

# Cohen & Steers Global Infrastructure Securities Strategy

## INVESTMENT COMMENTARY

NOVEMBER 30, 2011

*We would like to share with you our review of the global infrastructure securities market as of November 30, 2011. For the month, the UBS Global 50/50 Infrastructure & Utilities Index had a total return of -1.7% (net of dividend withholding taxes). Year to date, the index returned -1.0%.*

### INVESTMENT REVIEW

Global equity markets pulled back in November after a very positive October. Worries about fiscal contagion in Europe weighed on equities broadly, while slowing growth in China added to concerns about the global economy. A sharp rally in the last few days offset some of the decline, as major central banks announced a coordinated effort to lower currency swap rates, providing much-needed liquidity to European banks. Global markets also responded positively to encouraging U.S. economic data and news that China cut its reserve requirement ratio for the first time in three years.

Infrastructure declined, but outperformed the broader equity market (-2.4% return for the MSCI World Index), reflecting its more defensive qualities in a challenging environment. Performance varied by subsector. The gas pipeline group (+3.9%<sup>1</sup> return in the index) was a standout. Enbridge advanced, aided by news of its taking a 50% stake in the Seaway crude oil pipeline. The company and its co-owner plan to reverse the system's directional flow to alleviate a bottleneck at the Cushing oil market hub in Oklahoma. TransCanada, which stood to benefit from a green light on the Keystone pipeline expansion project, had a positive return but underperformed its peers as the White House delayed its decision on the project until the end of 2012.

Tower & satellite companies (+3.0%) also performed well. American Tower rose amid a continued strong outlook for wireless services. Regulatory scrutiny of the proposed AT&T/T-Mobile merger was seen as a positive sign for the tower companies, although we believe that even if the deal were to be completed, it would have a very modest impact on the long-term demand for tower services.

Within electric utilities (+0.6%), weakness in European names was countered by gains from most large cap U.S. companies. PG&E, however, was an exception. Its shares fell on the prospect of further investigations into the company's liability regarding the San Bruno gas pipeline explosion in California last year.

The railways subsector (-4.5%) lagged. Central Japan Railway declined on news that the company—and not local governments, as originally expected—would have to shoulder the costs associated with station development along its massive new high-speed railway project. Toll roads (-1.8%) had mixed results; France-based operators fell the most amid European sovereign debt and economic concerns.

### INVESTMENT OUTLOOK

We expect the global economy to continue to slow. In this context, we maintain overweights in subsectors that are relatively less cyclical such as regulated utilities (including electric and water companies), gas pipelines and towers & satellites. We are underweight the more economically sensitive toll roads, airports and marine ports subsectors. Regionally, we are cautious toward Europe, but have modestly narrowed our underweight in the region based on valuations.

### PERFORMANCE BY SECTOR

	November 2011	YTD
Gas Pipelines	3.9%	35.8%
Towers and Satellites	3.0%	2.1%
Marine Ports	2.4%	1.2%
Gas Distribution	-0.3%	0.9%
Diversified Infrastructure	9.0%	0.0%
Airports	-2.9%	-0.9%
Toll Roads	-1.8%	-3.5%
Electric	0.6%	-4.0%
Railways	-4.5%	-5.8%
Water	-2.6%	-23.3%

*Past performance does not guarantee future results.* Returns are in local currency and based on sector classifications chosen by Cohen & Steers for the constituents comprising the UBS Global 50/50 Infrastructure & Utilities Index. The UBS Global 50/50 Infrastructure and Utility Index tracks a 50% exposure to the global developed market utilities sector and a 50% exposure to global developed market infrastructure sector. 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> Subsector returns are in local currencies as measured by the UBS Global 50/50 Infrastructure & Utilities Index.

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The investment environment is likely to continue to be characterized by heightened risk, including political risk as governments institute austerity measures and posture ahead of upcoming elections. The delay in the Keystone XL pipeline in the United States and Canada and the challenge faced by Central Japan Railway in confirming government financial assistance underscore these risks. Positive fundamental trends do continue, such as in the North American pipeline space, where companies continue to benefit from the need to reshape the region's energy grid.

*Past performance is no guarantee of future results. 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.*