COHEN & STEERS

Global Real Estate Securities

The global real estate market, as represented by the FTSE EPRA Nareit Developed Real Estate Index, had a total return of 9.67% for the year (in U.S. dollars, net of dividend withholding taxes).

Investment Review

Global real estate stocks posted strong gains in 2023 as inflationary pressures eased in various markets and as property fundamentals generally remained healthy. Interest rates played an outsized role in influencing share prices throughout the year, with the market focused on the potential timing and magnitude of central bank pivots following extensive monetary policy tightening. The U.S. 10-year Treasury yield fell to a low of 3.3% during the March banking crisis; it then rose steadily to 5.0% by October, only to fall back below 4.0% (ending the year where it began). In the fourth quarter, softer-than-expected inflation data in the U.S. and Europe drove increased optimism around a shift in monetary policy, pushing bond yields sharply lower. Expectations rose that the Federal Reserve and the European Central Bank could begin cutting benchmark lending rates as early as the first half of 2024.

In the U.S. (11.8% total return[1]), real estate shares rose, bolstered by generally healthy real estate fundamentals and, toward year-end, optimism around a "soft landing" for the U.S. economy. Data centers surged, benefiting during the year from strength in cloud demand and the early innings of an expected multi-year tailwind from artificial intelligence (AI). Solid leasing activity and consumer resilience buoyed retail-oriented property types, including regional malls. Shopping center leasing remained strong as retailers continued to invest in high-quality brick-and-mortar locations. Single-family homes for rent benefited from favorable fundamentals amid challenged affordability in the homes-for-sale market, which, in our view, supports attractive rent growth. Apartments trailed on weakened rent growth, with the previously strong Sunbelt region challenged by increased supply.

Certain sectors found favor late in the year amid a more benign interest rate environment, despite decelerating fundamentals. Industrial outperformed on the prospect of an economic "soft landing." But while rent growth in some U.S. cities appears to be stabilizing, other markets are still decelerating. Lower mortgage rates could lead to more housing transactions, driving demand for self storage space, though street rates for new storage customers may not have bottomed. Moreover, those companies anticipate 2024 same-store revenues to face a headwind of elevated move-out rates. Office REITs, where longer-term demand is uncertain, trailed.

European real estate shares outperformed as inflationary pressures eased and property fundamentals generally remained solid. Germany (30.9%), one of the more rate-sensitive markets in the region, led the advance. Despite a sharp downturn in economic activity, Germany rose

Index Performance (US$)

	Linked Index[1]
Q4 2023	15.29%
1 Year	9.67%
3 Year	1.19%
5 Year	2.81%
10 Year	3.57%

(1) Linked Index: The linked benchmark is represented by the performance of the FTSE EPRA Nareit Developed Real Estate Index. Prior to 12/31/06, the returns for the index are from the S&P Developed Property Index.

Data quoted represents past performance, which is no guarantee of future results. Risk of loss is possible.

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 and index performance does not reflect the deduction of fees, expenses or taxes.

Periods greater than 12 months are annualized.

Index Characteristics

	FTSE EPRA Nareit Developed Real Estate Index (Net)
Premium to NAV	6.6%
Premium to DDM	13.3%
Dividend Yield	4.1%
Price/Cash Flow (2023E)	17.7x
Cash Flow Growth (2023E vs. 2022)	2.1%
Cash Flow Growth (2024E vs. 2023E)	2.4%
5-Year Cash Flow Growth	3.8%
Total Market Capitalization	$1,869.5B
Weighted Average Market Cap.	$27.4B
Number of Holdings	369

Source: Cohen & Steers.

Characteristics are market capitalization-weighted averages of estimates for companies in the FTSE EPRA Nareit Developed Real Estate Index (Net) and are subject to change over time.

Global Real Estate Securities

meaningfully, as the market is dominated by residential companies—a property type that has benefited from steady demand due to housing undersupply. France (19.9%) and Spain (19.3%) benefited from strength in retail and office properties. Retail landlords gained on positive leasing momentum amid improving consumer trends. Sweden (18.7%) meaningfully outperformed, despite having one of the least favorable macro backdrops in the region, on expectations for lower interest rates.

In the U.K. (9.8%), stagflation concerns limited gains. Industrial property owners enjoyed steady tenant demand, while several diversified property owners had healthy gains as solid leasing trends trumped macroeconomic concerns. The Netherlands (4.8%), which is largely composed of retail REITs, posted a more modest return despite rising occupancy as well as footfall traffic that was significantly above pre-pandemic levels. Belgium (3.7%) lagged as investors avoided health care landlords.

The Asia Pacific region was weighed down by weakness in Hong Kong listed real estate (–19.8%). Japan (10.5%) benefited during the year from strength among developers, which reported generally positive earnings results. Among J-REITs, hotels fared well while logistics companies trailed. The interest rate–sensitive Australian listed real estate market (4.7%) ended the year in positive territory, led by companies with residential sector exposure. In Singapore (3.1%), large-cap industrial REITs and data centers outperformed while names with China exposure trailed.

Hong Kong significantly trailed amid China's property and macroeconomic woes; China's anticipated post-Covid economic reacceleration failed to materialize as expected. Though Hong Kong listed real estate broadly declined, developers with strong balance sheets fared relatively well, while discretionary retail trailed.

Investment Outlook

We believe global real estate offers attractive return potential relative to broad equities. An end to central bank tightening tends to be followed by notable strength in listed real estate performance. In addition, cash flows generally remain sound, and we anticipate healthy earnings growth in 2024.

We maintain a positive view of U.S. REITs, with a preference for assets with strong secular growth profiles and pricing power. Data centers should continue to benefit from strong demand for cloud computing and, increasingly, artificial intelligence. We see the residential sector benefiting from affordability issues in the for-sale market, which are leading to higher demand for rental housing, especially within single-family homes. Within health care, we have a positive outlook on senior housing, where accelerating occupancy and pricing power are driving revenue growth higher.

We are underweight self storage as rents revert back to pre-pandemic norms. While we believe secular headwinds remain for retail, we believe certain landlords with high-quality properties and strong balance sheets stand to gain market share over time. However, we are mindful of the impacts that elevated inflation and a potential slowdown in the jobs market could have on the U.S. consumer. We remain cautious toward offices as businesses reassess their future needs, although we have an allocation within the Sunbelt, which we favor over coastal locations.

We have a somewhat cautious view of European real estate securities, given concerns around growth prospects. Our current positioning is differentiated more by property sector and individual security than by country, based on the common drivers impacting property types across the region. We like logistics and self storage, which tend to be more defensive and have structural growth characteristics. We also favor high-quality continental retail.

We see opportunities in Asia Pacific in countries with more favorable economic backdrops. Within Australia, we favor industrial, self storage and residential developers; we are cautious on retail and offices. In Singapore, we are positive on underlying hospital fundamentals and continue to favor retail, as retail sales remain above pre-pandemic levels, which we believe should lead to an increase in rents. In Japan, we favor developers with strong shareholder return potential, we continue to like hotels, and we are modestly overweight offices. We have been reducing our weighting in Hong Kong on concerns around a China macro slowdown.

(1) All country and sector returns in this commentary are in local currencies.

COHEN & STEERS

Global Real Estate Securities

Index Performance by Country

	Q4 2023		YTD 2023	
	Local	USD	Local	USD
Europe	**20.38%**	**26.74%**	**14.71%**	**20.44%**
Germany	23.31%	28.65%	30.85%	35.43%
Austria	12.99%	17.88%	28.73%	33.24%
France	19.84%	25.04%	19.93%	24.13%
Spain	24.70%	30.11%	19.27%	23.45%
Sweden	33.53%	43.94%	18.67%	22.70%
Switzerland	6.37%	15.62%	11.59%	22.67%
United Kingdom	18.70%	23.97%	9.83%	16.40%
Netherlands	2.72%	7.17%	4.76%	8.30%
Norway	25.98%	32.00%	11.10%	7.77%
Belgium	18.81%	23.96%	3.68%	7.32%
Ireland	19.27%	24.44%	3.44%	7.06%
Finland	33.23%	39.01%	-11.62%	-8.53%
Italy	7.96%	12.64%	-19.85%	-17.04%
North America	**15.31%**	**15.42%**	**11.48%**	**11.60%**
United States	15.53%	15.53%	11.83%	11.83%
Canada	9.90%	12.68%	3.23%	6.08%
Middle East - Africa	**16.07%**	**22.71%**	**3.21%**	**1.13%**
Israel	16.07%	22.71%	3.21%	1.13%
Asia Pacific	**3.96%**	**8.55%**	**1.43%**	**-1.16%**
New Zealand	7.56%	13.34%	6.01%	6.12%
Australia	13.46%	19.96%	4.70%	5.35%
Singapore	7.39%	11.07%	3.08%	4.79%
Japan	0.23%	6.09%	10.52%	3.44%
South Korea	-0.98%	3.75%	-11.47%	-13.08%
Hong Kong	2.37%	2.66%	-19.78%	-19.82%

Source: Cohen & Steers.

Data quoted represents past performance, which is no guarantee of future results. Risk of loss is possible. 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 and index performance does not reflect the deduction of any fees, expenses or taxes.

Data quoted represents past performance, which is no guarantee of future results. Risk of loss is possible.

The FTSE EPRA Nareit Developed Real Estate Index- net is an unmanaged market-capitalization-weighted total-return index, which consists of publicly traded equity REITs and listed property companies from developed markets and is net of dividend withholding taxes.

Important Risk Considerations: Investing involves risk, including entire loss of capital invested. There can be no assurance that the investment strategy will meet its investment objectives. Diversification is not guaranteed to ensure a profit or protect against loss.

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.

Special risks of investing in foreign securities include (i) currency fluctuations, (ii) lower liquidity, (iii) political and economic uncertainties, and (iv) differences in accounting standards. Certain foreign securities may represent small- and medium-sized companies, which may be more susceptible to price volatility and less liquid than larger companies.

For investors in the Middle East: This document is for information purposes only. It does not constitute of form part of any marketing initiative, any offer to issue or sell, or solicitation of any offer to subscribe or purchase, any products, strategies or other services nor shall it or the fact of its distribution form the basis of, or be relied on in connection with, any contract resulting therefrom. In the event of that the recipient of this document wishes to receive further information with regard to any products, strategies, other services, it shall specifically request the same in writing from us.

An investor cannot invest directly in an index and index performance does not reflect the deduction of any fees, expenses or taxes. Index comparisons have limitations as volatility and other characteristics may differ from a particular investment. The Fund is actively managed. The composition of the Fund is not constrained by the composition of the benchmark.

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 historical trend discussed above will be repeated in the future, and there is no way to predict precisely when such a trend might begin.

There is no guarantee that any market forecast or investment objective set forth will be achieved. 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 the performance of any investment.

Cohen & Steers Capital Management, Inc. (Cohen & Steers) is a registered investment advisory firm that provides investment management services to corporate retirement, public and union retirement plans, endowments, foundations and mutual funds. **Cohen & Steers Asia Limited** is authorized and regulated by the Securities and Futures Commission of Hong Kong (ALZ367). **Cohen & Steers Japan Limited** is a registered financial instruments operator (investment advisory and agency business and discretionary investment management business with the Financial Services Agency of Japan and the Kanto Local Finance Bureau No. 3157) and is a member of the Japan Investment Advisers Association. **Cohen & Steers UK Limited** is authorized and regulated by the Financial Conduct Authority (FRN458459). **Cohen & Steers Ireland Limited** is regulated by the Central Bank of Ireland (No.C188319). **Cohen & Steers Singapore Private Limited** is a private company limited by shares in the Republic of Singapore.