

# Cohen & Steers Closed-End Fund Strategy

## INVESTMENT COMMENTARY

NOVEMBER 30, 2011

We would like to share with you our review and outlook for the closed-end fund market as of November 30, 2011. For the month, the market price total return of the Morningstar U.S. All Taxable ex-Foreign Equity Closed-End Fund Index was -1.2%, while its return on net asset value (NAV) was -1.3%. Year to date, the index had a market price total return of +0.2% and a NAV return of +1.3%. By comparison, the S&P 500 Index and the Barclays Capital U.S. Aggregate Bond Index had total returns of -0.2% and -0.1% for the month, and +1.1% and +6.7% for the year to date, respectively.

### INVESTMENT REVIEW

November was a challenging month for financial markets, with nearly all asset classes outside of high-quality government bonds posting losses. Through much of the month, deteriorating conditions in Europe drove volatility with a bias to the downside. However, markets saw some relief late in the period on global central bank actions to lower currency swap rates, as well as broader expectations for coordination in combating the European debt crisis. Adding support were some encouraging U.S. economic data and news that China cut its reserve requirement ratio for the first time in three years.

In this environment, closed-end funds were broadly down across both the equity and taxable fixed income categories, with relatively little dispersion of returns based on market price (returns were also lower on NAV, more so for fixed income funds). Within equities, the health care sector (+1.9%<sup>1</sup> return in the index) was the best performer, favored for its more defensive characteristics in an uncertain market. Real estate funds (-4.3%) were among the poorest performers, although REITs completed an earnings season that generally exceeded expectations, and commercial real estate companies continued to show good access to capital at attractive rates.

Government funds (+1.3%) had the best performance in the taxable fixed income group. Preferred securities funds (+0.6%) also advanced on market price, although the sector fell back on NAV. Convertibles funds (-5.1%) had the largest decline in the group; they often underperform amid difficult conditions in equity markets.

### CLOSED-END FUND SECTOR RETURNS<sup>(1)</sup>

	November 2011		YTD	
	Market	NAV	Market	NAV
Taxable Municipal	3.3%	-0.2%	23.1%	24.7%
CA State Municipal	2.6%	0.4%	18.0%	14.6%
National Municipal	2.9%	0.4%	16.5%	13.6%
Municipal High	1.8%	-0.6%	15.1%	11.5%
NY State Municipal	2.2%	0.3%	14.9%	11.9%
State Municipal-Other	2.3%	0.5%	14.5%	12.2%
Preferreds	0.6%	-2.2%	14.1%	5.0%
Commodities	-0.5%	-1.4%	12.6%	16.5%
Health-Biotech	1.9%	-0.1%	11.1%	3.8%
U.S. Hybrid (Growth & Income)	0.1%	-0.3%	10.3%	7.7%
Utilities	-1.4%	-0.1%	8.1%	5.2%
High Yield	-0.5%	-2.9%	7.8%	-0.7%
Investment Grade	-0.9%	-3.2%	7.5%	0.1%
Government	1.3%	0.2%	6.2%	8.4%
Global Income	-1.7%	-2.4%	3.5%	1.6%
Emerging Market Income	-3.0%	-3.0%	3.1%	1.0%
Limited Duration	-0.5%	-1.2%	1.9%	2.6%
MLP	-0.4%	-1.9%	1.4%	2.6%
General Mortgage	-0.3%	-0.6%	1.0%	0.7%
Multi-Sector	-2.0%	-2.7%	0.3%	-0.4%
Equity Tax-Advantaged	-2.4%	-0.6%	-0.8%	2.1%
U.S. General Equity	-1.8%	-0.7%	-3.3%	-2.4%
Real Estate	-4.3%	-4.1%	-3.4%	-2.1%
U.S. Equity Dividend	-1.2%	-0.1%	-4.8%	1.8%
Senior Loan	-1.2%	-1.0%	-4.8%	0.6%
Global Hybrid (Growth & Income)	-2.5%	-1.9%	-5.5%	-4.6%
Global Equity	-1.2%	-0.3%	-7.6%	-5.9%
Covered Call	-0.7%	0.3%	-8.2%	-1.2%
Energy-Resources	-1.5%	0.8%	-10.0%	-4.0%
Global Equity Dividend	-6.0%	-2.2%	-13.0%	-10.7%
Convertibles	-5.1%	-4.2%	-14.7%	-11.5%
Finance	-4.5%	-0.6%	-16.2%	-12.3%
International Equity	-4.4%	-5.0%	-18.4%	-17.0%

Source: Bloomberg and Cohen & Steers.

Past performance does not guarantee future results. This information is not representative of any Cohen & Steers account and no such account will seek to replicate an index. You cannot invest directly in an index.

<sup>1</sup> Sector constituents as per the Morningstar U.S. All Taxable Ex-Foreign Equity Index; constituent returns as per Bloomberg L.P.

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### The IPO market drew to a close for the year

There was one new closed-end fund launched in November, a global utility offering that raised \$310 million. With no IPOs currently scheduled for December, the total issuance from new funds in 2011 stands to finish at \$5.9 billion, about 20% lower than the amount raised in 2010.

## INVESTMENT OUTLOOK

News from Europe will continue to spark bouts of volatility in financial markets, particularly equity markets. A resolution to the debt crisis is a long-term effort and will likely require a mix of progress toward fiscal union among European countries, bank recapitalizations and perhaps a willingness by the European Central Bank to print money. Amid heightened uncertainty, we have reduced our equity allocation over the past few months and are now closer to being balanced compared with the index.

With interest rates likely to remain near historical lows for an extended period, we believe that attractive spreads should continue to benefit the income-generating potential of leveraged closed-end funds. As for new closed-end fund issuances, we believe the IPO window will remain open, but not to the degree that could pressure pricing in the secondary market or impede discount narrowing as investors bid for above-average income.

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