

Two Strategies From a Leading Manager of Preferred Securities

Cohen & Steers has been at the forefront of active investing in preferred securities for more than a decade. For investors seeking the benefits of preferreds, including the potential for high and tax-advantaged income, we offer two Strategies: Preferred Securities and Low Duration Preferred Securities.

Both funds share a common investment process and are managed by the same experienced team, but they have distinct investment characteristics and unique placements on the yield/duration curve.

Preferred Securities and Low Duration Preferred Securities.

As they focus on preferred securities, the two strategies have access to a large (\$992 billion), liquid global market, 72% of which has a duration of five years or less.⁽¹⁾

While sharing common investment disciplines, the strategies pursue different objectives. The Preferred Securities Strategy seeks total return through high current income and capital appreciation, whereas the Low Duration Securities Strategy emphasizes high current income and capital preservation, consistent with its low duration focus. As such, their portfolios will differ in terms of yield, interest-rate sensitivity (duration) and the nature and structure of their holdings. We highlight key differences in the table below.

Preferred Securities Strategy	Low Duration Preferred Strategy
Seeks high current income and total return	Seeks high current income and capital preservation
Higher yield potential	Moderate yield potential
Intermediate duration: 3–6 years	Low duration: 3 years or less
77% qualified dividend income	77% qualified dividend income
54% non-U.S. investments	38% non-U.S. investments

At April 30, 2019.

See page 4 for additional disclosures.

Comparing the Portfolios' Composition

The two portfolios generally have marked differences in their portfolio composition, although there tends to be some overlap. Both portfolios represent a cross section of the global preferred securities universe, which is diversified by security structure, credit quality, sectors and geography. While each is distinct on the basis of compositions, weightings and duration, we use the same philosophy and investment process to identify their holdings.

(1) Source: Bloomberg and Cohen & Steers. Based on par values of approximately 1,400 deferrable capital securities denominated in U.S. dollars, euros and British pounds, and issued in the major domestic and Eurobond markets.

Exhibit 1: How Are We Getting There?

		Preferred Securities	Low Duration Preferred Securities
Security Structure	Fixed-to-Reset Pfd. Sec.	77%	62%
	% Resetting in 5 Years or Less	40%	66%
	Senior Debt Corporate Bonds	1%	23%
	Floating Rate Preferred Securities	4%	10%
	Other Fixed Rate Pfd. Sec. & Cash	18%	5%
	Contingent Capital Securities	26%	17%
Sector	Banking	51%	46%
	Insurance	22%	14%
	Real Estate (REITs)	3%	15%
	Utility	8%	5%
	Other (TMT, Finance, Pipeline and cash) ^(a)	16%	20%
	Market	Over-the-Counter	78%
Exchange-Traded		20%	7%
Cash		2%	2%
Geography	U.S.	46%	62%
	Non-U.S.	54%	38%

At April 30, 2019. Source: Cohen & Steers.

(a) TMT includes telecommunication, media and technology. Allocations are subject to change without notice.

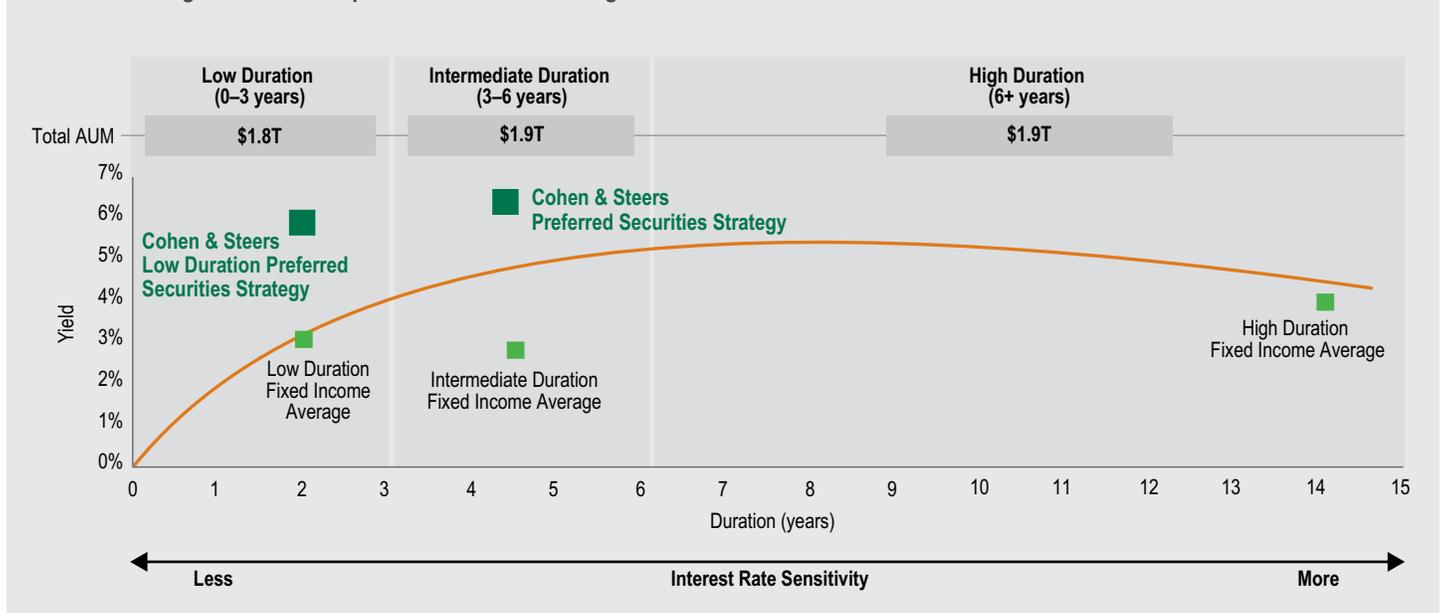
Cohen & Steers' Place on the Yield/Duration Curve

Fixed income funds span a wide range across yields and durations. Shown below are fixed income funds across all eVestment fixed income categories that report durations, grouped by low, intermediate, and high duration. As expected, the Low Duration Preferred Securities Strategy falls in the low duration bucket while the Preferred Securities Strategy is in the intermediate duration bucket. Both provide higher yield than the average of the funds within each respective bucket, as shown in the chart below.

And because many preferred securities—unlike corporate bonds—generate qualified dividend income (QDI), both strategies offer the potential for even-more competitive income on a post-tax basis.

Both strategies have offered higher yields than other portfolios in their respective duration buckets, on average.

Exhibit 2: Average Duration Groups of Fixed Income Strategies



At March 31, 2019. Source: eVestment and Cohen & Steers.

See page 4 for additional disclosures.

An Integrated Investment Process

Whether managing to a total-return, high-income, intermediate-duration strategy or a capital-preservation, high-income, low-duration strategy, our preferred securities investment team follows a common investment process. Combining rigorous bottom-up research with top-down macroeconomic views, the team emphasizes credit quality and relative value.

Exhibit 3: Investment Process

Quantify Issuer Credit Quality

Investment team conducts industry and country research and evaluates company credit based on management, business model, balance sheets and cash flows.

Determine Top Down Portfolio Positioning

Credit quality set based on economic and market outlook; sets duration objective based on interest-rate outlook; establishes industry and country over/underweight objectives.

Assess Relative Value

The team quantifies relative value using proprietary pricing models based on credit spreads and total-return potential; prices are then assigned based on subordination, deferral omission, conversion, call features, floating structures and taxation.

Assign Security Weights

Portfolio weights established based on top-down portfolio positioning, relative value, liquidity and risk management.

The team is dedicated to managing credit and interest-rate risk through superior security selection.

An Experienced and Tenured Team

By working with Cohen & Steers, investors gain access to a large and experienced team of preferred securities specialists. Portfolio managers William Scapell and Elaine Zaharis-Nikas have an average of 25 years of experience and have been managing the firm's preferred securities portfolios since 2003. They are backed by a team of analysts whose proprietary research is supported by extensive contacts in the industry. The group also leverages the global research capabilities of Cohen & Steers' market-leading real estate and infrastructure investment professionals. Together, the team oversees \$14.6 billion in preferred securities across all the firm's strategies for individual investors and pension funds around the world.



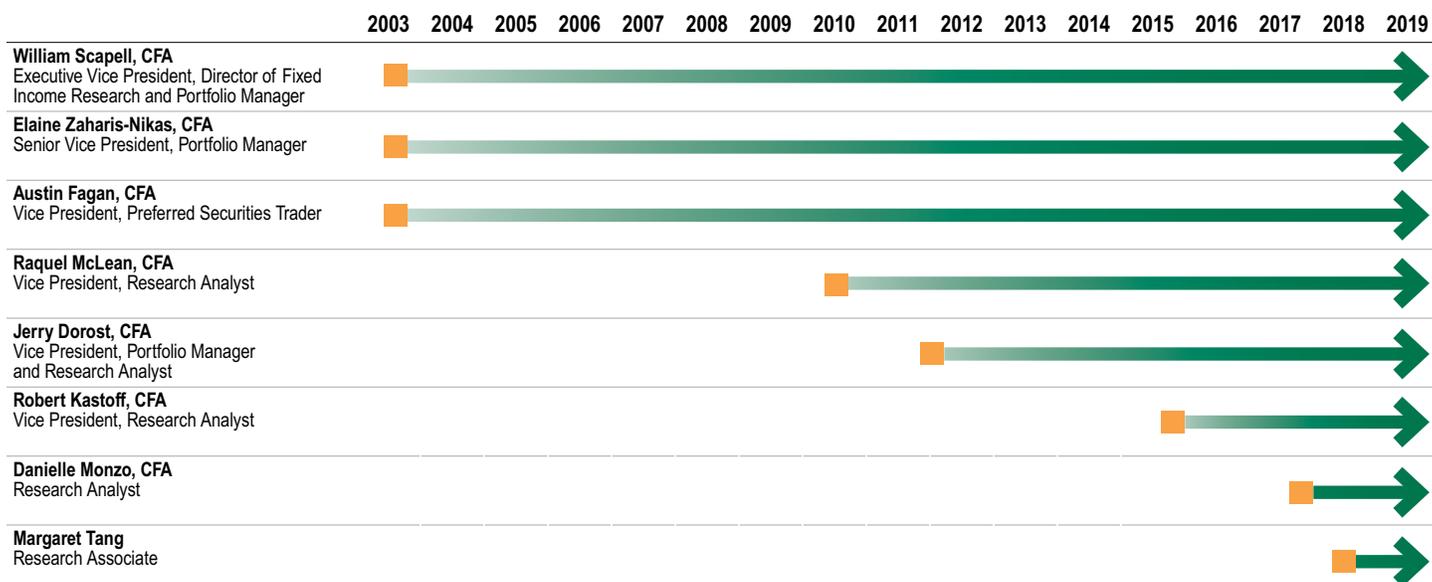
William Scapell, CFA, Executive Vice President and Portfolio Manager, leads the preferred securities team. He brings 27 years of industry experience to the investment process. Prior to joining the firm in 2003, he worked in the fixed-income research department at Merrill Lynch, where he was Chief

Strategist for preferred securities. He was previously in bank supervision and monetary policy roles at the Federal Reserve Bank of New York.



Elaine Zaharis-Nikas, CFA, Senior Vice President and Portfolio Manager, has 22 years of investment experience. Joining Cohen & Steers in 2003, she previously worked at JPMorgan Chase for eight years as a credit analyst and internal auditor.

The team leaders have worked together for more than a decade.



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About Cohen & Steers

Cohen & Steers is a global investment manager specializing in liquid real assets, including real estate securities, listed infrastructure and natural resource equities, as well as preferred securities and other income solutions. Founded in 1986, the firm is headquartered in New York City, with offices in London, Hong Kong and Tokyo.

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