPs that concentrate in a particular industry or a particular geographic region are subject to risks associated with such industry or region. The benefit derived from the account's investment in MLPs is largely dependent on the MLPs being treated as partnerships for Federal income tax purposes.

### *Preferred Securities Risk*

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. Risks associated with preferred securities differ from risk inherent with other investments. In particular, in the event of bankruptcy, a company's preferred securities are senior to common stock but subordinated to all other types of corporate debt.

### *Fixed Income Securities Risk*

Fixed income securities generally present two types of risk—interest rate risk, which is the risk that bond prices will decline because of rising interest rates, and credit risk, which is the chance that a bond issuer will fail to timely pay interest and principal or that a bond's price declines because of negative perceptions of an issuer's ability to pay interest and principal.

### *Inflation/Deflation Risk*

Although a portfolio is intended to provide a measure of protection against inflation, it is possible that it will not do so to the extent intended. A portfolio may be adversely affected to a greater extent than other investments during deflationary periods.

### *Non-Base Currency Risk*

A strategy may invest in securities that are denominated in currencies other than the base currency of the account. The value of any particular currency may change in relation to the base currency. Among the factors that may affect currency values are political events, trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-

term opportunities for investment and capital appreciation. Changes in currency values may affect the net asset value of the account and the account's value could decline as a result.

### *Emerging Markets Risk*

Securities of companies in emerging markets may be more volatile than those of companies in more developed markets. Emerging market countries generally have less developed markets and economies and, in some countries, less mature governments and governmental institutions. Investing in securities of companies in emerging markets may entail special risks relating to potential economic, political or social instability and the risks of expropriation, nationalization, confiscation or the imposition of restrictions on foreign investment, the lack of hedging instruments, and on repatriation of capital invested.

### *Below Investment Grade Securities Risk*

Below investment grade securities or equivalent unrated securities generally involve greater volatility of price and risk of loss of income and principal and may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher grade securities. It is reasonable to expect that adverse economic conditions could disrupt the market for below investment grade securities, have an adverse impact on the value of those securities and adversely affect the ability of the issuers of those securities to repay principal and interest on those securities.

### *Commodities Risk*

The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and economic, political and regulatory developments. The energy sector can be significantly affected by changes in the prices and supplies of oil and other energy fuels, energy conservation, the success of exploration projects, and tax and other government regulations, policies of the Organization of Petroleum Exporting Countries ("OPEC") and relationships among OPEC members and between OPEC and oil importing nations. The metals sector can be affected by sharp price volatility over short periods caused by global economic, financial and political factors, resource availability, government regulation, economic cycles, changes in inflation or expectations about inflation in various countries, interest rates, currency fluctuations, metal sales by governments, central banks or international agencies, investment speculation and fluctuations in industrial and commercial supply and demand. In addition, commodity-linked derivative instruments carry the risk loss of the entire investment or more than the value of the entire investment as well as the risk of physical delivery of commodities and associated illiquidity factors and safekeeping costs.

### *Derivatives Risks*

The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. Among the risks presented are market risk, credit

risk, counterparty risk, leverage risk and liquidity risk. The use of derivatives can lead to losses because of adverse movements in the price or value of the underlying asset, index or rate, which may be magnified by certain features of the derivatives. Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter (OTC) markets or on non-U.S. exchanges.

### *Availability of Investment Strategies*

Identification and exploitation of the investment strategies to be pursued by certain strategies involve a high degree of uncertainty. No assurance can be given that the firm will be able to identify suitable investment opportunities in which to deploy capital. A reduction in overall market volatility and liquidity, as well as other market factors, such as interest rate fluctuations, may reduce the pool of profitable investment strategies.

### *Concentration Risk*

A strategy that invests at least 25% of its net assets in a particular sector or industry will be more susceptible to adverse economic or regulatory occurrences affecting this sector or industry, such as changes in interest rates, loan concentration and competition. Accordingly, a negative development in the particular sector or industry could adversely impact the strategy because it is not diversified across asset classes.

### *Lack of Liquidity in Markets*

The markets for some securities and instruments have limited liquidity and depth. This limited liquidity and lack of depth could be a disadvantage to the strategy, both in the realization of the prices which are quoted and in the execution of orders at desired prices.

### *Illiquid Credit Markets*

There is no guarantee that the credit markets will not experience a lack of liquidity or increased volatility in the future. Further, there can be no assurance that the markets will, in the future, continue to be more liquid. It is also possible that illiquidity in the market could cause prices to decline further, which may have the result of forcing the strategy or its underlying investments to sell assets to satisfy requirements under borrowing arrangements or to meet margin calls, which could, in turn, create further downward price pressure. If there is a substantial decline in the market value of the strategy's portfolio of investments, investments may need to be liquidated quickly, and perhaps not at fair value. Upheavals in the credit markets may cause margin borrowing costs and securities borrowing costs to increase. Such increases in borrowing costs may impact the strategy's ability to generate returns.

### *Suspensions of Trading*

Each securities exchange or commodities (including futures) contract market typically has the right to suspend or limit trading in all securities or commodities which it lists. Such a suspension would

render it impossible for the strategy to liquidate positions and, accordingly, expose the strategy to losses and delays in its ability to effect withdrawals by investors. Individual securities can also face trading suspensions prior to significant news events or when that security is subject to significant market fluctuations.

### *Securities/Positions Believed to be Undervalued or Incorrectly Valued*

Securities which the strategy believes are fundamentally undervalued or incorrectly valued may not ultimately be correctly valued in the opinion of the portfolio manager at prices within the time frame the strategy anticipates. As a result, the strategy may lose all or substantially all of its investment in any particular instance.

### *Hedging Risk*

Certain investment strategies may involve hedging certain risks, such as market risk, interest rate risk and real estate market risk, through the use of various derivative instruments. However, it is generally not possible to eliminate all risk of adverse market movement. Suitable hedging transactions may not be available in all circumstances, and there can be no assurance that the account will engage in these transactions to reduce exposure to risks when that would be beneficial. The use of hedging instruments may enable the account to increase its profits from favorable market price movements and diminish its exposure to market volatility. However, any reduction or increase in the hedge from the theoretical neutral hedge also increases the exposure of the account to adverse market price movements, and at times could present material risk to the capital of the account.

### *Frequent Trading Risk*

Frequent trading of securities in an account or portfolio can affect performance, particularly through increased brokerage and other transaction costs and taxes.