

MLPs and Beyond

The Growing Opportunity in Midstream Energy

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The midstream energy industry lies in the “sweet spot” of the North American energy renaissance. Many investors turn to this sector for the high-income potential of companies that gather, process, transport and store crude oil, natural gas and natural gas liquids. Often, these companies are organized as tax-efficient master limited partnerships (MLPs)—a structurally efficient vehicle for the delivery of income.

We believe income-oriented strategies focused primarily on higher-yielding MLPs are only a partial solution for investors seeking access to the midstream energy theme. Ideally, investments in these securities should be part of a total return approach, which draws from a broader universe including companies domiciled outside of the U.S. and businesses organized as C Corporations (C Corps) rather than MLPs. Investors can make these investments directly, or choose from a wide variety of commingled vehicles, as outlined in the Appendix of this *Viewpoint*.

The Cohen & Steers Real Assets Strategies



Global Listed Infrastructure and MLPs



Executive Summary

Through advanced drilling techniques, rising production from North American shale formations has led to lower domestic prices for many energy commodities. As a result, lower prices are helping to open up new sources of energy demand. These trends are leading to attractive investment opportunities across the entire midstream energy value chain.

Traditionally, investors have turned to midstream energy for the predictable income streams generated by companies that gather, store and transport oil, gas and natural gas liquids. Many of these companies are structured as MLPs in order to maximize the delivery of tax-deferred income. Today, midstream energy opportunities can be accessed through a broader set of entity structures, some of which offer higher prospects for growth than others. For example, MLPs are managed by general partners (GPs), many of which are publicly traded entities themselves. Often, these companies benefit from a disproportionate share in the underlying growth of the limited partnerships they manage. While some of these companies are structured as partnerships, more are traditional corporations.

The investment opportunity extends well beyond U.S. borders. For example, we find a similarly positive fundamental backdrop for energy infrastructure companies focused on Western Canada's oil sand and shale formations. At the same time, the U.S. is gearing up to become a net exporter of energy, which has spurred large scale infrastructure investment related to the export of liquefied natural gas (LNG), propane and other energy commodities to higher-priced markets in Europe and Asia. Shipping companies, beneficiaries of this trend, are for the most part domiciled offshore.

In our view, maximizing the potential of these opportunities is best accomplished through a total return approach, grounded in fundamental research. We have observed a widening dispersion of returns among MLPs and other midstream energy stocks, further supporting the growing case for active management in the asset class. These disparities are, in part, a function of a company's exposure to specific commodities and geographies. Other factors relate to their business models, entity structures and management quality.

This *Viewpoint* explores the industry trends in midstream energy and its growing universe of investment opportunities, with an emphasis on our preference for a total return approach. In the Appendix, we highlight the benefits and tradeoffs of various commingled investment vehicles that invest in this sector, such as actively managed mutual funds and exchange-traded funds (ETFs).

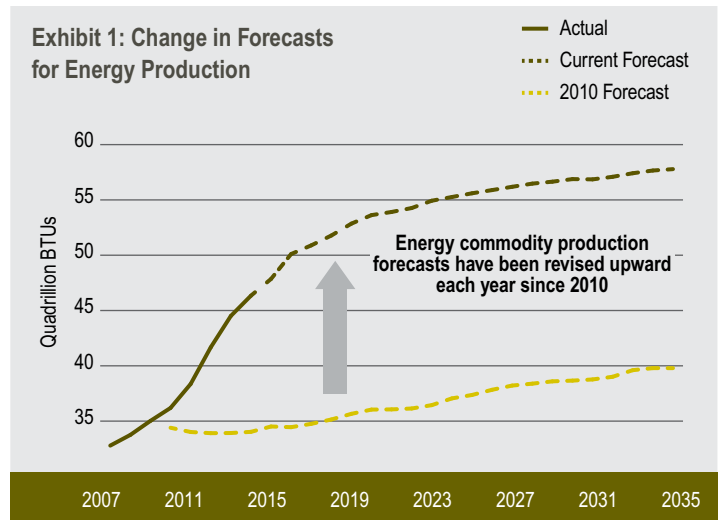
Rapidly Evolving Industry Trends That Are Changing the Dynamics of Energy Supply and Demand

The supply push—North American energy production is at record levels. Through advanced drilling techniques, companies are tapping vast reservoirs of oil, natural gas and natural gas liquids once deemed uneconomic to extract. The scope of this supply growth is captured in Exhibit 1, which highlights multiple years of upward revisions in annual energy production forecasts provided by the U.S. Energy Information Administration.

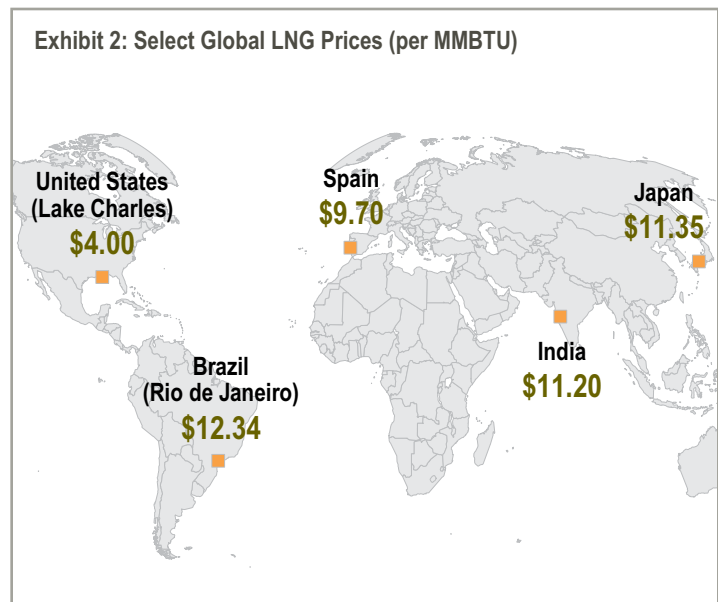
The demand pull—mounting supplies and low domestic prices have broadened market demand. This demand is coming from a variety of sources, each driving further energy infrastructure investment needs. These themes are highlighted below.

- Growing Export Capabilities.** Rising production is not only driving substantial investment in traditional energy transportation networks, but also the build-out of U.S. export capabilities. A total of 26 natural gas liquefaction plants are now in various stages of construction or approval, which will enable the export of LNG to higher-priced demand centers in Asia and Europe. This segment holds significant opportunity for investment, based on the wide disparity in global prices for LNG, highlighted in Exhibit 2. In addition to LNG, North American midstream energy companies are actively investing in facilities to export other energy commodities, such as propane, butane, refined products and ethane.
- Investments in petrochemical facilities.** With lower prices for natural gas liquids, the primary feedstocks in petrochemical processes, the U.S. petrochemical industry is now at the low end of the global cost curve and continues to improve its competitive position against foreign peers. Substantial investments in petrochemical facilities are being made, primarily along the Gulf Coast.
- Industrial Demand.** Lower prices are benefiting profitability in the industrial sector. Several leading companies have announced plans to increase capacity or build entirely new facilities at a total cost of over \$60 billion through 2018. These include investments in fertilizer plants, polymer plants, ammonia and paper-finishing facilities.
- Increased Natural Gas Utilization in Power Generation.** Compared with coal, natural gas is a cleaner burning fuel and gas-fired plants are both cheaper to build and more flexible. These factors, coupled with stricter environmental regulations, are driving higher utilization of natural gas in the generation of electrical power.

We believe that these demand trends will further benefit the midstream energy universe.



At March 31, 2014. Source: U.S. Energy Information Administration (EIA), *Annual Energy Outlook 2014, Early Release*. Chart refers to crude oil, natural gas and natural gas liquids.



Estimated at July 31, 2014. Source: Federal Energy Regulatory Commission (FERC). Data in U.S. dollars/MMBTU (million metric British thermal units).

There is no guarantee that any historical trend illustrated above will be repeated in the future, and there is no way to predict precisely when such a trend will begin. There is no guarantee that any market forecast set forth in this commentary will be realized.

An Expanded Universe of Opportunity

Today, there are over 100 U.S. midstream energy companies structured as MLPs with an aggregate market capitalization of about \$535 billion.⁽¹⁾ However, the midstream sector extends far beyond this MLP universe. Many of the GPs that manage MLP affiliates are corporations that benefit from the growth of the underlying partnerships. There are also companies domiciled outside of the U.S.—such as those engaged in LNG shipping and Canadian midstream companies—that capture similar themes.

General Partners. MLP operations are typically overseen by a general partner, or GP, which has an economic interest in the affiliated MLP. Typically, the GP receives incentive distributions as payouts grow at the MLP level. These companies can be structured as either corporations or partnerships.

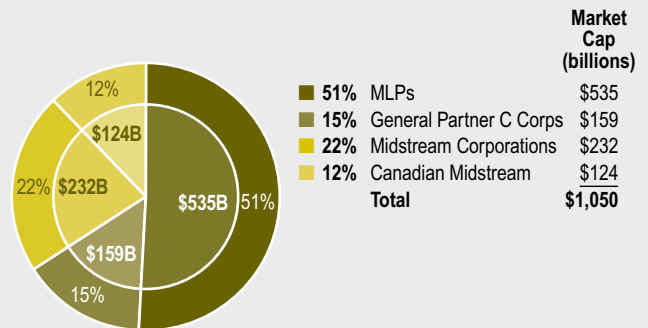
Other Midstream Corporations. We believe that midstream energy businesses structured as corporations offer some of the best opportunities in this sector. Many of these companies are beneficiaries of the substantial build-out of the domestic energy infrastructure required to gather, process, store and transport energy commodities. In some cases, there are opportunities to invest in “I-Units,” which are taxable sister securities to existing MLPs qualified for tax-exempt institutional investors.⁽²⁾ In addition, the energy shipping companies, which can be characterized as “floating pipelines,” benefit from many

(1) Source: Bloomberg and U.S. Capital Advisors as of April 30, 2014.

(2) I-Units, or institutional units, are equivalent to MLP units in most aspects, except the payment of distributions is in additional units (payment-in-kind or PIK) instead of cash. Unlike MLP securities, the I-Units issued to date are limited liability companies (LLCs) that do not require the filing of K-1 statements and do not generate unrelated business taxable income (UBTI). UBTI in a qualified retirement plan is triggered by investments in operating businesses, such as midstream energy companies.

C Corps refer to corporations organized under Subchapter C of the IRS code whose enterprise values are derived predominantly from midstream energy assets.

Exhibit A: Midstream Energy Universe



At June 30, 2014. Source: Bloomberg and Cohen & Steers.

of the same themes, even though these companies are often domiciled offshore. We also find attractive opportunities among diversified utilities that have a presence in midstream energy.

Canadian Midstream Energy Companies. Canadian midstream opportunities touch upon the same dynamics of rising unconventional supply and new sources of demand as found in the U.S. Advanced drilling techniques such as fracking and horizontal drilling have been applied to shale formations in Western Canada. A significant build-out is underway to bring these new supplies to market, whether to refining facilities in eastern Canada or in the U.S.

A Focus on Total Return Rather Than Income

A broader universe can diversify a midstream energy investment strategy by allowing investors to go beyond traditional high-income-based MLP securities to access potentially higher total return and lower volatility. We can illustrate this investment potential with a performance comparison of two widely recognized indexes focused on the asset class. The Alerian MLP Index (AMZ), which is commonly used by investors to represent the MLP universe, is limited to companies structured as partnerships. A more diversified proxy is the Alerian Energy Infrastructure Index (AMEI), which includes not just MLPs, but other midstream energy companies as well. See index definitions on page 11.

As shown in Exhibit 3, the correlations with equities were similar for both the MLP Index and the broader midstream proxy. Exhibit 4 shows that the AMEI significantly outperformed both the AMZ and the S&P 500 Index in recent years, with lower volatility and a significantly higher Sharpe Ratio.

Exhibit 3: MLP Correlations With Equities

	3-Year Correlation to S&P 500 Index Total Return
AMZ (MLP Index)	0.62
AMEI (Broad Midstream Index)	0.67

Exhibit 4: Performance Characteristics of MLPs Compared With the Broader Midstream Energy Sector

	Current Distribution	3-Year Annualized Total Return	3-Year Standard Deviation	Sharpe Ratio
AMZ (MLP Index)	5.1%	19.0%	13.2	1.4
AMEI (Broad Midstream Index)	3.3%	24.2%	12.1	2.0
S&P 500 Index	1.9%	16.6%	12.1	1.3

At June 30, 2014. Source: Morningstar.

Performance data quoted represents past performance. Past performance is no guarantee of future results.

See page 11 for index definitions and definitions of correlation, standard deviation and Sharpe Ratio.

Within a more broadly defined midstream energy universe are attractive total return opportunities among general partners of MLPs. Exhibit 5 below takes a closer look at the historical performance of some of these companies, the majority of which are structured as corporations. Notably, while the underlying MLPs have historically offered higher current income, the related GPs have generated superior total returns. Essentially, the GPs are levered plays on the distribution growth of the underlying MLPs, often realized through incentive distribution structures. That is, as MLP distributions rise, the GP receives an increasing percentage of cash flows.

Exhibit 5: Midstream Energy Partnerships With Listed General Partners (GPs) Structured as C Corps^(a)

Partnership Marketing Name	General Partner (share of stock)				MLP—Limited Partner (unit)			
	Ticker	Current Yield	Dividend CAGR	3-Year Annualized Total Return ^(b)	Ticker	Current Yield	Distribution CAGR	3-Year Annualized Total Return
Enbridge	ENB CN	2.6%	12.0%	16.7%	EEP	6.6%	1.8%	15.1%
Kinder Morgan	KMI	4.4%	56.0%	12.7%	KMP	5.9%	6.6%	10.9%
Williams	WMB	4.0%	39.9%	38.0%	WPZ	7.2%	8.1%	6.5%
TransCanada	TRP CN	3.6%	4.7%	6.9%	TCP	6.3%	2.7%	9.9%
Teekay	TK	2.3%	0.0%	31.0%	TGP	6.5%	3.4%	15.2%
Cheniere ^(c)	LNG	—	—	98.4%	CQP	5.2%	0.0%	31.4%
Oneok	OKE	3.7%	22.6%	31.9%	OKS	5.4%	8.9%	16.9%
Targa	TRGP	2.0%	59.1%	66.0%	NGLS	4.6%	11.0%	34.3%
Enlink Midstream	ENLC	2.2%	26.0%	55.9%	ENLK	5.0%	8.7%	28.6%
SemGroup/Rose Rock	SEMG	1.3%	—	46.2%	RRMS	3.8%	—	54.8%
Spectra Energy	SE	3.4%	8.4%	20.2%	SEP	4.2%	5.4%	25.5%
Averages		2.9%	GPs typically have lower yields than their underlying MLPs...			5.5%		
			25.4%	...but the distribution rates of GPs have historically been higher...			5.6%	
				38.5%			...which have driven higher total returns	22.6%

At June 30, 2014. Source: Bloomberg, Company Filings and Cohen & Steers.

Performance data quoted represents past performance. Past performance is no guarantee of future results. The mention of specific securities is not a recommendation to buy, sell or hold any particular securities.

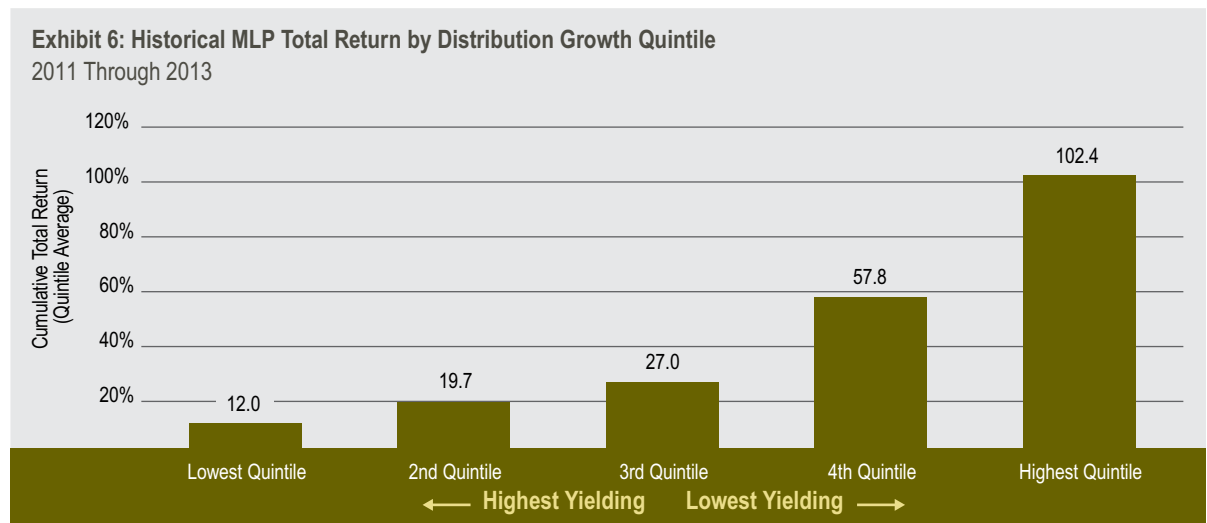
(a) Includes all publicly traded midstream energy master limited partnerships in existence for at least three years, for which the general partner is organized as a C Corp. (b) Or since inception if less than three years. (c) Since its IPO, LNG has not paid a distribution to shareholders.

CAGR= Compound Annual Growth Rate.

See additional disclosure pertaining to the above charts on page 11.

The Relationship Between Distribution Growth and Total Return Potential

Income has been a primary consideration for investing in MLPs and midstream energy. In our view, the long-term correlation of distribution growth with total returns has altered the investment landscape. Exhibit 6 illustrates the power of distribution growth, with a look at all MLPs in existence over the entire two-year period ended December 31, 2013. On average, those ranked in the highest quintile of distribution growth delivered the highest average total returns, while total returns of those in the lowest quintile of distribution growth lagged substantially. In our view, this analysis points to the importance of distribution growth as a catalyst for long-term total return potential.



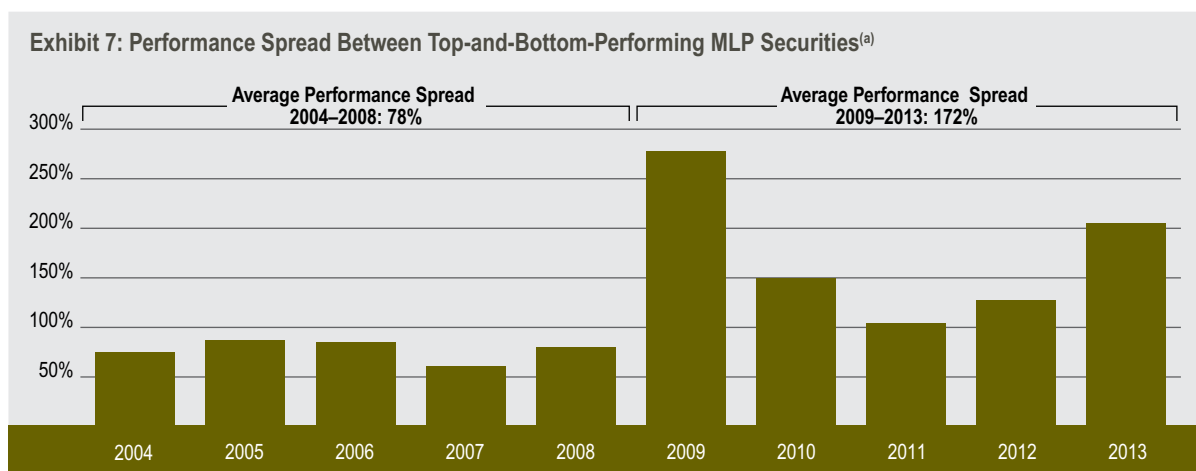
At December 31, 2013. Source: Cohen & Steers Research, reports from the underlying partnerships, Wells Fargo Securities, LLC estimates, and FactSet. Statistically controlled sample set includes all MLP securities continuously in existence over the two years ended 12/31/13.

Performance data quoted represents past performance. Past performance is no guarantee of future results.
See page 11 for additional disclosure pertaining to the above chart.

We believe in a total return approach to midstream energy, driven by fundamental research and active security selection.

The Widening Dispersion of MLP Performance

The growing dispersion of returns from companies in the midstream energy sector supports the case for choosing an actively managed strategy. As shown in Exhibit 7 on the following page, this trend has become more pronounced over the past few years, which, in our view, suggests that active stock selection grounded in fundamental research matters even more today.



At December 31, 2013. Source: Ned Davis Research, Morningstar and National Association of Publicly Traded Partnerships.

Performance data quoted represents past performance. Past performance is no guarantee of future results.

(a) Spread is measured as the difference between the top- and bottom-performing MLPs by total return (net of 2% outliers) in a calendar year. See page 11 for additional disclosure pertaining to the above chart.

Fundamental Considerations for Active Managers Seeking Alpha

A number of factors are driving the dispersion of returns within the asset class—leading to attractive alpha generation opportunities for experienced active managers.⁽¹⁾ We highlight several of these factors below.

Business Model. MLPs and other midstream energy companies operate throughout the energy infrastructure value chain, with exposure to businesses related to the production, gathering, processing, transporting and/or storing of natural gas, crude oil and related energy commodities. Not only are these all fundamentally different businesses, but their contract profile is also varied, with some fixed-fee based, and others linked to commodity prices or throughput volumes. Supply and demand trends vary widely by commodity—and grade of a particular commodity—also leading to fundamental opportunities with different dynamics and trends.

Geography. The rapid development of shale formations—and increasing production in remote locations—has radically altered energy flows in North America. Companies with assets in proximity to these infrastructure-short regions are well positioned. For example, the need to move energy commodities out of the fast-growing Marcellus shale, which extends across portions of nine states, including Pennsylvania, West Virginia and New York, has benefited those companies with existing assets and created significant

new investment opportunities. On the other hand, owners of assets positioned for legacy energy flow dynamics are, in some cases, seeing significant declines in the value of those assets. Pipelines bringing natural gas into the Northeast, for example, are increasingly underutilized and face material re-contracting risk upon expiration.

GP/MLP Relationship. An important element of researching MLPs is to analyze the sometimes complex relationship between an MLP and its general partner. General partners are structurally levered plays on the growth of their underlying MLPs. The relationship between the two entities—in its simplest form—can be quantified and evaluated, allowing active investors to mine for value between GPs and related LPs. Understanding the relationship between an MLP and its general partner also involves quantifying the asset base at the GP level that could be “dropped down” from the GP as acquisitions for the MLP to support growth. Another consideration is the GP’s standalone financial strength, and whether it can provide financial support to the MLP when needed.

Management Quality. There are many ways in which management teams can add to or detract from value—with strategic decision making, capital allocation, operations, financial responsibility and corporate governance all being critical drivers. We analyze management track records and prospects on these issues and others, ultimately determining which will be the best stewards of investors’ capital.

(1) Alpha is a measure of performance on a risk-adjusted basis.

We believe that opportunities are best uncovered through active securities selection that delves deeply into fundamental factors, such as a company's business model, entity structure, contractual relationships, commodity exposure and geography.

Our Closing Perspective

We believe that an allocation to midstream energy should be broadly diversified among companies that gather, process, transport and store energy commodities. Investors may miss these opportunities when only focused on MLPs. In our view, a strategy should focus on the long-term total return potential of companies structured as MLPs, as well as their general partners, which themselves can be structured as MLPs or corporations. While most are domiciled in the U.S., there are similar energy infrastructure themes in Canada. Outside of this traditional universe are opportunities to invest in shipping companies gearing up for the coming age of U.S. energy exports, as well as diversified utilities with a presence in midstream energy.

Once a relatively homogeneous industry, the midstream energy universe is growing larger and more complex. We believe that opportunities are best uncovered through active securities selection that delves deeply into fundamental factors, such as a company's business model, entity structure, contractual relationships, commodity exposure and geography. While such an approach is accessible through a broad range of actively managed mutual funds, we advise investors to weigh the various structural considerations of investing in funds, including the considerations of regulated investment companies, or RICs, and C Corps. The Appendix that follows addresses some of the tradeoffs in these structures, which can impact the compositions of holdings, prospects for growth and taxation of income and capital appreciation.

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INFRASTRUCTURE • The Listed Alternative



Appendix

RICs and C Corps: Two Ways to Invest in Midstream Energy

The universe of MLP mutual funds can be divided into two groups: the "RICs" and the "C Corps," each with a distinct entity structure. For investors, RICs and C Corps have inherent tradeoffs that have an effect on the composition of the fund's holdings, growth characteristics and the tax consequences of the investment. These considerations are highlighted in the side-by-side comparison on the next page.

The most significant difference between the RIC and C Corp is that, unlike a C Corp, the RIC is not a taxable entity. Rather, income flows from the RIC to the investor, whose

income is reported on a Form 1099. In contrast, the C Corp is taxed as a corporation. Since it holds MLPs (which are flow-through vehicles), the C Corp must accrue a deferred tax liability, or DTL, on any return of capital and unrealized gains on the capital appreciation of MLP holdings. On unrealized losses from MLPs that decline in price, a deferred tax asset would be accrued. Similar to the RIC, the C Corp reports income distributions, which are typically treated as a return of capital for tax purposes, on a Form 1099.

The Case Study on page 10 explores the impact of the DTL using the actual 2013 results of Enterprise Products Partners, the largest MLP by enterprise value and one that is commonly held in mutual funds. This hypothetical example does not delve into any investor-level tax consequences or the fees and expenses associated with mutual funds, which vary among funds and the individual tax situations of investors. Our goal with this hypothetical example is simply to highlight how the DTL can impact the return profile of MLP holdings in C Corps by isolating the impact of the DTL on a single holding. Therefore, the example cannot illustrate the inherent benefit of the C Corp: the ability to hold up to 100% of assets in MLPs, versus 25% of assets for the RIC. The bottom line is that both RICs and C Corps can provide attractive benefits to investors; however, investors should consult a qualified tax advisor on choosing the structure best suited to their individual investing needs.

Exhibit I: RICs and C Corps at a Glance

Structural Considerations	RIC	C Corp
Maximum Midstream Energy Exposure	100%	100%
Fund Composition	<ul style="list-style-type: none"> • RIC funds can invest 25% of assets in MLPs. There are substantial opportunities among other entity structures to complete the strategy; examples include general partners with an economic interest in an affiliated MLP, Canadian midstream energy companies, diversified utilities with midstream energy operations and energy shipping companies. • Typically with a broader mix of midstream energy investments, RICs can be an ideal vehicle for midstream energy investors seeking total return. 	<ul style="list-style-type: none"> • C Corp funds can invest 100% in MLPs. • With a greater percentage of assets invested in income-oriented MLPs, C Corps may offer higher distribution rates than RICs. However, many MLPs that pay the highest distributions are less focused on distribution growth and capital appreciation.
Distributions	Tax Advantaged Distributions: 100% Return of Capital: Typically 50-80% Qualified Dividend Income: Typically 20-50%	Tax Advantaged Distributions: 100% Return of Capital: Typically 100% Qualified Dividend Income: Typically 0%
Taxation	<ul style="list-style-type: none"> • A RIC is not a taxable entity. Instead, any capital gains, dividends or interest earned on fund investments are passed through directly to fund shareholders who report the distributions on their tax returns. 	<ul style="list-style-type: none"> • A C Corp fund is a taxable entity. Therefore, the taxable portion of MLP distributions received by the C Corp, as well as net realized gains, are taxed at corporate tax rates. • Shareholders of the C Corp fund are subject to tax liabilities on distributions from the C Corp, to the extent that the C Corp fund has net income and/or realized gains. • Each year, the C Corp fund must accrue a deferred tax liability in the amount of distributions designated as return of capital and unrealized gains from price appreciation of the underlying holdings. To account for this tax liability, the net asset value (NAV) of the C Corp fund is reduced by 35% of the aggregate return of capital plus unrealized gains (not including any additional tax liabilities at the state level).
Tax Reporting	Form 1099; No UBTI Exposure	Form 1099; No UBTI Exposure
UBTI Exposure	None	None

Case Study: How DTL Can Affect Return on Investment

Based on the 2013 Results of EPD

Enterprise Products Partners (EPD), is a large-scale midstream energy company structured as an MLP. The company's unit price closed 2012 at \$50.08 per unit and 2013 at \$66.30 per unit, resulting in a 2013 gain of \$16.22 per unit. When combined with trailing 12-month distributions of \$2.70 per unit in this period, the total return on investment for 2013 was \$18.92.

The chart below illustrates the impact that the DTL has on investments held by a C Corp Fund. We compare these results with the same investment held in a RIC, which does not incur a deferred tax liability. In this hypothetical example, we assume that one unit of EPD was purchased by a RIC and a C Corp on December 31, 2012. The example does not address any other securities held by either the C Corp or the RIC.

Exhibit B: Enterprise Products Partners—2013 Return on Investment

A	12/31/12 Purchase Price			\$50.08	
B	12/31/13 Closing Price			\$66.30	
C	2013 Capital Appreciation	$B - A$	=	\$16.22	
D	2013 Distribution Per Unit			\$2.70 ^(a)	
<hr/>					
				Held by a RIC	Held by a C Corp Fund
E	Effective Fund-Level Federal Tax Rate			0%	35%
<hr/>					
F	Per Unit Distribution Plus Capital Appreciation (gross of DTL)	$C + D$	=	\$18.92	\$18.92
G	DTL on Capital Appreciation	$C * E$	=	Not applicable	-\$5.68
H	DTL on Distribution	$D * E$	=	Not applicable	-\$0.95
I	Total DTL Per Unit	$G + H$	=	Not applicable	-\$6.63
J	Per Unit Distribution Plus Capital Appreciation (net of DTL)	$F - I$	=	\$18.92	\$12.29
K	2013 Total Return (%)	$((A + J) / A) - 1$	=	38%	25%

At December 31, 2013. Source: Cohen & Steers and Bloomberg.

Performance data quoted represents past performance. Past performance is no guarantee of future results. The mention of specific securities is not a recommendation to buy, sell or hold any particular securities.

Total return does not reflect the deduction of any sales charges, fees and expenses associated with the RIC or C Corp, or taxes payable at the investor level, which will vary among investors depending on the form of ownership and individual tax situations.

(a) The hypothetical example above assumes 100% return-of-capital treatment.

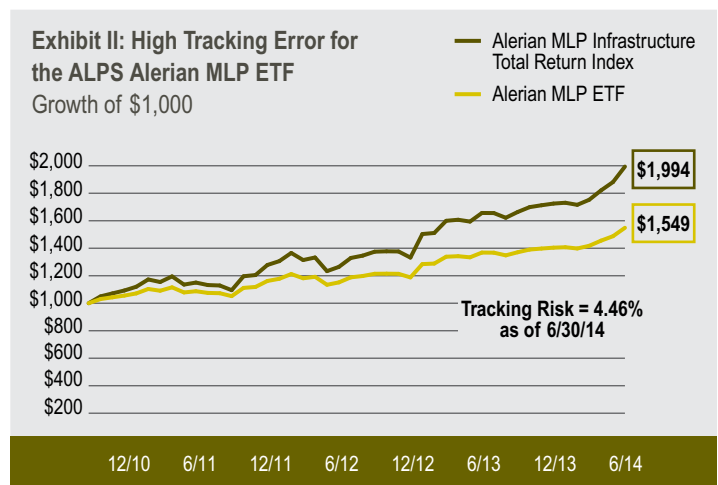
The Bottom Line: RICs and C Corps Have the Potential to Offer Different Investment Benefits

As shown in the example above, a RIC is not subject to a deferred tax liability on the capital appreciation and distributions generated by its MLP holdings, as is the case with a C Corp fund. But the C Corp Fund can invest up to 100% of its assets in MLPs, compared with 25% of RIC assets. What does this mean for investors?

- With a greater percentage of assets invested in income-oriented MLPs, C Corp funds may offer higher distribution rates than RICs.
- However, RICs tend to have a broader mix of midstream energy investments, which makes this an ideal vehicle for investors seeking total return. These investments go beyond MLPs to include the GPs that operate them, along with opportunities in energy shipping and Canadian midstream energy.

DTL magnifies the tracking risk of ETFs that hold MLPs.

The effects of DTL are not limited to actively managed funds. To illustrate the potential impact of DTL on investment returns, Exhibit II to the right compares the returns of the Alerian MLP Infrastructure Total Return Index with the ALPS Alerian MLP ETF (AMLMP), a widely held vehicle structured as a C Corp. Typically, one would expect the return of an ETF to reflect the return of its benchmark minus fees, as is the case with most long-only ETFs that track equity indexes. However, this is not the case with AMLMP, which has sizable tracking risk relative to the Alerian MLP Infrastructure Total Return Index, amounting to 4.46% for the period from AMLMP's August 25, 2010 inception through June 30, 2014. Note that, of AMLMP's 8.56% gross expense ratio, 7.71% represented the deferred tax liability for the most recent fiscal year ended November 30, 2013.



At June 30, 2014. Source: Morningstar.

Performance data quoted represents past performance. Past performance is no guarantee of future results.

Index Definitions

An investor cannot invest directly in an index, and index performance does not reflect the deduction of any fees, expenses or taxes.

The Alerian MLP Index is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for this emerging asset class. The index is calculated using a float-adjusted, capitalization-weighted methodology. The Alerian MLP Energy Infrastructure Index is composed of 30 core North American energy infrastructure companies, including MLPs, that engage in the transportation, storage and processing of energy commodities. The Alerian MLP Infrastructure Total Return Index is composed of 25 energy infrastructure MLPs that earn the majority of their cash flow from the transportation, storage, and processing of energy commodities. The index is calculated using a capped, float-adjusted, capitalization-weighted methodology and disseminated real-time on a price-return and total-return basis. The S&P 500 Index is an unmanaged index of 500 large-capitalization, publicly traded U.S. stocks representing a variety of industries.

Performance data quoted represents past performance. Past performance does not guarantee future results. The views and opinions in the preceding commentary are as of the date of this publication and are subject to change without notice. This material represents an assessment of the market environment as of September 2014, should not be relied upon as investment or tax advice, is not intended to predict or depict performance of any investment and does not constitute a recommendation or an offer for a particular security. We consider the information in this commentary to be accurate, but we do not represent that it is complete or should be relied upon as the sole source of suitability for investment. Investors should consult their own advisors with respect to their individual circumstances.

The information presented does not represent the performance of any fund or other account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance listed in this commentary. There is no guarantee that any historical trend illustrated in this commentary will be repeated in the future, and there is no way to predict precisely when such a trend will begin. There is no guarantee that a market forecast made in this commentary will be realized. An investor cannot invest directly in an index and index performance does not reflect the deduction of any fees, expenses or taxes. All returns are shown gross of fees and other expenses.

Correlation is a statistical measure of how two securities move in relation to each other. Standard deviation is a commonly used statistical measure of volatility. Sharpe Ratio is a measure of risk-adjusted return, calculated by subtracting the risk-free rate from a return and dividing that result by the standard deviation. The higher the Sharpe Ratio, the lower the risk. In the Sharpe Ratio calculation, the risk-free return is represented by the Citigroup 3-Month Treasury Bill Index. The Citigroup 3-Month U.S. Treasury Bill Index tracks the performance of U.S. Treasury bills with a remaining maturity of three months.

Risks of Investing in Global Infrastructure Securities

Energy pipeline companies are not subject to direct commodity price exposure because they do not own the underlying energy commodity. However, a significant decrease in the production of natural gas, oil, or other energy commodities, due to a decline in production from existing facilities, import supply disruption, or otherwise, could negatively affect the performance of pipeline companies. Factors that could lead to a decrease in market demand include a recession or other adverse economic conditions, an increase in the market price of the underlying commodity, higher taxes or other regulatory actions that increase costs, or a shift in consumer demand for such products. Demand may also be adversely impacted by consumer sentiment with respect to global warming and/or by any state or federal legislation intended to promote the use of alternative energy sources, such as biofuels.

Risks of Investing in MLP Securities

Investments in securities of MLPs involve risks that differ from an investment in common stock. Holders of units of MLPs have more limited control rights and limited rights to vote on matters affecting the MLP as compared to holders of stock of a corporation. For example, MLP unit holders may not elect the general partner or the directors of the general partner and the MLP unit holders have limited ability to remove an MLP's general partner. The amount of cash that each individual MLP can distribute to its partners will depend on the amount of cash it generates from operations, which will vary from quarter to quarter, depending on factors affecting the energy infrastructure market generally and on factors affecting the particular business lines of the MLP. Available cash will also depend on the MLP's level of operating costs (including incentive distributions to the general partner), level of capital expenditures, debt service requirements, acquisition costs (if any), fluctuations in working capital needs, and other factors.

This commentary must be accompanied by the most recent Cohen & Steers Fund fact sheet if used in connection with the sale of mutual fund shares.

About Cohen & Steers

Founded in 1986, Cohen & Steers is a leading global investment manager with a long history of innovation and a focus on real assets, including real estate, infrastructure and commodities. Headquartered in New York City, with offices in London, Hong Kong, Tokyo and Seattle, Cohen & Steers serves institutional and individual investors around the world.

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