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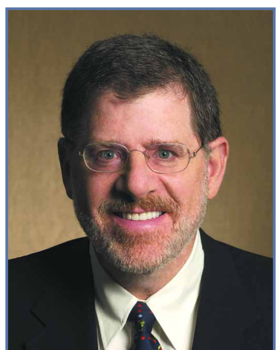
THE SCOTT LETTER is intended to educate global investors about closed-end funds. Closed-end funds can be a valuable and profitable investment tool. To learn about closed-end funds, visit our web site, www.CEFAdvisors.com, and in particular, read our article, *What Are Closed-End Funds*. Feel free to forward this newsletter to anyone who you believe could benefit from information on closed-end funds or global portfolios.

– George Cole Scott
Editor-in-Chief

IN THIS ISSUE:

Interview with Martin Cohen of Cohen & Steers

Martin Cohen, co-chairman and co-CEO, is a senior portfolio manager for all of Cohen & Steers' portfolios and co-heads the investment committee with 28 years of investment experience. Prior to co-founding the firm in 1986 with Robert Steers, Mr. Cohen was senior vice president and portfolio manager at National Securities Research Corporation from 1984 to 1986, where, in 1985, Cohen organized and managed the nation's first real estate mutual fund. From 1976 to 1981, Mr. Cohen was a vice president of Citibank, serving as an analyst and portfolio manager. In 1980, he organized and managed the Citibank Real Estate Stock Fund. He has a BS degree from the City College of New York and an MBA Degree from New York University. He has served as a member of the Board of Governors of the National Association of Real Estate Trusts. In 2001, Mr. Cohen was the recipient of the National Association of Real Estate Trusts Industry Achievement Award.



Martin Cohen

We interviewed Martin Cohen on October 19, 2005.

SL: What is the corporate overview of your firm?

Cohen: We have assembled an experienced team of investment professionals, distinguished by their breadth of experience and depth of industry expertise. They have diverse backgrounds ranging from traditional securities analysis to hands-on-experience. Our analysts specialize by industry sector, developing a detailed analysis of each company's senior management, assets, financial condition, business plan and corporate governance.

SL: Closed-End Fund Advisors uses an asset allocation model to allocate our assets 30% to domestic U.S. funds and now up to 35% to overseas funds. We are raising our real estate sector to 25%, to reflect our new emphasis on the emerging foreign real estate growth in REITs.

Up to now, we have just used three of your 21 funds but are expanding that exposure to your other closed-end real estate funds. Your newest fund, Cohen & Steers Worldwide Realty Fund, (RWF-NYSE) excites us as we are global investors strongly influenced by the philosophy of Sir John Templeton.

First of all, please tell us about the U.S. REIT markets. We are familiar with community grocery-based shopping centers, pioneered by Kimco, and further developed by firms such as Pan Pacific Realty in San Diego. Isn't this an area where you have a great deal of experience?

Cohen: Yes, we are thoroughly familiar with this property type. Pan Pacific centers tend to be in fill locations, and therefore, can dominate their market.

SL: Pan Pacific has told us that it leases as much as 95% of its properties from upscale community centers from Las Vegas to Seattle. Where do you find the most opportunities?

Cohen: We like the coasts because of their high economic growth. Southern California, because of its location, climate and port system, is preferred. There is a queue of ships almost out to Hawaii bringing in goods from Asia. You have to wonder if they have the capacity to process everything they are bringing in.

[We have learned recently that the container ships steaming across the Pacific have now found alternative ports in Mexico as the trans-Pacific trade has overwhelmed U.S. ports. - Editor]

SL: How does that relate to your investments?

Cohen: There is a need for industrial facilities. A lot of economic activity is good for jobs and the local economy. There is a lot of port activity on the East Coast but not as much as in the West.

SL: How have your dividend pay-out policies pioneered increased pay-outs to shareholders?

Cohen: Our Dividends Majors Fund (DVM-NYSE) has created a model that is very efficiently managed for tax purposes, low turnover and very strong dividend coverage with high credit ratings. It also has excellent prospects for dividend growth. We have found that at least a third of our portfolio companies have raised their dividends this year. REITs are high dividend-paying stocks but are unlike a lot of so-called "equity income" or dividend-paying funds in that they tend to be financial stocks. We have created parameters that provide industry diversification including utilities, financial and oil stocks as well as consumer stocks. We are strongly represented among those groups.

SL: Some of your funds have discounts of 8% to 12%. I was on the board of a fund that repurchased shares continuously to reduce the discounts. Do you repurchase shares?

Cohen: So far, the math hasn't made sense; it doesn't really add materially to earnings. You have to buy enough shares at a big enough discount or it doesn't really move the needle. We are dividend-growers so we don't need to do this through repurchasing shares. If we did a tender offer, once the tender is over, the fund goes back to the same discount as before the tender. If you observe our oldest fund, RFI, it has returned 12% a year since inception in 1993. This is our only non-leveraged fund. We think this is why it trades at a premium.

People are worried about leveraged closed-end funds because, as interest rates go up, the cost of borrowing rises, and the dividends may not be safe. We are less concerned with interest rates than we are with the spread we can earn. If you can lock in your cost of borrowing, a five-year swap rate of 4.75% (defined as the interest rate one must pay in order to lock in the cost of borrowing until sometime in the future), means I can invest that money at 7.75%. The 300 basis points (3.00%) in yield go right to my common stock. Therefore, with our leveraged funds, we have locked-in the cost of the majority of our borrowing, so interest rate changes may not be a problem.

SL: That is the magic of leverage.

Cohen: Right, but the market doesn't necessarily know that. On a total return basis, these funds have really been spectacular. The leveraged funds have done better than RFI; if there were a REIT bear market, RFI would outperform the leveraged funds. If you are smart enough in your hedging, there shouldn't be much worry with the leveraging. You can do very well. Not every leveraged fund hedges its borrowing, so those that do may get swept-up in the negative sentiment as those that don't. That's where there is opportunity for investors who have done their homework.

REITs are high dividend-paying stocks but are unlike a lot of so-called "equity income" or dividend-paying funds in that they tend to be financial stocks

[Cohen & Steers explains that their leverage is done by first filing with the SEC to issue "additional auction market preferred shares." These shares would have the effect of setting the fund's leverage at 35% of the fund's capital after issuance, which is the specific percentage as approved by the fund's board of directors. The proposed offering would take into account the increase that has occurred in the value of the fund's assets. The objective of issuing additional preferred shares would be to create opportunity to increase the net income available to common shareholders. The additional shares could also increase the volatility of the net asset value and the market price of the fund's common shares. - Editor]

SL: Would you tell us about how you operate in the global arena? We are excited about the REIT markets going in this direction.

Cohen: There are two different stories: Europe and Asia. Most of the countries in Europe are experiencing slow growth. Some are doing a little better than others. The major engines of growth are somewhat sluggish. What is interesting is that there is a change in the ownership structure of real estate as more countries are adopting a REIT structure, meaning a pass-through entity so that the company distributes all of its income to shareholders. This is true in France and the Netherlands. We expect that within the next year, the U.K. and Germany will adopt REIT structures. When this happens, existing companies will go from a capital gains to an income model. There are also a number of families that have owned real estate in Europe for generations that are interested in liquidity so they might embrace REIT shares.

SL: This year we have focused on Europe, and our investments there have paid off handsomely. We have invested in two European funds: The Europe Fund and The Germany Fund, now called The European Equity Fund because the Fund has now expanded its investments to 12 countries. Would you tell us about the REITs market in Europe?

Cohen: We like France for REITs, especially in the larger cities such as Paris. One REIT, Unibail, the largest REIT in France, owns many malls and shopping centers in and around Paris. Trends are changing, however, so you are seeing more and more shopping centers in and around the major cities all over Europe, especially in The Netherlands, France and Germany. The U.K. is ahead of the curve on retail, but they don't have REITs there yet.

SL: We have seen shopping centers on a recent trip to France; however, we are getting very depressing stories coming from many countries in Europe, such as high unemployment, recession and problems in the German leadership. We have invested there because of company restructuring and higher dividend pay-outs, making for stronger stock markets. Have you found that to be true with your real estate investments in Europe?

Cohen: Our yields aren't that much higher in Europe. It is interesting that the real estate values are quite firm there, despite the economic malaise.

SL: What segments of the market do you mean?

Cohen: The office markets, because there is not a lot of new construction, and supply and demand for space are in good balance. This is particularly true of office as well as in most other property types.

SL: What other areas are you looking at in Europe?

Cohen: Finland is considering creating REITs. It has a small population, however. There are also some transactions where the REIT model is being adopted universally. If you are a REIT in France and you acquire property in Spain, which doesn't allow REITs, then you buy the property; and you are not paying Spain any income tax but paying dividends to your shareholders instead. You, therefore, create some cross border friction outside the country; basically you are creating more competition for ownership.

SL: That is very interesting. Now, what about Asia?

Cohen: There is massive growth in Asia, fueled by China's economic engine. The financial capital of Asia, and maybe one day of the whole world, may be Hong Kong. The story is very different for REITs there, especially in Hong Kong, Taiwan, Singapore or Japan where they are enjoying a low cost of capital. They can buy properties and make a very handsome spread above their cost of money. Not only are their existing portfolios doing well, but also their public ownership and REIT structures are allowing them to enjoy a very competitive advantage with respect to buying property.

SL: Yes, I have visited Hong Kong twice and want to return. Therefore, I am well aware how the whole Hong Kong economy depends on its real estate market. What about Singapore?

Cohen: Singapore also has a strong economy and is enjoying an economic recovery. This is a growth story that is very positive for real estate markets. We are accepting lower yields and higher multiples in Singapore, but we are getting a much better growth rate than in Europe.

SL: Are there many shopping centers in mainland China?

Cohen: There is a good real estate market in China where dividends are solid and growing. There is demand for retail and industrial properties because the whole infrastructure requires distribution facilities. There is a lot of high quality real estate in Shanghai and Beijing, but there are not any PRC REITs. Many Hong Kong companies have good corporate governance and better transparency so they are the local sharpshooters.

Globally, there are opportunities. Europe is a restructuring play; Asia, a growth story.

[According to our research, the Asian markets for REITs are still in their infancy compared to the U.S. market's $300 billion in REIT assets and have a huge potential for growth. In June, Macquerie Securities valued the market in Asia at $87 billion, up from 57 billion a year earlier. - Editor]

SL: We have invested in closed-end funds in Australia. Is there a potential there for you?

Cohen: Australia is very big with the closest analogue to the U.S. REIT market. (REITs make up 68% or $59 billion of the region's assets). They also have a superannuation system where every employee has 9% set aside for their pension fund. Although Australia is a continent, there is not a lot to own. They, therefore, make a lot of investments outside of Australia, especially in Asia and the U.S.

SL: That is why we are now using your expertise rather than trying to pick winning REITs ourselves. Do you have a summary statement for us?

Cohen: I believe that the closed-end fund market is the most inefficient market and, in fact, is the only inefficient market that exists in the American financial markets. The industry is one of the best markets to invest in; it has a couple hundred billion so it is deep and broad.

SL: Wow! What a statement. We would like to see more investors who are skeptical about closed-end funds hear that one. Is your management company a member of the Closed-End Fund Association? We are always scouting for new members for this group that does so much to educate investors about closed-end funds.

Cohen: Yes, we are. The best thing and only thing you can do is to manage the portfolio, maximize the returns and minimize the risks; and the rest will take care of itself. Look at our long-term record. Cohen & Steers Total Return Fund (RFI-NYSE), our oldest fund, has a long-term record of 12% per annum. The next oldest fund, Cohen & Steers Advanced Income Fund (RLF-NYSE) has an annualized return of 19.9%.

I also think that it is clear that we have some headwinds in the economy today with the Fed raising interest rates and potentially pushing us towards an economic slowdown. That is the single biggest risk that exists.

On the other hand, if we don't go into a recession, the supply-demand chacteristics are very strong. We think real estate will continue to do very well. In a low return environment, the 5% yields that REITs generate are very good. I don't think that you can find equity investments that have that kind of income. I can't get too concerned about short-term cross currents which will occur between now and the end of the year. That is the nature of investments.

Globally, there are opportunities. Europe is a restructuring play; Asia, a growth story. There are companies in many countries that offer pretty exceptional value. We are looking everywhere for REITs. I am going to South America next month, to Brazil and Argentina, as I am curious about the potential there.

SL: We agree. That is why we are expanding our real estate exposure into the regions and countries you have mentioned. Thank you for a very informative interview; we wish you continued success. ■

Editor's Note

Although funds investing in real estate have been the top performers in recent years, there is concern that the industry may be topping out, according to persistent reports in the financial press. The reports say that the so-called real estate "bubble" may be about to break because of rising interest rates. However, our research shows that each time real estate values have fallen, they have quickly bounced back.

In a recent *Wall Street Journal* report on the subject, Robert Steers of Cohen & Steers said: "You can get few returns that compare favorably with the broader market in the long-term. Few observers believe that commercial real estate – the office buildings, shopping malls, apartment properties and hotels that REITs typically own – will not see a sharp turndown as many real estate markets are improving and investors are still pouring billions of dollars into properties, pushing up the values of REITs. An economic slowdown could hurt property prices, but this could also make REITs more attractive. The sector also provides diversification because they tend not to move with the broader market."

Sam Lieber, of Alpine Woods Investments, likes lodging stocks and doesn't plan to check out for three to five years. He estimates that nearly 30% of the holdings in his Alpine U.S. Equity Fund are currently in lodging stocks, up from about 18% in December 2003.

"We think there's opportunity in the hotel sector where we have very strong supply-demand imbalance favoring hotel ownership." He also thinks the hotel industry will do very well for the next three to five years. "Large urban hotels probably will have the best performance because it takes the longest to build new ones. Additionally, the conversion of hotels to condo-hotels has lowered the number of hotels in the market so the sector hasn't suffered from overbuilding as the U.S economy has rebounded."

Lieber also says that it is easier for hotel owners to buy new properties in order to grow because prices haven't skyrocketed the way office properties have. Pension funds and other institutional investors have doubled their allocation towards real estate over the past three years and have tended to target office buildings and residential properties for investment – not hotels. He is avoiding apartment REITs because they are under pressure from single-family housing and the valuations are very rich.

Leiber's top picks are Diamond Rock Hospitality Co., Hilton Hotels Corp., Starwood Hotels and Resorts Worldwide, and La Quinta Corp. It has just been announced that La Quinta is being acquired by an affiliate of Blackstone Group for $2.28 billion plus debt. The deal is another in a series of big bets by Blackstone since March of 2004.

CEFA clients, including the family of your editor, own shares of DiamondRock Hospitality and Starwood Hotels.

Templeton Emerging Markets Fund Reports

Templeton Emerging Markets Fund (EMF-NYSE) seeks long-term capital appreciation by investing, under normal conditions, at least 80% of its net assets in emerging country equity securities.

The geographic breakdown of the $319 million fund as of August 31, 2005 was 57.6% Asia, 18.0% Europe, 13.1% Latin America and Caribbean, and 7.9% Middle East and Africa.

EMF has announced a year-end distribution comprised of net investment income of $0.3679 per share and long-term capital gains distribution of $1.3749 per share, payable on November 18, 2005 to shareholders of record on November 4, 2005.

Performance Review

For the 12-month period ended August 31, 2005, Templeton Emerging Markets Fund delivered cumulative total returns of +30.66% based on market price and +36.43% based on net asset value. For the 10-year period ended August 31, 2005, the Fund delivered cumulative total returns of +121.30% based on market price and +134.07% based on net asset value, compared with the MSCI EM Index's 64.54% cumulative total return for the same period.

Economic and Market Review

Emerging markets recorded strong performances during the year under review, generally outperforming the major developed markets. Solid economic fundamentals, attractive stock valuations and greater investor confidence helped to propel emerging stock prices. A weaker U.S. dollar versus major emerging markets currencies further enhanced emerging markets' stock returns in U.S. dollar terms. Eastern European and Latin American markets outperformed their other emerging market peers as both regions continued to attract significant foreign inflows.

Investment Strategy

Our investment strategy employs a bottom-up, value-oriented, long-term approach. We focus on the market price of a company's securities relative to our evaluation of the company's long term earnings, asset value and cash flow potential. As we look for investments, we focus on specific companies and undertake in-depth research to construct an action list from which we make our buy decisions. Before we make a purchase, we look at the company's potential for earnings and growth over a five-year horizon. During our analysis, we also consider the company's position in its sector, the economic framework and political environment.

The expense ratio to average net assets for the year ending August 31, 2005 was 1.57% versus 1.63% in 2004. The portfolio turnover rate was 36.04% versus 67.63% in 2004.

The daily closing net asset value as of the previous day may be obtained when available by calling 1-800-342-5236 Templeton Fund Information after 7 a.m. Pacific time. Copies of the annual report may be obtained by writing Templeton Emerging Markets Fund, 100 Fountain Parkway, P.O. Box 33030, St. Petersburg, FL 33733-8030.

[Clients of Closed-End Fund Advisors, including the family of George Cole Scott own Templeton Emerging Markets Fund. We have been expanding our holdings in EMF lately to help fill our new mandate of more exposure to the foreign markets. We plan to interview again the manager of EMF, Dr. Mark Mobius, for the February 2006 newsletter. – Editor]

Templeton Emerging Markets Income Fund

Templeton Emerging Markets Income Fund (TEI-NYSE) seeks high, current income, with a secondary goal of capital appreciation, by investing, under normal marker conditions, at least 80% of its total assets in income-producing securities of sovereign or sovereign-related entities and private companies in emerging market countries. The largest concentration at the end of its fiscal year (August 13, 2005) is in Latin America and Caribbean (47.6%), Asia (24.6%) and Europe (22.4%).

For the period ending August 31, 2005, the Fund posted cumulative total returns of 11.74% based on market price and 11.78% based on market value. During the Fund's fiscal year, global economic growth remained positive, particularly in the U.S and Asia. The shares closed on November 11 at $12.88, yielding 7.76%. ■

[Unlike many other bond funds, the holdings of Templeton Emerging Markets Income Fund are denominated in U.S. dollars so currency fluctuations are not a factor. The bonds have more risk, however, as they are not Sovereign (government) bonds and the portfolio has more exposure to the emerging markets than other bond funds. - Editor]

German Fund Changes Name to European Equity Fund

New York – The Germany Fund (GER-NYSE) announced that its shareholders have approved the expansion of its investment focus from Germany to the 12 countries utilizing the Euro currency. The Fund has changed its name to The European Equity Fund, Inc. The new ticker symbol is EEA. The Fund will also launch a tender offer for 20% of its outstanding shares at 95% of their net asset value, which represents a premium to current market value.

EEA had assets of $142 million on September 30, 2005 and is managed by subsidiaries of Deutsche Bank AG. The transition is expected to be completed within three months. EEA will now invest in Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Luxembourg, Portugal and Spain. ■

Investors Should Be Cautious with High Yields of Closed-End Funds

"It all starts with glorious temptation," says Jonathan Clements, of *The Wall Street Journal.* "Today, you can buy municipal (closed-end) bond funds that yield 6%, real estate funds that kick off 8% and high-yield junk bond funds that pay 10%. Closed-end funds are a sleepy corner of the fund business, and if interest rates keep rising, shareholders could wake up to nightmarish losses – and bargain hunters could have a field day."

Whatever the press calls closed-end funds, those of us who invest in them know that they are much more than a "sleepy" entity with more attractions, such as buying the funds at a discount that are not available to holders of the more popular ETFs. The CEF industry managed $269 billion as of June 30, 2005, according to the latest available figures, by contrast, exchange-traded index funds, which have been getting much more publicity, held only $243 billion.

Bill Adams, an executive vice president of Chicago's Nuveen Investments, quoted by Clements, says that even though he sees an increase at the short end of the bond market, "the market seems to be forecasting that there won't be a significant increase in long-term rates."

Clements, whom we know and respect as a writer, is doing a good job of warning investors who may be carried away with "yields" of closed-end funds. However, he is a journalist, not a money manager. He makes a good point, however, that municipal bond funds have a history of periodically being hammered by the markets when rates rise. Stay tuned. ■

Central Securities Declares Year-End Distributions

Central Securities Corporation (CET-AMEX), declared the following dividend on its common stock that makes it advantageous to take shares rather than cash on its common stock. The distribution is for one share of stock for every 12.5 shares held. The value of the shares issued is $22.50 per share or $1.80 in cash per common shares held. The dividend is payable on December 27, 2005 to shareholders of record as of November 14, 2005.

It is estimated that of the $1.80 in cash to be paid, $0.25 will be taxable as ordinary income, and $1.55 will be taxable as long-term capital gain. Tax treatment will be the same whether the distribution is received in stock or cash. The final tax breakdown of all amounts paid will be available after year-end.

The closing price of CET on November 11, 2005 was $23.59, making the taking of shares well worth it. Shareholders will receive the shares automatically by not requesting cash. Central Securities was organized on October 1, 1929. The Funds' total net assets on June 30, 2005 were $567,123,767. ■

Investing in Emerging Markets

Investing in emerging markets has had a reputation for being something like plunking coins into a slot machine: There may be an occasional pay-out, but the odds are stacked against you. In recent years, however, the rules have improved in several significant ways, making the chances of winning over the long run considerably better.

A host of developing countries worldwide have begun taking steps toward economic overhauls. This has been confirmed by our annual interviews with Dr. Mark Mobius, the founder of emerging markets investing. Some countries, especially Brazil, Russia and China, have reduced their debt, turned trade deficits into surpluses, increased foreign reserves and lowered borrowing costs. Most of the bigger developing countries have also allowed their economies more flexibility to adjust to setbacks without tumbling into a crisis.

Since the end of 2002, the Morgan Stanley Capital International Emerging Markets Index has surged 128% – the most powerful 3-year rally that stocks of developing countries have seen. That compares with a 31% rise in the Dow Jones Industrial Average in the same period.

"All of this highlights the need for investors to be particularly careful when looking around for big gains. After such a big run-up, many of these stocks may be vulnerable for a pullback, if there is a significant change to the global economies, such as a sharp rise in interest rates or a large increase in oil prices."

Still, for investors seeking diversification and looking to increase their long-term exposure to the world's fastest growing economies, a few opportunities remain. The better performing diversified funds, such as The Templeton Emerging Markets Fund, have proven that they can produce gains even in tough times. Recently, we have added this fund to nearly every portfolio to take advantage of the opportunities in the emerging markets. ■

Source: *The Wall Street Journal*

Portfolio Manager's Review

During October and early November, in order to diversify our portfolios into real estate, we purchased four Cohen & Steers closed-end funds: Cohen & Steers Advantaged Income Realty Fund (RLF-NYSE), Cohen & Steers Premium Income Realty Fund (RPF-NYSE), Cohen & Steers Quality Income Realty Fund (RQF-NYSE) and Cohen & Steers Worldwide Realty Income Fund (RWF-NYSE).

We also added to European Equity Fund (EEA-NYSE), TCW Convertible Securities Fund (CVT-NYSE) and Templeton Emerging Markets Fund (EMF-NYSE). Templeton Global Income Fund (GIM-NYSE) and Templeton Emerging Markets Income Fund (TEI-NYSE) filled the bond fund allocation. Shares of Adams Express and Allied Capital were sold for these purchases. ■

George Cole Scott

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