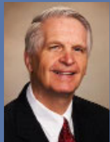
Published by
Closed-End Fund Advisors

THE SCOTT LETTER:
CLOSED-END FUND REPORT

Vol. VII, No. 2 | *A Global View of the Closed-End Fund Industry* | February 2007

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:

- Global Real Estate Funds Set New Investment Trend: Publicly Traded REITs Developing Worldwide; Cohen & Steers and ING Clarion Are Pioneers 1
- 6th Annual Capital Link Closed-End Funds and Global ETF Forum 7
- Portfolio Manager's Review 7

Global Real Estate Funds Set New Investment Trend

Founded in 1982, ING Clarion is headquartered near Philadelphia. Cohen & Steers, founded in 1986, is located in New York. Both firms specialize in investing in real estate through mutual and closed-end funds, and offer a broad array of public and private real estate management and advisory services to institutional and individual investors.

ING Clarion Funds

ING Clarion Real Estate Securities, L.P. (ING Clarion) is a registered investment management firm specializing in the management of equity real estate securities. The firm has approximately $20 billion in assets under management and over 50 employees. ING Clarion's investment management team includes dedicated real estate research professionals located throughout the United States, the United Kingdom, Hong Kong and Japan.

ING Clarion is the real estate management arm of ING Real Estate, a global real estate company active in investment management, development and finance. With total assets under management of $102 billion and offices in 21 countries throughout Europe, America, Asia and Australia, ING Real Estate is part of ING Group.

T. Ritson Ferguson

T. Ritson Ferguson, 47, is CEO, CIO and senior portfolio manager of ING Clarion closed-end funds. He provides oversight to the firm's operations and portfolio management activities. He has extensive real estate management experience and has been active in real estate securities portfolio management since 1991. An honors graduate of Wharton (University of Pennsylvania) and Duke University, he is a Chartered Financial Analyst (CFA) and a member of the Investors Advisory Council of the National Association of Real Estate Investment Trusts (NAREIT).

Cohen & Steers

Cohen & Steers is an investment management firm specializing in high-income equity portfolios. Its strategic focus is on REITs and global real estate securities, utilities and other dividend-paying common stocks, as well as preferred securities. With research teams in New York, Seattle, Brussels, London and Hong Kong, the firm concentrates on high current income, appreciation potential, competitive total returns and overall portfolio diversification so that those asset classes can deliver to investors.

Martin Cohen

Martin Cohen, 58, co-heads Cohen & Steer's investment committee and serves as senior portfolio manager for all of the firm's portfolios. He has 30 years of investment experience. Prior to co-founding the firm with Robert Steers, Mr. Cohen was senior vice president and portfolio manager of National Securities and Research Corp. (1984 to 1986) where, in 1985, he and Mr. Steers organized and managed the nation's first real estate securities mutual fund. Mr. Cohen has a BS degree from the City College of New York and an MBA degree from New York University. He served as a member of the board of governors of the National Association of Real Estate Investment Trusts. In 2001, he was the recipient of the National Association of Real Estate Investment Trust Industry Achievement Award. In this interview, Mr. Cohen discusses

on its global real estate fund: Cohen & Steers Worldwide Realty Income (RWF:NYSE).

The Interview

For the first time in our 28–year history, *The Scott Letter* interviewed the principals of two closed-end funds to compare and contrast their answers on the global real estate markets.

In late January, *The Scott Letter* telephoned T. Ritson Ferguson, the portfolio manager of ING Clarion's Global Real Estate Income Fund (IGR:AMEX), and then two days later, Martin Cohen of Cohen & Steers Worldwide Realty Income Fund (RWF:NYSE). Both managers agreed that a comparative interview was a good idea.

SL: First, we are interested in your views of using the closed-end fund format for international markets, and secondly, in the issue of using leverage in your funds, which might turn-off some investors.

Cohen: Using leverage is important as it can create higher yields and better potential returns. Without daily inflows and outflows, closed-end funds can be better managed than mutual funds.

Ferguson: No one vehicle is best for all investors. We think the closed-end funds offer an excellent way for investors to get exposure to the benefits of an actively managed real estate stock portfolio. The closed-end fund format allows us to manage the portfolio with a stable capital base, use a modest amount of leverage and deliver a higher income return to our investors, with a capital appreciation potential.

SL: What are your current views of the U.S. real estate markets?

Ferguson: The U.S. REITs have continued to be steady performers, with above-average earnings growth, paying an average dividend yield of about 4%. They were up 35% in 2006. The earnings growth was less in Asia but stronger than Europe.

I think many discounted [the U.S. real estate market] at the beginning of last year, assuming that being invested elsewhere in the world would be much more beneficial. In 2006, there was strong cash flow growth and steady dividends, but the real story lies in private acquisition activity. We tracked 24 U.S. merger-and-acquisition deals last year, including 12 "going-private" transactions with some savvy buyers, like Blackstone and others, leading the charge.

Cohen: The local real estate market attracts a lot of investors. It sounds like a nuance, but thinking it through, it is really the best way to get international diversification. Local economies affect local real estate markets, and ownership provides direct exposure to local currencies.

SL: Do you have concerns that U.S. REITs are up so much now that REIT yields, as a bond alternative, are too low and the investment risk too high? Leverage can increase return on your funds, but it also increases investment risks.

Ferguson: Privatizations are a reminder for those concerned with the outsized returns of REITs. There are still market buyers who believe that REITs are not overpriced relative to the private market value of the real estate they own.

We don't expect 35% returns in the U.S. again this year, but we are still pretty constructive about the outlook and expect returns in the high single-digits to low double-digits in 2007. REITs are trading at dividend yields below Treasuries, so the income buyer might find bonds more attractive.

The most important metric to us is whether the real estate company valuations are aligned with private market valuations. This is relevant because, in real estate, 90% of the assets are owned by private buyers. We are total-return-oriented, so income is only a piece of the total return equation we evaluate.

SL: We agree, but we keep reading that REIT yields are so low that bonds are now competitive.

Ferguson: Our leverage is approximately 30% in both closed-end funds we manage. Using a prudent amount of leverage lets us increase the income potential and the capital appreciation of the fund. I think we are prudent in our match of leverage to the underlying investments in the fund.

Cohen: I don't think REITs have ever been an alternative to bonds. The two asset classes have, over the long term, shown a very low correlation to each other.

SL: Please tell us now how your firms invest in the global markets and where you think REIT legislation will go next?

Cohen: The model of owning real estate through the public markets in the U.S. has proven successful, and it has now been exported to Asia and Europe. The adoption of REIT legislation in most European countries has highlighted the virtues of owning real estate. We think the next country to adopt REIT legislation is Germany, which would then make real estate markets in all the countries on continental Europe available.

Europe is not a fast growing market, but this transformation from private to public ownership is having a very beneficial impact, just as it did in the U.S. In the 1990s, real estate wasn't doing well in the U.S., but the public companies were getting a greater share of the economic benefits. The same thing has already happened and should continue to happen in Europe.

SL: Ritson, what are your views on the new U.K. REIT market?

Ferguson: We have been overweighing the U.K for exposure to their healthy real estate market, in particular the very strong London office market. We view the introduction of REITs in the U.K. and several REIT conversions in early 2007 as a very positive development, not unlike what is happening in other parts of Europe and Asia where REITs have been introduced. We expect there will be growth, including some new public real estate companies in the U.K., as a result of the introduction of REITs. Non-REIT public real estate companies tend to trade at discounts to net asset value which is a logical result of the tax burden these public companies have. As a result, the real estate owned by these companies is priced at a discount.

The introduction of REITs can mean [the REITs] may move to premiums to net asset value. When real estate companies trade at premiums to net asset value (NAV) instead of discounts, the owner/shareholder is actually offered a premium for the property rather than having to take a

discount for it, as is the case for many non-REITs. In this environment, you have market factors contributing to public companies' growth as real estate moves to the "place" where it is valued the highest.

[**Editor's Note:** U.K. property shares have soared 60% during the past 15 months. Demand has outstripped supply in the London market, and property as an asset class has outperformed equities. The "hot" U.K commercial property market is now showing signs of cooling, causing concern to U.S. and other international investors who have been pouring capital into this market.

Some fund managers may be ready to exit at what they see as the top of the market, while others see it as a correction and the introduction of REITS will send the markets even higher.]

SL: What are your views on the future of REITs in Europe versus Asia?

Ferguson: Europe has been the "Energizer bunny" of the REIT world over the last five years. In three of the past five years, it has been the best region with the highest total returns to its real estate companies. Germany is up-and-coming, with public REITs expected to happen sometime this year, but for now, the size of the public market for German real estate companies pales compared to the U.K., France, Spain, and the Netherlands.

As opposed to the U.S., where companies are specialized by property type, in other parts of the world most companies own different property types as they specialize by region. They are more active in the four major groups: office, retail, industrial and residential properties.

[**Editor's Note:** According to press reports, the surge of foreign investment in European and Asian commercial real estate shows no signs of slowing down, with China and India continuing to generate the most excitement. Non-domestic investors accounted for 48% of European real estate deals in 2006, up from 40% in 2005, while investment in commercial real estate rose by 33% last year to a record high of $645 billion.]

Cohen: The model is working in Asia too, as there is a tremendous need for capital to fuel the growth of all the Asian economies being driven by the growth of China. The need for capital and the success of investing in public real estate companies has provided good returns for investors.

SL: What are your views on the increasing legislation to expand the global real estate markets?

Cohen: Now you can invest in real estate worldwide. For example, if you want exposure to the U.K and you own the FTSE 100 Index, you basically own many multi-national companies doing business around the world. Another example, BP is 9% of the Index but is an oil company. If you own Land Securities Group, you have 100% exposure to the U.K., and 100% of its profits are denominated in British pounds.

> ***"As long as the governments are leaning towards low interest rates, I think that growth will continue."***
> ***– Marty Cohen***

SL: How does each of you view the international economies now? Are they slowing, moderating or speeding up? There is some confusion about this. How does that affect your approach towards the international real estate markets?

Cohen: All economies continue to grow. The ten largest economies are growing as much as 10% in China to 2% in Germany, but you are getting economic growth nonetheless. What's good for real estate is [when] economies are growing and jobs are being created.

As long as the governments are leaning towards low interest rates, I think that growth will continue. I also think that in China and India, the increase in the worldwide labor pool that is available to every country is keeping inflation very low and growth very high. That is why you are getting this dichotomy of decent economic growth with low interest rates. A tremendous amount of capacity is being built which, in turn, will fuel lower prices with continued growth.

SL: Marty, are you focusing more on the Asian region than others?

Cohen: In a global portfolio, it is 40% U.S., 40% Asia and 20% Europe. That is the starting point, but we are leaning more towards a lower exposure in the U.S. and a higher exposure in Asia.

SL: That is also our focus. Do you see the Japanese markets as being overpriced?

Cohen: Their valuations are very rich, but I don't think its real estate is necessarily overpriced, although it is still expensive, especially in Tokyo. The REITs there are static pools of property that are bought for their yield alone and are selling at big premiums to their net asset values. There are non-REIT development companies building value. They are trading below their net asset values and enjoying better earnings growth. Our RWF exposure in Japan was 2% at year-end 2006.

Ferguson: Japan is really the study of two markets: REITs and non-REITs. Japanese REITs (or J-REITS) are pretty "pricey," trading at large premiums to the value of the real estate they own. Japanese real estate companies that are not REITs, on the other hand, are still priced attractively, some even at discounts to their NAVs.

Everybody is excited by the fact that Japan is finally growing again, but the rate of growth is still anemic in the world view. The real estate market fundamentals in Japan are generally quite good.

Economic growth in Japan is low but accelerating. The primary story is the office market in Tokyo, one of our favorites worldwide. Vacancy rates are below 3% in central Tokyo, and average rents in place are 20% below market so the Japanese companies owning these assets will benefit from the eventual mark-to-market. The recovering office market is our favorite story in Japan.

SL: What regions do you think will be the next global area for real estate investments?

 (c) 2007 by Closed-End Fund Advisors

Cohen: I was hopeful that sometime in the past year South America – Argentina, Brazil and Mexico – would develop public markets for real estate. I think they are developing, but more slowly than I had hoped. There are some markets developing in India, but they are not there yet. I think over the next year we will see something more out of India, i.e., public real estate companies that we would consider for investment.

Ferguson: We have spent a lot of time in Central Europe and India over the past year and expect these markets to be more prominent in our portfolios over time. India has a huge need for modern commercial real estate assets with good infrastructure (power, transportation access, etc.) to meet the needs of its rapidly growing economy. Several India-based real estate companies are contemplating IPO's. We have done the field work and have utilized the ING Real Estate resources in the region to help our portfolio managers and analysts be prepared for the coming offerings. Rental growth is expected to be higher than in some of the more mature markets of Western Europe.

Many of the countries in Central Europe are also going through an economic transformation as they join, or prepare to join, the European Economic Union. Several existing real estate companies in which we invest are already active investors in these markets. Our London-based real estate securities team has done a lot of work on these markets, drawing upon the very large team ING Real Estate has all over the continent.

[**Editor's Note:** In 2005, the Indian government relaxed regulations concerning foreign direct investment in real estate to enable foreign investors to wholly own some property assets. India's market, however, is tricky for foreign investors who still aren't allowed to own undeveloped land, although partnerships with local players are occurring, according to London's capital markets advisory firm, Cushman & Wakefield.]

SL: What financial factors do you see driving the global markets?

Ferguson: Since REITs generally do not pay taxes, many governments have struggled initially on how to replace the potential loss of tax revenues. For instance, Germany's introduction of REITs was held up in part by the government's concerns about how to deal with foreign investors in G-REITs that wouldn't be subject to direct taxation in Germany. France and the U.K. dealt with similar issues. All these issues turned out to be minor. This hasn't prevented countries from doing the right thing for the long-term by creating REIT-like structures.

In some instances, the introduction of REITs has even allowed governments to raise new revenues. For instance, the first REIT in Hong Kong, The Link REIT, was a way for the Hong Kong government to raise $3 billion in capital as they divested the retail centers they owned as part of their large public housing projects.

> ***"REITS have been proliferating in Asia and Europe because governments recognize ... they will have a healthier, more stable environment ...."***
> ***– Ritson Ferguson***

SL: Is there any way you can invest in other China cities such as the booming property market in Shanghai?

Ferguson: There are several ways to get real estate exposure in China via the public markets. We prefer to be invested in mainland China real estate, either in Hong Kong or Singapore-based listed companies, that have investments on the mainland. We are not comfortable yet with investing in China-listed real estate companies. In Hong Kong, several of our favorite companies have meaningful organizations and investments in China. We particularly like companies involved with commercial property like office and retail properties as China residential properties plays are already valued highly.

Cohen: The Hong Kong companies really are the most viable way to invest in China. I expect that to change in the next two years.

SL: What regions do you think have the highest potential returns for REIT investments in 2007? Do you see any other regions coming into focus for high growth?

Ferguson: The regions with the potential for the highest earnings growth are Asia (Hong Kong and Singapore) and Australia – where the real estate markets offer the strongest growth as they have higher growth economies. The total return equation is also a function of supply.

Cohen: While Hong Kong will probably have the highest returns, the most exciting thing about what we do is that there are many individual companies around the world that have exceptional growth prospects.

SL: What about other real estate markets in Southeast Asia and Australia?

Ferguson: Singapore is one of our favorite markets in Asia. It is emerging as the preferred market for Pan-Asian strategies. Capital Land owns commercial real estate investments in Singapore and China. They have a sizeable joint-venture with an Indian retailer to build up to 50 malls in India. It is an example of a very appealing Pan-Asian company.

New listings in Singapore are likely to have a similar Pan-Asian portfolio, which has been facilitated by recent changes that the Singapore government made to improve the REIT structure it introduced in 2002. We have overweighted Singapore in our portfolios despite its small size.

Australia is also attractive, but for a different reason. It too has an economy growing faster than the world average, and its growth is accelerating. Meanwhile, the dividend rates on Australian property companies are 200 basis points (2%) higher than that of the U.S. This mature market is more of a cousin to the U.S. and the developed markets of Western Europe.

REITs – actually they are called Listed Property Trusts or LPT's in Australia – were introduced in 1971, and today, LPT's

(c) 2007 by Closed-End Fund Advisors

own 40%-50% of commercial real estate properties in Australia. Real estate company ownership is more than four times greater in Australia than in the rest of the world, where public companies typically own 10% or less of the real estate.

Some of the Australian companies are global in scope with investments in properties outside Australia, primarily in the U.S., Europe and Japan.

SL: Now we would like to address some corporate issues such as valuation, accounting and taxation as well as corporate transparency – particularly in Asia – that have become more complicated as you move into foreign markets. How do you deal with those issues?

Cohen: The only way to deal with that is to have people in every region. We have analysts that speak the language of every country in which we have investments. Our offices are now in Brussels, London and Hong Kong.

In Hong Kong, we have Japanese-speaking people who follow the Japanese market. Our staff in Brussels pretty much speaks every language spoken in continental Europe. The analysts have to really do their homework, know their locations and be able to trade in those markets. We now have 24-hour trading operations around the world.

Ferguson: One advantage of investing in global real estate via a fund like ours is that some of the "thorny" tax issues of investing in other countries go away when you are investing in property via the stock of listed vehicles rather than making direct investments in those countries.

We have over 50 people in our global real estate securities group, including analysts outside the U.S. – in Tokyo, Hong Kong and London. These analysts, in turn, work closely with ING Real Estate's local people in offices throughout Europe and Asia when they are conducting field research or assessing local real estate market conditions.

Our approach when making investments around the world is to find undervalued real estate. To do this, we estimate the real estate cash flows from the assets these companies own and then estimate the net asset value of the company based on those cash flows. Frankly, anywhere in the world you go, the financial statements are just a beginning point for analysis.

In the U.S., GAAP earnings are not the same as real estate cash flows. For instance, we add back depreciation and deduct an estimate of recurring capital expenditures. It is interesting that the U.S. is one of th few markets around the world where the typical public real estate company doesn't publish a net asset value (NAV) value.

SL: How often do the foreign REITs publish net asset values?

Ferguson: In Hong Kong and London, it is done semi-annually. Just because they publish their NAVs doesn't make it a good data point. We work hard to understand the cash flows [so as] to get access to prices paid for transactions. We have found over the last two years that there has been a significant lag in the official, published NAVs and what the real current value is in those real estate assets owned by the company.

> ***"The analysts have to really do their homework, know their locations and be able to trade in those markets."***
> ***– Marty Cohen***

This has presented an opportunity for us, and we have taken advantage of it in some European and Asian markets. The new international accounting standards [for real estate] will gradually be adopted in the U.S. for running changes in value through the company's income statement and balance sheet. There is accounting logic, but it may begin to distort the reported earnings [for] assessment of the current value of the assets.

Yes, there are investment challenges, but the challenges are different in different markets. Disclosures are improving, but we still have a way to go in some of the European and Asian companies.

SL: We are also global investors and see different correlations in different markets. How does that relate to your real estate investments?

Cohen: What is interesting is that the non-U.S. markets don't have correlations to the U.S. markets or each other. Singapore doesn't have a high correlation to Hong Kong, and Belgium doesn't have a high correlation to France. I see this on a real-time basis every day. It's just a mind blower when you see the movements on a day-to-day basis.

As a public company, Cohen & Steers wants to have steady asset growth and not be reliant on one asset class or asset type. Frankly, the more international portfolios we have, the less reliant we are on any one class.

SL: How do you determine "fair value" on properties that you assess in the international markets?

Cohen: Our whole methodology for choosing investments is NAV-based. We have found that the single best predictor of stock prices has been the discount or premium to net asset value. Our analysts establish a solid net asset value for all the companies in which we invest. We then rank order them from highest and lowest NAV, which creates our starting point for identifying investment candidates.

SL: Is there really enough transparency to know the true value?

Cohen: Yes. There's a European Property Association and an Asian version of it, just like the NAREIT organization in the United States. These organizations have promoted standards of disclosure and reporting, because this really does help to lower their cost of capital.

The more transparency the better performance they will have in the marketplace and be able to attract investors. The transparency issue is fading. It has not disappeared, but that is another reason why the model here works so well. If the analysts are there, they can determine the veracity of managements' comments.

SL: Do your three foreign offices have enough coverage to do that if you're in other regions?

Cohen: Yes, for the time being. That, of course, could change. If we felt the need to have an office elsewhere, we could establish a presence. Bob Steers and I are always traveling around the world, visiting our offices and maintaining "control" over how things are doing.

SL: I understand how that works because I have interviewed many global investment fund managers. They often have offices all over the world as a part of their organization. What I am not clear on is whether personnel in Cohen & Steers office are C&S employees or if they are sub-advisors?

Cohen: Everyone is an employee of Cohen & Steers. We had a 50% interest in a company called Houlahan Rovers, which is a Brussels operation. We call them "bolt-ons" where you bolt on a sub-advisor somewhere. We didn't feel it worked, as we wanted people working strictly for us, with the same values, methodology and business objectives.

We have now acquired 100% of that company. Everything is fully integrated: investment process, administration, accounting, compliance, soup to nuts. We have about 30 professionals worldwide, plus administrative and support staff for mutual funds, closed-end funds and a lot of institutional accounts.

This is another reason why RWF has done so well, as there is a tremendous amount of interest in international investing [outside of the U.S.] in the institutional world.

SL: Marty, do you have funds not available except to nationals where they are located, like in Australia?

Cohen: Yes, we do. We have two funds in Australia and three mutual funds only available to non-U.S. citizens. We also have a distribution arrangement with DAIWA in Japan, where they sell the mutual funds that we manage. We are a sub-advisor for them.

Ferguson: We also have funds in other parts of the world, oriented to investors in those local markets, including global real estate securities funds in Europe, the U.K., Australia, Japan and Hong Kong.

SL: Do each of you have a dividend reinvestment program, and how does it work?

Ferguson: We have a dividend reinvestment program available for all our shareholders. If the fund is trading at a discount, the reinvestment will be made by making open market purchases of the fund's shares. If it is trading at a premium, the fund will issue new shares at a 5% discount to prevailing share price, but in no case less than NAV. Since the fund was trading at an 8% premium at the end of the fourth quarter 2006, there was a modest share issuance.

If the fund trades at a consistent and meaningful premium, not just a modest premium, I think the Board would consider whether that relationship indicated there was more demand than supply and whether to consider a secondary offering of new shares. There has been no discussion of that at the Board level so far because the 8% premium, to me, is relatively modest and has not been sustained very long.

"We are always looking for situations where we can bring product to market …."
– Ritson Ferguson

Cohen: We issue shares at NAV if the stock is trading above NAV. We purchase shares if it is trading below NAV.

SL: These are important issues for shareholders. Ritson, your global fund, IGR, has been trading recently at a premium of about 4%. Do you have any concerns about this as it may deter some purchasers like us?

Ferguson: Much of the time that IGR and IIA have been public, our concern has been that the funds have been trading at discounts. At the end of last year, IGR was trading at an 8% premium, and today IGR is trading at par.

At par or below, there is a real opportunity because you can get a ready-made portfolio with an attractive yield at NAV or less.

A 4% premium to me is still a modest premium, not something we have seen on a sustained basis. I can't explain why our fund is trading at a lower price-to-NAV relationship than the Cohen & Steers Worldwide Real Estate Fund. From an investment standpoint, I see value there.

SL: Marty, because RWF is trading at a premium for other reasons, do you have any plans to launch any more international real estate funds?

Cohen: We are always considering that, and we have a lot of new ideas in the lab. I can't say definitely, but it is something we are thinking about. We would like to make it different than RWF – maybe an alternative strategy that has some very good investment characteristics.

SL: What are your thoughts on this, Ritson?

Ferguson: We are always looking for situations where we can bring a product to market, utilizing our global real estate investment expertise to meet investors' needs. ING Real Estate has a unique platform to deliver new and unique products to meet this demand. The recent premium pricing for our funds is encouraging, with respect to some of our new ideas involving variations on the IGR fund concept.

SL: Our view of how to invest in global funds that trade at premiums is first to recognize that premiums result when funds have superior returns: they are the clear winners. We then think the prudent thing to do, if you own the shares, is to sell some of them. If you don't own shares, we hold cash for the time when they either trade close to their net asset values or at a discount again.

The choices are difficult for new clients as they deserve to be in the global real estate markets as well. We are patient investors, however, and find that, by waiting, we will have the opportunities to buy at discounts.

In the meantime, we often invest in a no-load international real estate fund, Alpine International Real Estate Fund (EGLRX), to participate in these markets until we can buy one of the other closed-end funds at a discount.

SL: Do each of you have concluding remarks?

Cohen: It does seem like all economies are continuing to grow. Interest rates [remain] low around the world. That is a very accommodative stance, so I don't see any reason for some economic debacle or widespread economic recession in any country, particularly if you look at the ten largest economies: They are growing as fast as 10% in China to 2% in Germany. Growing economies and job creation is good for real estate.

Ferguson: Clearly investors today are looking for more global opportunities to invest in real estate. The introduction of REITs can mean a move from premiums to net asset value. Governments around the world recognize the benefits of facilitating improved financial liquidity for their real estate markets, a part of the infrastructure of their economy. ■

For more information, visit Cohen & Steers at www.cohenandsteers.com or call 800-330-7348. For more information on ING Clarion, visit www.ingclarion.com or call 610-995-2500.

6th Annual Capital Link Closed-End Funds and Global ETF Forum

The 6th Annual Capital Link Closed-End Funds and Global ETF Forum will be held on Wednesday, April 18, 2007 at the Metropolitan Club, New York City. Attendance is free for financial advisors, registered representatives of securities firms (RIAs), qualified investors, analysts and media.

If you do not qualify as one of the above, contact Eleni Bej via phone 212-661-7566, ext. 231) or e-mail (ebej@capitallink.com) with regards to attending. To learn about conference sponsorship, contact Katie Saidenberg via e-mail (ksaidenberg@capitallink.com) or phone (212-661-7566). ■

Portfolio Manager's Review

During January, we reviewed each of our portfolios to determine that they were balanced according to our asset allocation model. During this time, we added to core holdings such as Central Securities, Asia Pacific Fund and Calamos Global Total Return Fund, all of which have done well.

Finding that the U.S. real estate sector needed to be strengthened, we also added to some of the Cohen & Steers domestic real estate funds when opportunities arose to buy them on weakness.

On the sell side, we decided to reduce exposure to our individual REITs in order to diversify into REIT closed-end funds. This diversification will continue, as we move forward. We have also reduced our two global REIT funds, RWF and IGR, because they were trading at premiums. Their performance has been so good, however, that we are holding the shares in smaller amounts. As we were going to press in early February, we found an opportunity to purchase shares in IGR at a small discount, an activity which we hope to continue if the markets weaken.

CEFA's new Hybrid Income Fund has performed very well. We have adjusted the portfolio where necessary when the funds rose to premiums and the yields decreased. See Jon Chatfield's review of this portfolio for more details.

The next Scott Letter will have an interview with the portfolio manager of The Asia Pacific Fund. It should be sent to subscribers on March 16. ■

George Cole Scott

Disclaimer: None of the information contained herein should be constructed as an offer to buy or sell securities or as recommendations. Performance results shown should, under no circumstances, be construed as an indication of future performance. Data, while obtained from sources we believe to be reliable, cannot be guaranteed.

Use or reproduction of any or all of The Scott Letter: Closed-End Fund Report requires written permission from Closed-End Fund Advisors. All rights reserved.

George Cole Scott
Founder and Editor-in-Chief
Portfolio Manager

Jonathan L. Chatfield
Contributing Editor
Portfolio Manager

Leslie Jane Daniels
Copy Editor

Mamie Woo McNeal
Production Editor

John Cole Scott
Marketing Consultant

The Scott Letter Online
is published by

Closed-End Fund Advisors
Global Investment Counsel
P. O. Box 1100
Richmond, Virginia 23218
(800) 356-3508
www.CEFAdvisors.com

Currently offering managed portfolios with the following objectives:

Hybrid Income
Globally Diversified Growth & Income
Globally Diversified Growth
International & REIT