

COHEN & STEERS INC
Form 10-Q
November 09, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 001-32236

COHEN & STEERS, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

14-1904657
(I.R.S. Employer
Identification No.)

280 Park Avenue
New York, NY
(Address of Principal Executive Offices)
(212) 832-3232
(Registrant's telephone number, including area code)

10017
(Zip Code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes No

The number of shares of the Registrant's common stock, par value \$0.01 per share, outstanding as of November 2, 2012 was 43,759,838.

COHEN & STEERS, INC. AND SUBSIDIARIES
Form 10-Q
Index

	Page
Part I. Financial Information	
Item 1. <u>Financial Statements</u>	1
<u>Condensed Consolidated Statements of Financial Condition (Unaudited) as of September 30, 2012 and December 31, 2011</u>	1
<u>Condensed Consolidated Statements of Operations (Unaudited) for the Three and Nine Months Ended September 30, 2012 and 2011</u>	2
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the Three and Nine Months Ended September 30, 2012 and 2011</u>	3
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity and Redeemable Noncontrolling Interest (Unaudited) for the Nine Months Ended September 30, 2012 and 2011</u>	4
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Nine Months Ended September 30, 2012 and 2011</u>	5
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	34
Item 4. <u>Controls and Procedures</u>	34
Part II. Other Information	
Item 1. <u>Legal Proceedings</u>	35
Item 1A. <u>Risk Factors</u>	35
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	35
Item 6. <u>Exhibits</u>	36
<u>Signature</u>	37

Items other than those listed above have been omitted because they are not applicable.

Forward-Looking Statements

This report and other documents filed by us contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "should," "seeks,"

“approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative versions of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties.

Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, those described in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2011, which is accessible on the Securities and Exchange Commission’s website at www.sec.gov and on our website at www.cohenandsteers.com. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

PART I—Financial Information

Item 1. Financial Statements

COHEN & STEERS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)
 (in thousands, except share data)

	September 30, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	\$ 121,240	\$ 127,824
Securities owned (\$24,946 and \$21,952)*	91,441	25,304
Equity investments	7,770	7,868
Investments, available-for-sale	24,383	27,133
Accounts receivable	61,169	39,590
Due from broker (\$10,064 and \$10,321)*	14,234	10,443
Property and equipment—net	9,418	11,200
Goodwill	19,824	19,934
Intangible assets—net	1,813	1,879
Deferred income tax asset—net	6,812	9,233
Other assets (\$310 and \$209)*	7,812	5,825
Total assets	\$ 365,916	\$ 286,233
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accrued compensation	\$ 22,511	\$ 23,337
Securities sold but not yet purchased (\$12,598 and \$9,277)*	12,598	9,277
Income tax payable	2,584	4,948
Other liabilities and accrued expenses (\$226 and \$493)*	20,343	13,363
Total liabilities	58,036	50,925
Commitments and contingencies		
Redeemable noncontrolling interest	46,769	4,796
Stockholders' equity:		
Common stock, \$0.01 par value; 500,000,000 shares authorized; 46,995,121 and 46,155,192 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	470	462
Additional paid-in capital	420,373	402,573
Accumulated deficit	(62,907	) (83,063
Accumulated other comprehensive income (loss), net of tax	887	(225
Less: Treasury stock, at cost, 3,238,859 and 2,986,913 shares at September 30, 2012 and December 31, 2011 respectively	(97,712	) (89,235
Total stockholders' equity	261,111	230,512
Total liabilities and stockholders' equity	\$ 365,916	\$ 286,233

* Assets and liability amounts in parentheses represent the portion of the September 30, 2012 and December 31, 2011, respectively, consolidated balances attributable to the onshore global real estate long-short fund which is a variable interest entity.

See notes to condensed consolidated financial statements

COHEN & STEERS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue:				
Investment advisory and administration fees	\$63,224	\$58,048	\$181,066	\$166,569
Distribution and service fees	2,881	2,457	8,129	7,458
Portfolio consulting and other	5,191	1,111	13,263	3,803
Total revenue	71,296	61,616	202,458	177,830
Expenses:				
Employee compensation and benefits	25,101	21,873	69,696	63,677
Distribution and service fees	21,376	6,205	34,148	18,109
General and administrative	10,601	9,365	29,061	26,824
Depreciation and amortization	1,384	1,279	4,218	3,760
Amortization, deferred commissions	595	497	1,636	1,255
Total expenses	59,057	39,219	138,759	113,625
Operating income	12,239	22,397	63,699	64,205
Non-operating income:				
Interest and dividend income—net	478	260	1,768	799
Gain (loss) from trading securities—net	3,999	21	3,251	(456)
Gain (loss) from available-for-sale securities—net	437	(368)	) 1,040	222
Equity in earnings (losses) of affiliates	71	(5,248)	) 714	(4,635)
Other	330	502	(433)	) 1,518
Total non-operating income (loss)	5,315	(4,833)	) 6,340	(2,552)
Income before provision for income taxes	17,554	17,564	70,039	61,653
Provision for income taxes	4,987	8,022	24,187	23,450
Net income	12,567	9,542	45,852	38,203
Less: Net (income) loss attributable to redeemable noncontrolling interest	(2,306)	) 64	(1,458)	) 57
Net income attributable to common shareholders	\$10,261	\$9,606	\$44,394	\$38,260
Earnings per share attributable to common shareholders:				
Basic	\$0.23	\$0.22	\$1.01	\$0.89
Diluted	\$0.23	\$0.22	\$1.00	\$0.87
Weighted average shares outstanding:				
Basic	43,822	43,237	43,744	43,170
Diluted	44,537	44,133	44,439	43,919

See notes to condensed consolidated financial statements

COHEN & STEERS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
 (in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income attributable to common shareholders	\$ 10,261	\$ 9,606	\$ 44,394	\$ 38,260
Foreign currency translation gain (loss)	630	(3,084)	) (184	) 45
Net unrealized gain (loss) from available-for-sale securities, net of tax	344	(3,769)	) 2,336	(3,368)
Reclassification to statements of operations of (gain) loss from available-for-sale securities, net of tax	(437	) 368	(1,040	) (222)
Total comprehensive income attributable to common shareholders	\$ 10,798	\$ 3,121	\$ 45,506	\$ 34,715

See notes to condensed consolidated financial statements

3

COHEN & STEERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND
REDEEMABLE NONCONTROLLING INTEREST (Unaudited)
Nine Months Ended September 30, 2012 and 2011
(in thousands)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss), net of tax	Treasury Stock	Total Stockholders' Equity	Redeemable Noncontrolling Interest	Shares of Common Stock, net
Beginning balance, January 1, 2011	\$ 454	\$ 378,081	\$ (65,553)	\$ 2,971	\$(82,588)	\$ 233,365	\$ —	42,640
Dividends	—	—	(65,190)	—	—	(65,190)	—	—
Issuance of common stock	7	433	—	—	—	440	—	751
Repurchase of common stock	—	—	—	—	(6,630)	(6,630)	—	(231)
Tax benefits associated with restricted stock units—net	—	1,930	—	—	—	1,930	—	—
Issuance of restricted stock units	—	3,163	—	—	—	3,163	—	—
Amortization of restricted stock units—net	—	12,832	—	—	—	12,832	—	—
Forfeitures of vested restricted stock units	—	(2)	—	—	—	(2)	—	—
Net income (loss)	—	—	38,260	—	—	38,260	(57)	—
Other comprehensive loss, net of tax	—	—	—	(3,545)	—	(3,545)	—	—
Distributions to redeemable noncontrolling interest	—	—	—	—	—	—	(744)	—
Contributions from redeemable noncontrolling interest	—	—	—	—	—	—	744	—
Redemptions of redeemable noncontrolling interest	—	—	—	—	—	—	(3,734)	—
Foreign currency translation adjustment on redeemable noncontrolling interest	—	—	—	—	—	—	350	—
	—	—	—	—	—	—	3,877	—

Edgar Filing: COHEN & STEERS INC - Form 10-Q

Transfer of redeemable noncontrolling interest									
Ending balance, September 30, 2011	\$ 461	\$ 396,437	\$ (92,483)	\$ (574)	\$ (89,218)	\$ 214,623	\$ 436		43,160
Beginning balance, January 1, 2012	\$ 462	\$ 402,573	\$ (83,063)	\$ (225)	\$ (89,235)	\$ 230,512	\$ 4,796		43,168
Dividends	—	—	(24,238)	—	—	(24,238)	—		—
Issuance of common stock	8	402	—	—	—	410	—		840
Repurchase of common stock	—	—	—	—	(8,477)	(8,477)	—		(252)
Tax benefits associated with restricted stock units—net	—	2,947	—	—	—	2,947	—		—
Issuance of restricted stock units	—	1,399	—	—	—	1,399	—		—
Amortization of restricted stock units—net	—	13,053	—	—	—	13,053	—		—
Forfeitures of vested restricted stock units	—	(1)	—	—	—	(1)	—		—
Net income	—	—	44,394	—	—	44,394	1,458		—
Other comprehensive income, net of tax	—	—	—	1,112	—	1,112	—		—
Distributions to redeemable noncontrolling interest	—	—	—	—	—	—	(3,647)		—
Contributions from redeemable noncontrolling interest	—	—	—	—	—	—	44,118		—
Foreign currency translation adjustment on redeemable noncontrolling interest	—	—	—	—	—	—	44		—
Ending balance, September 30, 2012	\$ 470	\$ 420,373	\$ (62,907)	\$ 887	\$ (97,712)	\$ 261,111	\$ 46,769		43,756

See notes to condensed consolidated financial statements

COHEN & STEERS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
 (in thousands)

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$45,852	\$38,203
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Stock compensation expense	13,101	12,904
Amortization, deferred commissions	1,636	1,255
Depreciation and amortization	4,218	3,760
Deferred rent	226	(392)
(Gain) loss from trading securities - net	(3,251)	) 456
Equity in (earnings) losses of affiliates	(714)	) 4,635
Gain from available-for-sale securities - net	(1,040)	) (222)
Deferred income taxes	1,954	1,348
Foreign currency gain	(1,398)	) (741)
Changes in operating assets and liabilities:		
Accounts receivable	(20,181)	) (17,118)
Due from broker	(6,349)) —
Deferred commissions	(2,328)	) (1,547)
Securities owned	(58,948)	) 2,851
Other assets	(1,295)	) (1,172)
Accrued compensation	(295)	) (480)
Securities sold but not yet purchased	2,273	—
Income tax payable	(1,790)	) (1,575)
Other liabilities and accrued expenses	6,589	1,621
Net cash (used in) provided by operating activities	(21,740)	) 43,786
Cash flows from investing activities:		
Proceeds from redemption of equity investments	811	—
Purchases of investments, available-for-sale	(18,535)	) (32,898)
Proceeds from sales of investments, available-for-sale	23,720	20,817
Purchases of property and equipment	(2,357)	) (2,219)
Net cash provided by (used in) investing activities	3,639	(14,300)
Cash flows from financing activities:		
Excess tax benefits associated with restricted stock units	2,843	1,482
Issuance of common stock	357	381
Repurchase of common stock	(8,477)	) (6,630)
Dividends to stockholders	(23,622)	) (62,636)
Redemptions of redeemable noncontrolling interest	(3,647)	) (3,734)
Contributions from redeemable noncontrolling interest	44,118	—
Net cash provided by (used in) financing activities	11,572	(71,137)
Net decrease in cash and cash equivalents	(6,529)	) (41,651)
Effect of foreign exchange rate changes	(55)	) 672
Cash and cash equivalents, beginning of the period	127,824	136,191
Cash and cash equivalents, end of the period	\$121,240	\$95,212

See notes to condensed consolidated financial statements

5

COHEN & STEERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(UNAUDITED)

Supplemental disclosures of cash flow information:

For the nine months ended September 30, 2012 and 2011, the Company paid taxes, net of tax refunds, of approximately \$21,301,000 and \$22,089,000, respectively.

Supplemental disclosures of non-cash investing and financing activities:

In connection with its stock incentive plan, for the nine months ended September 30, 2012 and 2011, the Company issued fully vested restricted stock units in the amount of \$783,000 and \$608,000, respectively. For the nine months ended September 30, 2012 and 2011, the Company issued restricted stock unit dividend equivalents in the amount of \$616,000 and \$2,554,000, respectively.

COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization and Description of Business

Cohen & Steers, Inc. (“CNS”) was organized as a Delaware corporation on March 17, 2004. CNS was formed to be the holding company for Cohen & Steers Capital Management, Inc. (“CSCM”), a New York corporation, and to allow for the issuance of common stock to the public.

The condensed consolidated financial statements set forth herein include the accounts of CNS and its direct and indirect subsidiaries. CNS’s wholly-owned subsidiaries are CSCM, Cohen & Steers Securities, LLC (“Securities”), Cohen & Steers Asia Limited, Cohen & Steers UK Limited and Cohen & Steers Europe S.A. (collectively, the “Company”). All material intercompany balances and transactions have been eliminated in consolidation.

Through CSCM, a registered investment advisor under the Investment Advisers Act of 1940 (the “Advisers Act”), the Company serves institutional and individual investors around the world. Founded in 1986, the Company is a leading global investment manager focused on global real estate securities, global listed infrastructure, real assets, large cap value stocks and preferred securities. The Company also manages alternative investment strategies for qualified investors such as hedged real estate securities portfolios and private real estate strategies. Its clients include Company-sponsored open-end and closed-end mutual funds, U.S. and non-U.S. pension plans, endowment funds, foundations and sub-advised funds for other financial institutions. Through Securities, its registered broker/dealer, the Company provides distribution services for certain of its funds.

2. Basis of Presentation and Significant Accounting Policies

The condensed consolidated financial statements of the Company included herein are unaudited and have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the interim results have been made. The Company’s condensed consolidated financial statements and the related notes should be read together with the consolidated financial statements and the related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.

Accounting Estimates—The preparation of the condensed consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Management believes the estimates used in preparing the condensed consolidated financial statements are reasonable and prudent. Actual results could differ from those estimates.

Reclassifications—Certain prior year amounts have been reclassified to conform to the current year presentation. The amounts related to these reclassifications are not material to the Company’s condensed consolidated financial statements.

Consolidation—The Company consolidates operating entities deemed to be voting interest entities if the Company owns a majority of the voting interest. The equity method of accounting is used for investments in non-controlled affiliates in which the Company’s ownership ranges from 20 to 50 percent, or in instances in which the Company is able to exercise significant influence but not control. The Company also consolidates any variable interest entities (“VIEs”) in which the Company is the primary beneficiary. The Company provides for noncontrolling interests in consolidated subsidiaries for which the Company’s ownership is less than 100 percent.

A VIE is an entity in which either (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (b) the group of holders of the equity investment at risk lack certain characteristics of a controlling financial interest. The primary beneficiary is the entity that has the obligation to absorb a majority of the expected losses or the right to receive the majority of the residual returns. Investments and

redemptions or amendments to the governing documents of the respective entities could affect an entity's status as a VIE or the determination of the primary beneficiary. The Company assesses whether entities in which it has an interest are VIEs upon initial involvement and at each reporting date. The Company assesses whether it is the primary beneficiary of any VIEs identified

7

COHEN & STEERS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(UNAUDITED)

by evaluating its economic interests in the entity held either directly by the Company and its affiliates or indirectly through employees. See Note 4 for further discussion about the Company's investments.

Cash and Cash Equivalents—Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash and have original maturities of three months or less.

Due from Broker—The Company conducts business, through its consolidated seed investments, with brokers for certain of its investment activities. The clearing and custody operations for these investment activities are performed pursuant to agreements with prime brokers. The due from broker balance represents cash and cash equivalents balances at brokers and net receivables and payables for unsettled security transactions.

Investments—Management of the Company determines the appropriate classification of its investments at the time of purchase and re-evaluates such determination at each statement of financial condition date.

Securities owned and securities sold but not yet purchased are classified as trading securities and are measured at fair value based on quoted market prices, market prices obtained from independent pricing services engaged by management or as determined by the Company's valuation committee. Unrealized gains and losses are recorded as gain (loss) from trading securities—net reported in the Company's condensed consolidated statements of operations.

Investments classified as equity investments are accounted for using the equity method, under which the Company recognizes its respective share of the investee's net income or loss for the period. The carrying amounts of these investments approximate their fair value.

Investments classified as available-for-sale are comprised of equity securities, investment-grade preferred instruments and investments in Company-sponsored open-end and closed-end mutual funds. These investments are carried at fair value based on quoted market prices or market prices obtained from independent pricing services engaged by management, with unrealized gains and losses, net of tax, reported in accumulated other comprehensive income. The Company periodically reviews each individual security position that has an unrealized loss, or impairment, to determine if that impairment is other than temporary. If the Company believes an impairment of a security position is other than temporary, the loss will be recognized in the Company's condensed consolidated statements of operations. An other than temporary impairment is generally presumed to have occurred if the available-for-sale investment has an unrealized loss continuously for 12 or more months.

From time to time, the consolidated funds of the Company enter into derivative contracts to hedge market and credit risks of the underlying portfolios utilizing options, total return swaps, credit default swaps and futures contracts. These instruments are measured at fair value with gains and losses recorded as gain (loss) from trading securities—net in the Company's condensed consolidated statements of operations. The fair value of these instruments is recorded in other assets or other liabilities and accrued expenses in the Company's condensed consolidated statements of financial condition.

Additionally, from time to time, the Company enters into foreign currency forward contracts to hedge its currency exposure related to client receivables. These instruments are measured at fair value with gains and losses recorded in other non-operating income in the Company's condensed consolidated statements of operations. The Company records these contracts as either assets or liabilities in due from broker or other liabilities and accrued expenses, respectively, in its condensed consolidated statements of financial condition.

Goodwill and Intangible Assets—Goodwill represents the excess of the cost of the Company's investment in the net assets of an acquired company over the fair value of the underlying identifiable net assets at the date of acquisition.

Goodwill and indefinite lived intangible assets are not amortized but are tested at least annually for impairment by comparing the fair value to their carrying amounts. Finite lived intangible assets are amortized over their useful lives. See Note 3 for further discussion about the Company's goodwill and intangible assets.

Redeemable Noncontrolling Interest—Redeemable noncontrolling interest represents third-party minority voting interests in the Company's consolidated entities. This interest is redeemable at the option of the investors and therefore is not treated as permanent equity.

COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

Investment Advisory and Administration Fees—The Company earns revenue by providing asset management services to institutional accounts and to Company-sponsored open-end and closed-end mutual funds. This revenue is earned pursuant to the terms of the underlying advisory contract, and is based on a contractual investment advisory fee applied to the assets in the client's portfolio, net of applicable waivers. The Company also earns revenue from administration fees paid by certain Company-sponsored open-end and closed-end mutual funds, based on the average assets under management of such funds. This revenue is recognized as such fees are earned.

Distribution and Service Fees—Distribution and service fee revenue is earned as the services are performed, based on contractually-predetermined percentages of the average assets under management of the Company-sponsored open-end load mutual funds. Distribution and service fee revenue is recorded gross of any third-party distribution and service fee expense arrangements. The expenses associated with these third-party distribution and service fee arrangements are recorded as incurred.

Stock-based Compensation—The Company recognizes compensation expense for the grant-date fair value of awards of equity instruments granted to employees. This expense is recognized over the period during which employees are required to provide service. The Company also estimates forfeitures.

Income Taxes—The Company records the current and deferred tax consequences of all transactions that have been recognized in the condensed consolidated financial statements in accordance with the provisions of the enacted tax laws. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years. Deferred tax liabilities are recognized for temporary differences that will result in taxable income in future years. The Company records a valuation allowance, when necessary, to reduce deferred tax assets to an amount that more likely than not will be realized. The effective tax rate for interim periods represents the Company's best estimate of the effective tax rate expected to be applied to the full fiscal year.

Currency Translation and Transactions—Assets and liabilities of subsidiaries having non-U.S. dollar functional currencies are translated at exchange rates at the applicable condensed consolidated statement of financial condition date. Revenues and expenses are translated at average exchange rates during the period. The gains or losses resulting from translating non-U.S. dollar functional currency into U.S. dollars are included in the Company's condensed consolidated statements of comprehensive income. Gains or losses resulting from non-U.S. dollar currency transactions are included in other non-operating income in the condensed consolidated statements of operations.

Comprehensive Income—The Company reports all changes in comprehensive income in the condensed consolidated statements of comprehensive income. Comprehensive income includes net income or loss attributable to common shareholders, unrealized gains and losses from available-for-sale securities (net of tax), foreign currency translation gains and losses and reclassification to statements of operations of gains and losses from available-for-sale securities (net of tax).

Recently Issued Accounting Pronouncements—In October 2012, the Financial Accounting Standards Board ("FASB") issued new guidance to make certain technical corrections to the FASB Accounting Standards Codification ("Codification"), which identifies when the use of fair value should be linked to the definition of fair value in Codification Topic 820, Fair Value Measurements and Disclosures ("Topic 820"). The amendments affect various Codification topics and include source literature amendments, guidance clarification and reference corrections and relocated guidance. The amendments that will not have transition guidance were effective upon issuance and the amendments that are subject to the transition guidance will be effective for the Company's first quarter of 2013. The adoption of this new guidance did not have and is not expected to have a material impact on the Company's condensed consolidated financial statements.

In July 2012, the FASB issued new guidance to simplify how entities test indefinite-lived intangible assets for impairment. The new guidance permits an entity to first assess qualitative factors to determine whether it is more

likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform the second step to measure the amount of the impairment loss, if any. This new guidance will be effective for the Company's first quarter of 2013. The Company does not anticipate the adoption of this new guidance to have a material impact on the Company's condensed consolidated financial statements.

COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

In December 2011, the FASB issued new guidance to create new disclosure requirements about the nature of an entity's rights of offset and related arrangements associated with its financial instruments and derivative instruments. This new guidance will be effective for the Company's first quarter of 2013. The Company does not anticipate the adoption of this new guidance to have a material impact on the Company's condensed consolidated financial statements.

In September 2011, the FASB issued new guidance to simplify how entities test goodwill for impairment. The new guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the second step to measure the amount of the impairment loss, if any. This new guidance was effective for the Company's first quarter of 2012. The adoption of this new guidance did not have a material impact on the Company's condensed consolidated financial statements.

In June 2011, the FASB issued new guidance eliminating the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The new guidance requires changes to the components of net income and comprehensive income in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The new guidance should be applied retrospectively. This new guidance was effective for the Company's first quarter of 2012. The adoption of this new guidance did not have a material impact on the Company's condensed consolidated financial statements.

In May 2011, the FASB issued new guidance regarding fair value measurement and disclosures. The new guidance results in common fair value measurement and disclosure requirements in U.S. Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Requirements. This new guidance changed the wording used to describe many of the requirements for measuring fair value and for disclosing information about fair value measurements. This new guidance was effective for the Company's first quarter of 2012. See Note 5 for further discussion about the fair value of the Company's investments which incorporates this new guidance.

3. Goodwill and Intangible Assets

Goodwill

Goodwill represents the excess of purchase price over the net tangible assets and identifiable intangible assets of an acquired business. At September 30, 2012 and December 31, 2011, goodwill was approximately \$19,824,000 and \$19,934,000, respectively. The Company's goodwill decreased by \$110,000 in the nine months ended September 30, 2012 as a result of foreign currency revaluation.

COHEN & STEERS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (UNAUDITED)

Intangible Assets

The following table details the gross carrying amounts and accumulated amortization for the intangible assets at September 30, 2012 and December 31, 2011 (in thousands):

	Remaining Amortization Period (In Months)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
September 30, 2012:				
Amortized intangible assets:				
Client relationships	75	\$1,543	\$(980)	) \$563
Non-amortized intangible assets:				
Mutual fund management contracts	—	1,250	—	1,250
Total		\$2,793	\$(980)	) \$1,813
December 31, 2011:				
Amortized intangible assets:				
Client relationships	84	\$1,543	\$(914)	) \$629
Non-amortized intangible assets:				
Mutual fund management contracts	—	1,250	—	1,250
Total		\$2,793	\$(914)	) \$1,879

Amortization expense related to the intangible assets was approximately \$22,000 for both the three months ended September 30, 2012 and 2011, respectively, and approximately \$66,000 for both the nine months ended September 30, 2012 and 2011, respectively. Estimated future amortization expense is as follows (in thousands):

Periods Ending December 31,	Estimated Amortization Expense
2012	\$23
2013	89
2014	89
2015	89
2016	89
Thereafter	184
Total	\$563

4. Investments

The following is a summary of the Company's investments as of September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012	December 31, 2011
Securities owned	\$91,441	\$25,304

Edgar Filing: COHEN & STEERS INC - Form 10-Q

Equity investments	7,770	7,868
Investments, available-for-sale	24,383	27,133

11

COHEN & STEERS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (UNAUDITED)

Trading and equity investments

Cohen & Steers Global Realty Partners III-TE, L.P. ("GRP-TE"), which had an initial closing in October 2011, is structured as a partnership. The Company is the general partner and investment manager of GRP-TE, for which it receives a management fee and is entitled to receive an incentive distribution, if earned. GRP-TE is a VIE and the Company is not deemed the primary beneficiary. As the general partner, the Company has significant influence over the financial decisions of GRP-TE and therefore records its investment in this fund using the equity method of accounting. The Company's equity interest in GRP-TE represents a seed investment to launch the fund which was made during the first quarter of 2012, adjusted for the Company's proportionate share of the fund's earnings. As of September 30, 2012, the fair value of the Company's equity interest in GRP-TE was approximately \$89,000. The Company's risk with respect to its investment in GRP-TE is limited to its equity ownership and any uncollected management fees. In conjunction with the launch of GRP-TE, the Company established Cohen & Steers Co-Investment Partnership ("GRP-CIP"), which is used by the Company to fulfill its contractual commitment to co-invest with GRP-TE. See Note 11 for further discussion regarding the Company's co-investment commitment. As of September 30, 2012, the Company owned all of the voting interest in GRP-CIP. Accordingly, the underlying assets and liabilities of GRP-CIP have been included in the Company's condensed consolidated financial statements. The Cohen & Steers Real Asset Fund ("RAP"), launched by the Company on January 31, 2012, is an open-end mutual fund for which the Company is the investment manager. As of September 30, 2012, the Company had a controlling financial interest in RAP. Accordingly, the underlying assets and liabilities of RAP have been included in the Company's condensed consolidated financial statements with the third party interests classified as redeemable noncontrolling interest.

Prior to the sale of the Company's interest in Cohen & Steers Global Listed Infrastructure Fund ("GLIF") during June 2012, the Company owned the majority of the voting interest in GLIF. Accordingly, the underlying assets and liabilities of GLIF had been included in the Company's condensed consolidated financial statements with the third party interests classified as redeemable noncontrolling interest.

During 2008, the Company launched an onshore global real estate long-short fund (the "Onshore Fund"). As of September 30, 2012, the Company determined that the Onshore Fund was a VIE and the Company was the primary beneficiary. Therefore, the underlying assets and liabilities of the Onshore Fund have been included in the Company's condensed consolidated financial statements with the third party interests classified as redeemable noncontrolling interest.

The following represents the portion of the consolidated statements of financial condition attributable to the consolidated Onshore Fund as of September 30, 2012 and December 31, 2011. The following assets may only be used to settle obligations of the Onshore Fund and these liabilities are only the obligations of the Onshore Fund for which the creditors do not have recourse to the general credit of the Company (in thousands):

	September 30, 2012	December 31, 2011
Assets		
Securities owned	\$24,946	\$21,952
Due from broker	10,064	10,321
Other assets	310	209
Total assets	\$35,320	\$32,482
Liabilities		
Securities sold but not yet purchased	\$12,598	\$9,277

Edgar Filing: COHEN & STEERS INC - Form 10-Q

Other liabilities	226	493
Total liabilities	\$12,824	\$9,770

As of September 30, 2012 and December 31, 2011, cash and cash equivalents included in due from broker, which was related to the Company's consolidated funds, in the condensed consolidated statements of financial condition of

12

COHEN & STEERS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (UNAUDITED)

approximately \$12,599,000 and \$9,360,000, respectively, was held at two brokers for the purpose of covering securities sold but not yet purchased.

The offshore global real estate long-short fund (the “Offshore Fund”), launched by the Company in 2008, is structured as a partnership. The Company is the general partner and investment manager of the Offshore Fund for which it receives a management fee and is entitled to receive a performance fee, if earned. As the general partner, the Company has significant influence over the financial decisions of the Offshore Fund and therefore, as of September 30, 2012, records its investment in this fund using the equity method of accounting. The Company’s equity interest in the Offshore Fund represents a seed investment to launch the fund, adjusted for the Company’s proportionate share of the fund’s earnings.

The following is a summary of the fair value of securities owned and equity investments as of September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012		December 31, 2011	
	Securities Owned	Equity Investments	Securities Owned	Equity Investments
GLIF	\$—	\$—	\$3,352	\$—
Onshore Fund	24,946	—	21,952	—
GRP-CIP	2,041	—	—	—
RAP	64,454	—	—	—
GRP-TE	—	89	—	—
Offshore Fund	—	7,681	—	7,868
Total	\$91,441	\$7,770	\$25,304	\$7,868

Gain (loss) from trading securities—net for the three and nine months ended September 30, 2012 and 2011 are summarized below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
GLIF	\$—	\$21	\$142	\$(456)
Onshore Fund	67	—	1,921	—
RAP	3,932	—	1,179	—
GRP-CIP	—	—	9	—
Total gain (loss) from trading securities—net	\$3,999	\$21	\$3,251	\$(456)

Equity in earnings (losses) of affiliates for the three and nine months ended September 30, 2012 and 2011 are summarized below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
GLIF	\$—	\$—	\$—	\$67
GRP-TE	—	—	—	—
Onshore Fund	—	(3,716)	—	(3,317)
Offshore Fund	71	(1,532)	714	(1,385)
Total equity in earnings (losses) of affiliates	\$71	\$(5,248)	\$714	\$(4,635)

COHEN & STEERS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (UNAUDITED)

Available-for-sale

The following is a summary of the cost, gross unrealized gains, gross unrealized losses and fair value of investments, available-for-sale as of September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses < 12 months	Fair Value
Preferred securities	\$4,332	\$82	\$(78)	) \$4,336
Common stocks	9,091	965	(186)	) 9,870
Company-sponsored mutual funds	10,100	77	—	) 10,177
Total investments, available-for-sale	\$23,523	\$1,124	\$(264)	) \$24,383

	December 31, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses < 12 months	Fair Value
Preferred securities	\$5,236	\$98	\$(117)	) \$5,217
Common stocks	12,247	698	(401)	) 12,544
Company-sponsored mutual funds	10,100	—	(728)	) 9,372
Total investments, available-for-sale	\$27,583	\$796	\$(1,246)	) \$27,133

Unrealized losses on investments, available-for-sale as of September 30, 2012 were generally caused by market conditions. When evaluating whether an unrealized loss on an investment, available-for-sale is other than temporary, the Company reviews such factors as extent and duration of the loss, deterioration in the issuer's credit quality, reduction or cessation of dividend payments and overall financial strength of the issuer. As of September 30, 2012, the Company determined that it had the ability and intent to hold the remaining investments for which no other-than-temporary impairment has occurred until a recovery of fair value. Accordingly, impairment of these investments is considered temporary.

Sales proceeds, gross realized gains and losses from investments, available-for-sale for the three and nine months ended September 30, 2012 and 2011 are summarized below (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2012	2011	September 30, 2012	2011
Proceeds from sales	\$7,005	\$6,960	\$24,166	\$20,817
Gross realized gains	562	259	1,704	1,139
Gross realized losses	(125)	) (627)	) (664)	) (917)

5. Fair Value

Topic 820 defines fair value, establishes a framework for measuring fair value and enhances disclosures about instruments carried at fair value, but does not change existing guidance as to whether or not an instrument should be carried at fair value.

COHEN & STEERS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (UNAUDITED)

ASC 820 specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in the three broad levels listed below:

Level 1—Unadjusted quoted prices for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3—Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the Company defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the Company performed a detailed analysis of the assets and liabilities that are subject to ASC 820. Transfers among levels, if any, are recorded at the beginning of the reporting period. There were no transfers between level 1 and level 2 during the three months ended September 30, 2012.

The following table presents fair value measurements as of September 30, 2012 (in thousands):

	Level 1	Level 2	Level 3	Total
Cash equivalents*	\$48,908	\$—	\$—	\$48,908
Due from broker*	\$1,880	\$—	\$—	\$1,880
Securities owned				
Preferred securities	\$2,811	\$845	\$—	\$3,656
Common stocks	63,270	—	1,193	64,463
Fixed income securities	—	21,281	—	21,281
Limited partnership interest	—	—	2,041	2,041
Total securities owned	\$66,081	\$22,126	\$3,234	\$91,441
Equity investments **	\$—	\$7,681	\$89	\$7,770
Investments, available-for-sale				
Preferred securities	\$1,236	\$5	\$3,095	\$4,336
Common stocks	9,870	—	—	9,870
Company-sponsored mutual funds	10,177	—	—	10,177
Total investments, available-for-sale	\$21,283	\$5	\$3,095	\$24,383
Derivatives - assets				
Equity contracts	\$125	\$184	\$—	\$309
Commodity contracts	1,097	—	—	1,097
Total derivatives - assets	\$1,222	\$184	\$—	\$1,406
Derivatives - liabilities				
Equity contracts	\$20	\$19	\$—	\$39
Foreign exchange contracts	—	520	—	520
Commodity contracts	394	—	—	394
Credit contracts	—	20	—	20
Total derivatives - liabilities	\$414	\$559	\$—	\$973
Securities sold but not yet purchased	\$12,598	\$—	\$—	\$12,598

* Comprised of investments in money market funds.

** Comprised of investments accounted for using the equity method of accounting.

COHEN & STEERS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (UNAUDITED)

Securities owned classified as level 2 in the above table was primarily comprised of investments in United States Treasury Bills carried at amortized cost, which approximates fair value.

Securities owned classified as level 3 in the above table was comprised of investments in the common stock of a privately held bank holding company and limited partnership interests. The investments in the common stock of a privately held bank holding company was valued by the Company's valuation committee using a market approach which utilized market multiples derived from a set of comparables. The limited partnership interests made during 2012 as a co-investment along with GRP-TE represent the Company's ownership interests in private equity vehicles that invest directly in U.S. commercial real estate and were valued primarily based on the recent transaction value of the underlying investments.

Equity investments classified as level 2 in the above table primarily represent the fair value measurement of an equity investment in the Offshore Fund, which is measured at fair value based on the fund's net asset value. The fund makes long and short investments in listed real estate securities to maximize absolute and risk-adjusted returns with modest volatility. The Company has the ability to redeem its investment in the fund monthly at net asset value per share with prior written notice of 30 days and there are no significant restrictions to redemption.

Investments, available-for-sale classified as level 3 in the above table were comprised primarily of auction rate preferred securities which were measured at fair value using a third party pricing service by utilizing a combination of a market approach based on the quoted prices for identical or similar instruments in markets that are not active and an income approach in which the expected cash flows of the securities were discounted back to the measurement date.

The following table presents fair value measurements as of December 31, 2011 (in thousands):

	Level 1	Level 2	Level 3	Total
Cash equivalents*	\$35,050	\$—	\$—	\$35,050
Securities owned				
Preferred securities	\$2,528	\$—	\$—	\$2,528
Common stocks	21,501	—	1,275	22,776
Total securities owned	\$24,029	\$—	\$1,275	\$25,304
Equity investments **	\$—	\$7,868	\$—	\$7,868
Investments, available-for-sale				
Preferred securities	\$1,052	\$15	\$4,150	\$5,217
Common stocks	12,544	—	—	12,544
Company-sponsored mutual funds	9,372	—	—	9,372
Total investments, available-for-sale	\$22,968	\$15	\$4,150	\$27,133
Derivatives - assets				
Equity contracts	\$48	\$98	\$—	\$146
Credit contracts	—	2	—	2
Total derivatives - assets	\$48	\$100	\$—	\$148
Derivatives - liabilities				
Equity contracts	\$11	\$245	\$—	\$256
Securities sold but not yet purchased	\$9,277	\$—	\$—	\$9,277

* Comprised of investments in money market funds.

** Comprised of investments accounted for using the equity method of accounting.

Securities owned classified as level 3 in the above table was comprised of investments in the common stock of a privately held bank holding company. These securities were valued by the Company's valuation committee using a

market approach which incorporated the transaction data for privately negotiated transactions and market multiples derived from a set of comparables.

COHEN & STEERS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (UNAUDITED)

Equity investments classified as level 2 in the above table represent the fair value measurement of an equity investment in the Offshore Fund, which is measured at fair value based on the fund's net asset value. The fund makes long and short investments in listed real estate securities to maximize absolute and risk-adjusted returns with modest volatility. The Company has the ability to redeem its investment in the fund monthly at net asset value per share with prior written notice of 30 days and there are no significant restrictions to redemption.

Investments, available-for-sale classified as level 3 in the above table were comprised of auction rate preferred securities, which were measured at fair value using a third party pricing service by utilizing a combination of a market approach based on the quoted prices for identical or similar instruments in markets that are not active and an income approach in which the expected cash flows of the securities were discounted back to the measurement date.

The following table summarizes the changes in level 3 investments measured at fair value on a recurring basis for the three months ended September 30, 2012 (in thousands):

	Securities Owned	Limited Partnership Interests	Equity Investments GRP-TE	Investments, available-for-sale Preferred Securities
Balance at July 1, 2012	\$1,343	\$994	\$43	\$3,753
Purchases	—	1,047	46	13
Sales	—	—	—	—
Realized gains	—	—	—	—
Unrealized losses	(150)	—	—	(649)
Transfers out of level 3 investments	—	—	—	(22) #
Reclassification from equity investments due to consolidation	—	—	—	—
Balance at September 30, 2012	\$1,193	\$2,041	\$89	\$3,095

Transferred from level 3 to level 1 because securities started trading actively on an exchange during the three months ended September 30, 2012.

The following table summarizes the changes in level 3 investments measured at fair value on a recurring basis for the nine months ended September 30, 2012 (in thousands):

	Securities Owned	Limited Partnership Interests	Equity Investments GRP-TE	Investments, available-for-sale Preferred Securities
Balance at January 1, 2012	\$1,275	\$—	\$—	\$4,150
Purchases	628	2,025	89	125
Sales	—	—	—	(1,213)
Realized gains	—	—	—	100
Unrealized (losses) gains	(82)	16	—	8
Transfers out of level 3 investments	(628)##	—	—	(75) #
	—	—	—	—

Reclassification from equity investments due to consolidation

Balance at September 30, 2012	\$1,193	\$2,041	\$ 89	\$ 3,095
-------------------------------	---------	---------	-------	----------

Transferred from level 3 to level 2 because observable market data became available for the securities at September 30, 2012.

Transferred from level 3 to level 1 because securities started trading actively on an exchange during the nine months ended September 30, 2012.

COHEN & STEERS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (UNAUDITED)

The Company had no level 3 investments during the three and nine months ended September 30, 2011. Realized gains (losses) from investments classified as securities owned, equity investments and investments, available-for-sale in the above tables were recorded as gain (loss) from trading securities, equity in earnings (losses) of affiliates and gain (loss) from available-for-sale securities, respectively, in the Company's condensed consolidated statements of operations. Unrealized gains (losses) from investments classified as securities owned and equity investments in the above tables were recorded as gain (loss) from trading securities and equity in earnings (losses) of affiliates, respectively, in the Company's condensed consolidated statements of operations. Unrealized gains (losses) from investments, available-for-sale in the above tables were recorded as unrealized gain (loss) from available-for-sale securities in the Company's condensed consolidated statements of comprehensive income.

Valuation Techniques

In certain instances, debt and equity securities are valued on the basis of prices from an orderly transaction between market participants provided by reputable brokers/dealers or pricing services. In determining the value of a particular investment, pricing services may use information with respect to transactions in such investments, broker quotes, pricing matrices, market transactions in comparable investments and various relationships between investments. In the absence of observable market prices, the Company values its investments using valuation methodologies applied on a consistent basis. For some investments, little market activity may exist; management's determination of fair value is then based on the best information available in the circumstances, and may incorporate management's own assumptions and involves a significant degree of judgment, taking into consideration a combination of internal and external factors.

Such investments are valued on a quarterly basis, taking into consideration any changes in key unobservable inputs and changes in economic and other relevant conditions and valuation models are updated accordingly. The valuation process also includes a review by the Company's valuation committee which includes primarily senior members from administration departments. The valuation committee provides independent oversight of the valuation policies and procedures.

The valuation technique and significant unobservable inputs used in the fair value measurement of the following Level 3 investments as of September 30, 2012 were (in thousands):

	Fair Value	Fair Value Methodology	Significant Unobservable Inputs	Price to Book Ratio Range
Common shares of privately-held company	\$1,193	Market comparable companies	Price / book ratio	1.07x - 1.14x
Limited partnership interests	\$2,041	Transaction value	Recent transaction price	

The significant unobservable input related to common shares of a privately-held company utilized in the fair value measurement of the level 3 investments in the above table is the price to book ratio. Significant changes in this input may result in a materially higher or lower fair value measurement. The disclosure in the above table excludes auction rate preferred securities for which fair value is based on unobservable but non-quantitative inputs. Such items include financial instruments for which the determination of fair value is based on unadjusted quotations provided by a third party pricing service.

COHEN & STEERS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (UNAUDITED)

6. Derivatives

The following is a summary of the notional and fair value of the derivative financial instruments. The notional amount represents the absolute value amount of all outstanding derivative contracts based on the fair value of each contract at September 30, 2012 (in thousands):

	September 30, 2012			
	Assets		Liabilities	
	Notional	Fair Value	Notional	Fair Value
Total equity contracts	\$8,607	\$309	\$3,360	\$39
Total foreign exchange contracts	—	—	28,384	520
Total commodity contracts	14,708	1,097	5,486	394
Total credit contracts	—	—	1,500	20
Total derivatives	\$23,315	\$1,406	\$38,730	\$973

The following is a summary of the notional and fair value of the derivative financial instruments. The notional amount represents the absolute value amount of all outstanding derivative contracts based on the fair value of each contract at December 31, 2011 (in thousands):

	December 31, 2011			
	Assets		Liabilities	
	Notional	Fair Value	Notional	Fair Value
Total equity contracts	\$5,469	\$146	\$10,139	\$256
Total credit contracts	1,511	2	—	—
Total derivatives	\$6,980	\$148	\$10,139	\$256

As of September 30, 2012 and December 31, 2011, cash included in due from broker and securities included in securities owned in the condensed consolidated statement of financial condition of approximately \$2,452,000 and \$2,507,000, respectively, was held as collateral for futures, total return and credit default swaps.

7. Earnings Per Share

Basic earnings per share are calculated by dividing net income attributable to common shareholders by the weighted average shares outstanding. Diluted earnings per share are calculated by dividing net income attributable to common shareholders by the total weighted average shares of common stock outstanding and common stock equivalents. Common stock equivalents are comprised of dilutive potential shares from restricted stock unit awards. Common stock equivalents are excluded from the computation if their effect is anti-dilutive. Diluted earnings per share are computed using the treasury stock method.

No anti-dilutive common stock equivalents were excluded from the computation for the three and nine months ended September 30, 2012. No anti-dilutive common stock equivalents were excluded from the computation for the three months ended September 30, 2011. Anti-dilutive common stock equivalents of approximately 3,000 shares were excluded from the computation for the nine months ended September 30, 2011.

COHEN & STEERS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (UNAUDITED)

The following is a reconciliation of the income and share data used in the basic and diluted earnings per share computations for the three and nine months ended September 30, 2012 and 2011 (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net income	\$12,567	\$9,542	\$45,852	\$38,203
Less: Net (income) loss attributable to redeemable noncontrolling interest	(2,306	) 64	(1,458	) 57
Net income attributable to common shareholders	\$10,261	\$9,606	\$44,394	\$38,260
Basic weighted average shares outstanding	43,822	43,237	43,744	43,170
Dilutive potential shares from restricted stock units	715	896	695	749
Diluted weighted average shares outstanding	44,537	44,133	44,439	43,919
Basic earnings per share attributable to common shareholders	\$0.23	\$0.22	\$1.01	\$0.89
Diluted earnings per share attributable to common shareholders	\$0.23	\$0.22	\$1.00	\$0.87

8. Income Taxes

The provision for income taxes for the three and nine months ended September 30, 2012 includes U.S. federal, state, local and foreign taxes at an approximate effective tax rate of 33% and 35%, respectively, which included discrete items, the most significant of which was attributable to the launch costs of Cohen & Steers Limited Duration Preferred and Income Fund, Inc. ("LDP"), a closed-end mutual fund. Excluding the discrete items, the effective tax rate for the three and nine months ended September 30, 2012 was approximately 36%. The effective tax rate for the three and nine months ended September 30, 2011 was approximately 46% and 38%, respectively. The effective tax rate for the three months ended September 30, 2011 reflected the cumulative effect of the projected tax rate increase from 35% to 38% for the full year 2011 which resulted primarily from a valuation allowance established on projected losses from the Company's seed investments in the onshore and offshore global real estate long-short funds. The Company expects the tax rate for the full year 2012 to approximate 35.5%, excluding discrete items.

Deferred income taxes represent the tax effects of the temporary differences between book and tax bases and are measured using enacted tax rates that will be in effect when such items are expected to reverse. The Company's net deferred tax asset is primarily comprised of future income tax deductions attributable to the delivery of unvested restricted stock units. The Company records a valuation allowance, when necessary, to reduce deferred tax assets to an amount that more likely than not will be realized.

9. Regulatory Requirements

Securities, a registered broker/dealer in the U.S., is subject to the SEC's Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires that broker/dealers maintain a minimum level of net capital, as defined. As of September 30, 2012, Securities had net capital of approximately \$733,000, which exceeded its requirements by approximately \$669,000. The Rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital of a broker/dealer is less than the amount required under the Rule and requires prior notice to the SEC for certain withdrawals of capital.

Securities does not carry customer accounts and is exempt from the SEC's Rule 15c3-3 pursuant to provisions (k)(1) of such rule.

The non-U.S. subsidiaries of the Company are regulated outside the U.S. by the Hong Kong Securities and Futures Commission, the United Kingdom Financial Securities Authority, and the Belgium Financial Services and Markets Authority

COHEN & STEERS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (UNAUDITED)

(collectively, the “Foreign Regulated Entities”). As of September 30, 2012, the Foreign Regulated Entities had aggregate regulatory capital of approximately \$66,205,000, which exceeded requirements by approximately \$64,803,000.

10. Related Party Transactions

The Company is an investment advisor to, and has administrative agreements with, affiliated open-end and closed-end mutual funds for which certain employees are officers and/or directors. The following table sets forth the amount of revenue the Company earned from these affiliated funds for the three and nine months ended September 30, 2012 and 2011 (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Investment advisory and administration fees	\$41,001	\$33,835	\$113,847	\$100,119
Distribution and service fees	2,881	2,457	8,129	7,458
	\$43,882	\$36,292	\$121,976	\$107,577

For the three months ended September 30, 2011, the Company had investment advisory agreements with certain affiliated closed-end mutual funds, pursuant to which the Company contractually waived approximately \$381,000 of advisory fees it was otherwise entitled to receive. There were no such fees waived for the three months ended September 30, 2012. For the nine months ended September 30, 2012 and 2011, the Company waived approximately \$299,000 and \$1,462,000 of advisory fees, respectively. These investment advisory agreements contractually require the Company to waive a portion of the advisory fees the Company otherwise would charge for up to ten years from the respective fund's inception date. The board of directors of these mutual funds must approve the renewal of the advisory agreements each year, including any reduction in advisory fee waivers scheduled to take effect during that year. As of September 30, 2012, there were no additional scheduled reductions in advisory fee waivers for any fund. The Company has agreements with certain affiliated open-end and closed-end mutual funds to reimburse certain fund expenses. For the three months ended September 30, 2012 and 2011, expenses of approximately \$1,214,000 and \$1,779,000, respectively, were incurred by the Company pursuant to these agreements and are included in general and administrative expenses. For the nine months ended September 30, 2012 and 2011, expenses of approximately \$4,735,000 and \$5,092,000, respectively, were incurred.

Included in accounts receivable at September 30, 2012 and December 31, 2011 are receivables due from Company-sponsored mutual funds of approximately \$17,190,000 and \$12,947,000, respectively.

11. Commitments and Contingencies

From time to time, the Company is involved in legal matters relating to claims arising in the ordinary course of business. There are currently no such matters pending that the Company believes could have a material adverse effect on its business or financial condition.

The Company periodically commits to fund a portion of the equity in certain of its sponsored investment products. The Company has committed to co-invest 5%, up to \$25 million, of the total capital raised in Cohen & Steers Global Realty Partners III ("GRP"), a global private equity multimanaged fund that had an initial closing on October 4, 2011, and such co-investment will be invested in GRP for up to 12 years through the life of the fund. The ultimate co-investment amount and actual timing of the funding of this commitment is currently unknown, as the co-investment amount will be based on investor commitments to GRP through March 2013, and the drawdown of the

Company's commitment is contingent on the timing of drawdowns by the underlying funds and co-investments in which GRP invests. This unfunded commitment was not recorded on the Company's condensed consolidated statements of financial condition as of September 30, 2012.

COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

On June 29, 2012, the Company extended the lease for its corporate headquarters in New York City for an added 10 year period through January 2024. See also the Contractual Obligations and Contingencies section in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

12. Concentration of Credit Risk

The Company's cash is principally on deposit with three major financial institutions. The Company is subject to credit risk should these financial institutions be unable to fulfill their obligations.

A third party institutional account client, for which the Company acts as subadvisor to certain foreign retail funds sponsored by this client, accounted for approximately \$40,375,000 or 20% of the total revenue of the Company during the nine months ended September 30, 2012, of which approximately \$31,319,000 was recorded as investment advisory and administration fees and approximately \$9,056,000 was recorded as portfolio consulting and other revenue.

13. Subsequent Events

On November 7, 2012, CNS declared quarterly and special cash dividends on its common stock in the amount of \$0.18 and \$1.50 per share, respectively. These dividends will be payable on December 20, 2012 to stockholders of record at the close of business on November 30, 2012.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Set forth on the following pages is management's discussion and analysis of our financial condition and results of operations for the three and nine months ended September 30, 2012 and September 30, 2011. Such information should be read in conjunction with our condensed consolidated financial statements together with the notes to the condensed consolidated financial statements. The interim condensed consolidated financial statements of the Company, included herein, are unaudited. When we use the terms "Cohen & Steers," the "Company," "we," "us," and "our," we mean Cohen & Steers, Inc., a Delaware corporation, and its consolidated subsidiaries.

Overview

Founded in 1986, we are a leading global investment manager focused on global real estate securities, global listed infrastructure, real assets, large cap value stocks and preferred securities. We also manage alternative investment strategies for qualified investors such as hedged real estate securities portfolios and private real estate strategies. We serve institutional and individual investors around the world.

Assets Under Management

We manage three types of accounts: institutional accounts, open-end mutual funds and closed-end mutual funds. The following table sets forth information regarding the net flows and appreciation/(depreciation) of assets under management for the periods presented (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Institutional Accounts				
Assets under management, beginning of period	\$25,599	\$27,292	\$25,380	\$19,625
Inflows	362	2,817	1,728	9,343
Outflows	(2,044)	) (1,453)	) (6,262)	) (2,204)
Net (outflows) inflows	(1,682)	) 1,364	(4,534)	) 7,139
Market appreciation (depreciation)	727	(4,630)	) 3,798	(2,738)
Total (decrease) increase	(955)	) (3,266)	) (736)	) 4,401
Assets under management, end of period	\$24,644	\$24,026	\$24,644	\$24,026
Average assets under management for period	\$25,393	\$26,804	\$25,591	\$23,923
Open-End Mutual Funds				
Assets under management, beginning of period	\$12,114	\$10,213	\$9,619	\$8,484
Inflows	1,225	1,048	3,984	3,370
Outflows	(1,061)	) (892)	) (2,589)	) (2,174)
Net inflows	164	156	1,395	1,196
Market appreciation (depreciation)	250	(1,757)	) 1,514	(1,068)
Total increase (decrease)	414	(1,601)	) 2,909	128
Assets under management, end of period	\$12,528	\$8,612	\$12,528	\$8,612
Average assets under management for period	\$12,490	\$9,574	\$11,533	\$9,399
Closed-End Mutual Funds				
Assets under management, beginning of period	\$6,678	\$6,809	\$6,285	\$6,353
Inflows	889	—	889	153
Outflows	—	—	—	—
Net inflows	889	—	889	153
Market appreciation (depreciation)	206	(830)	) 599	(527)
Total increase (decrease)	1,095	(830)	) 1,488	(374)
Assets under management, end of period	\$7,773	\$5,979	\$7,773	\$5,979
Average assets under management for period	\$7,312	\$6,474	\$6,826	\$6,635
Total				
Assets under management, beginning of period	\$44,391	\$44,314	\$41,284	\$34,462
Inflows	2,476	3,865	6,601	12,866
Outflows	(3,105)	) (2,345)	) (8,851)	) (4,378)
Net (outflows) inflows	(629)	) 1,520	(2,250)	) 8,488
Market appreciation (depreciation)	1,183	(7,217)	) 5,911	(4,333)
Total increase (decrease)	554	(5,697)	) 3,661	4,155
Assets under management, end of period	\$44,945	\$38,617	\$44,945	\$38,617
Average assets under management for period	\$45,195	\$42,852	\$43,950	\$39,957

Assets under management were \$44.9 billion at September 30, 2012, compared with \$38.6 billion at September 30, 2011. The increase was due to market appreciation of \$9.6 billion, partially offset by net outflows of \$3.3 billion during the prior twelve month period.

Average assets under management were \$45.2 billion in the three months ended September 30, 2012, an increase of 5% from \$42.9 billion in the three months ended September 30, 2011. Average assets under management were \$44.0 billion in the nine months ended September 30, 2012, an increase of 10% from \$40.0 billion in the nine months ended September 30, 2011.

Institutional accounts

Institutional accounts assets under management were \$24.6 billion at September 30, 2012, an increase of 3% from \$24.0 billion at September 30, 2011. The increase in assets under management was due to market appreciation of \$6.3 billion, largely offset by net outflows of \$5.6 billion, primarily from global/international real estate strategies associated with subadvisory relationships, during the prior twelve month period.

Average assets under management for institutional accounts were \$25.4 billion in the three months ended September 30, 2012, a decrease of 5% from \$26.8 billion in the three months ended September 30, 2011. Average assets under management for institutional accounts were \$25.6 billion in the nine months ended September 30, 2012, an increase of 7% from \$23.9 billion in the nine months ended September 30, 2011.

Net outflows for institutional accounts were \$1.7 billion in the three months ended September 30, 2012, compared with net inflows of \$1.4 billion in the three months ended September 30, 2011. Gross inflows were \$362 million in the three months ended September 30, 2012, compared with \$2.8 billion in the three months ended September 30, 2011. Gross outflows totaled \$2.0 billion in the three months ended September 30, 2012, compared with \$1.5 billion in the three months ended September 30, 2011. Market appreciation was \$727 million in the three months ended September 30, 2012, compared with market depreciation of \$4.6 billion in the three months ended September 30, 2011.

Net outflows for institutional accounts were \$4.5 billion in the nine months ended September 30, 2012, compared with net inflows of \$7.1 billion in the nine months ended September 30, 2011. Gross inflows were \$1.7 billion in the nine months ended September 30, 2012, compared with \$9.3 billion in the nine months ended September 30, 2011. Gross outflows totaled \$6.3 billion in the nine months ended September 30, 2012, compared with \$2.2 billion in the nine months ended September 30, 2011. Market appreciation was \$3.8 billion in the nine months ended September 30, 2012, compared with market depreciation of \$2.7 billion in the nine months ended September 30, 2011.

Open-end mutual funds

Open-end mutual fund assets under management were \$12.5 billion at September 30, 2012, an increase of 45% from \$8.6 billion at September 30, 2011. The increase in assets under management was due to market appreciation of \$2.4 billion and net inflows of \$1.5 billion during the prior twelve month period.

Average assets under management for open-end mutual funds were \$12.5 billion in the three months ended September 30, 2012, an increase of 30% from \$9.6 billion in the three months ended September 30, 2011. Average assets under management for open-end mutual funds were \$11.5 billion in the nine months ended September 30, 2012, an increase of 23% from \$9.4 billion in the nine months ended September 30, 2011.

Net inflows for open-end mutual funds were \$164 million in the three months ended September 30, 2012, compared with \$156 million in the three months ended September 30, 2011. Gross inflows were \$1.2 billion in the three months ended September 30, 2012, compared with \$1.0 billion in the three months ended September 30, 2011. Gross outflows totaled \$1.1 billion in the three months ended September 30, 2012, compared with \$892 million in the three months ended September 30, 2011. Market appreciation was \$250 million in the three months ended September 30, 2012, compared with market depreciation of \$1.8 billion in the three months ended September 30, 2011.

Net inflows for open-end mutual funds were \$1.4 billion in the nine months ended September 30, 2012, compared with \$1.2 billion in the nine months ended September 30, 2011. Gross inflows were \$4.0 billion in the nine months ended September 30, 2012, compared with \$3.4 billion in the nine months ended September 30, 2011. Gross outflows totaled \$2.6 billion in the nine months ended September 30, 2012, compared with \$2.2 billion in the nine months ended September 30, 2011. Market appreciation was \$1.5 billion in the nine months ended September 30, 2012, compared with market depreciation of \$1.1 billion in the nine months ended September 30, 2011.

Closed-end mutual funds

Closed-end mutual funds assets under management were \$7.8 billion at September 30, 2012, an increase of 30% from \$6.0 billion at September 30, 2011. The increase in assets under management was due to market appreciation of \$964 million and net inflows of \$830 million during the prior twelve month period, primarily from the launch of Cohen & Steers Limited Duration Preferred and Income Fund, Inc. ("LDP") during the three months ended September 30, 2012. Average assets under management for closed-end mutual funds were \$7.3 billion in the three months ended September 30, 2012, an increase of 13% from \$6.5 billion in the three months ended September 30, 2011. Average assets under management for closed-end mutual funds were \$6.8 billion in the nine months ended September 30, 2012, an increase of 3% from \$6.6 billion in the nine months ended September 30, 2011.

Closed-end mutual funds had inflows of \$889 million in the three months ended September 30, 2012 from the launch of LDP. Market appreciation was \$206 million in the three months ended September 30, 2012, compared with market depreciation of \$830 million in the three months ended September 30, 2011.

Closed-end mutual funds had inflows of \$889 million in the nine months ended September 30, 2012 from the launch of LDP, compared with \$153 million in the nine months ended September 30, 2011 through an increase in the use of the funds' credit facilities. Market appreciation was \$599 million in the nine months ended September 30, 2012, compared with market depreciation of \$527 million in the nine months ended September 30, 2011.

Results of Operations

Three Months Ended September 30, 2012 compared with Three Months Ended September 30, 2011

(in thousands)	Three Months Ended September 30,	
	2012	2011
Results of operations		
Total revenue	\$71,296	\$61,616
Total expenses	(59,057)	(39,219)
Total non-operating income (loss)	5,315	(4,833)
Income before provision for income taxes	\$17,554	\$17,564

Revenue

Total revenue increased 16% to \$71.3 million in the three months ended September 30, 2012 from \$61.6 million in the three months ended September 30, 2011. This increase was primarily attributable to higher investment advisory and administration fees resulting from higher average assets under management and higher portfolio consulting and other revenue attributable to higher average assets under advisement from model-based strategies. Average assets under management in the three months ended September 30, 2012 were \$45.2 billion compared with \$42.9 billion in the three months ended September 30, 2011.

In the three months ended September 30, 2012, total investment advisory and administration revenue from institutional accounts decreased 8% to \$22.2 million from \$24.2 million in the three months ended September 30, 2011. The decrease in institutional account revenue was attributable to lower average assets under management. Average assets under management for institutional accounts in the three months ended September 30, 2012 were \$25.4 billion compared with \$26.8 billion in the three months ended September 30, 2011.

In the three months ended September 30, 2012, total investment advisory and administration revenue from open-end mutual funds increased 26% to \$25.5 million from \$20.3 million in the three months ended September 30, 2011. The increase in open-end mutual fund revenue was attributable to higher average assets under management. Average assets under management for open-end mutual funds in the three months ended September 30, 2012 were \$12.5 billion compared with \$9.6 billion in the three months ended September 30, 2011.

In the three months ended September 30, 2012, total investment advisory and administration revenue from closed-end mutual funds increased 14% to \$15.5 million from \$13.5 million in the three months ended September 30, 2011. The

increase

26

in closed-end mutual fund revenue was attributable to higher average assets under management. Average assets under management for closed-end mutual funds in the three months ended September 30, 2012 were \$7.3 billion compared with \$6.5 billion in the three months ended September 30, 2011.

In the three months ended September 30, 2012, total portfolio consulting and other revenue increased to \$5.2 million from \$1.1 million in the three months ended September 30, 2011. The increase was attributable to higher average assets under advisement from model-based strategies.

Expenses

Total operating expenses increased 51% to \$59.1 million in the three months ended September 30, 2012 from \$39.2 million in the three months ended September 30, 2011, primarily due to increases in employee compensation and benefits, distribution and service fees and general and administrative expenses.

Employee compensation and benefits increased 15% to \$25.1 million in the three months ended September 30, 2012 from \$21.9 million in the three months ended September 30, 2011, primarily due to higher incentive bonus and production compensation, net of deferrals, of approximately \$2.6 million.

Distribution and service fee expenses increased to \$21.4 million in the three months ended September 30, 2012 from \$6.2 million in the three months ended September 30, 2011. The three months ended September 30, 2012 results included approximately \$14.4 million of distribution costs associated with the launch of LDP. After adjusting for these costs, distribution and service fee expenses would have been \$7.0 million. The increase was primarily due to higher average assets under management in certain of our open-end no-load mutual funds.

General and administrative expenses increased 13% to \$10.6 million in the three months ended September 30, 2012 from \$9.4 million in the three months ended September 30, 2011. The increase was primarily due to higher rent of approximately \$632,000 resulting from the extension of the lease for our corporate headquarters in New York City, higher professional fees of approximately \$318,000 and higher marketing and printing costs of approximately \$188,000.

Non-operating Income

Non-operating income was \$5.3 million in the three months ended September 30, 2012, compared with non-operating loss of \$4.8 million in the three months ended September 30, 2011. The increase was primarily attributable to income from our seed investments.

Income Taxes

We recorded an income tax expense of \$5.0 million in the three months ended September 30, 2012, compared with \$8.0 million in the three months ended September 30, 2011. The provision for income taxes in the three months ended September 30, 2012 included U.S. federal, state, local and foreign taxes at an approximate effective tax rate of 33%, which included discrete items, the most significant of which was attributable to the offering costs for LDP. Excluding the discrete items, the effective tax rate for the three months ended September 30, 2012 was approximately 36%. The effective tax rate for the three months ended September 30, 2011 was approximately 46%, which reflected the cumulative effect of the projected tax rate increase from 35% to 38% for the full year 2011. The change in estimate was attributable to the establishment of a valuation allowance on projected losses from our seed investments in our sponsored onshore and offshore global real estate long-short funds. We expect our tax rate for the full year 2012 to approximate 35.5%, excluding discrete items.

Edgar Filing: COHEN & STEERS INC - Form 10-Q

Nine Months Ended September 30, 2012 compared with Nine Months Ended September 30, 2011

(in thousands)	Nine Months Ended September 30,	
	2012	2011
Results of operations		
Total revenue	\$202,458	\$177,830
Total expenses	(138,759)	(113,625)
Total non-operating income (loss)	6,340	(2,552)
Income before provision for income taxes	\$70,039	\$61,653

Revenue

Total revenue increased 14% to \$202.5 million in the nine months ended September 30, 2012 from \$177.8 million in the nine months ended September 30, 2011. This increase was primarily attributable to higher investment advisory and administration fees resulting from higher average assets under management and higher portfolio consulting and other revenue attributable to higher average assets under advisement from model-based strategies. Average assets under management in the nine months ended September 30, 2012 were \$44.0 billion compared with \$40.0 billion in the nine months ended September 30, 2011.

In the nine months ended September 30, 2012, total investment advisory and administration revenue from institutional accounts increased 1% to \$67.2 million from \$66.5 million in the nine months ended September 30, 2011. The increase in institutional account revenue was attributable to higher levels of average assets under management. Average assets under management for institutional accounts in the nine months ended September 30, 2012 were \$25.6 billion compared with \$23.9 billion in the nine months ended September 30, 2011.

In the nine months ended September 30, 2012, total investment advisory and administration revenue from open-end mutual funds increased 19% to \$70.8 million from \$59.3 million in the nine months ended September 30, 2011. The increase in open-end mutual fund revenue was attributable to higher levels of average assets under management. Average assets under management for open-end mutual funds in the nine months ended September 30, 2012 were \$11.5 billion compared with \$9.4 billion in the nine months ended September 30, 2011.

In the nine months ended September 30, 2012, total investment advisory and administration revenue from closed-end mutual funds increased 5% to \$43.0 million from \$40.9 million in the nine months ended September 30, 2011. The increase in closed-end mutual fund revenue was attributable to higher levels of average assets under management. Average assets under management for closed-end mutual funds in the nine months ended September 30, 2012 were \$6.8 billion compared with \$6.6 billion in the nine months ended September 30, 2011.

In the nine months ended September 30, 2012, total portfolio consulting and other revenue increased 249% to \$13.3 million from \$3.8 million in the nine months ended September 30, 2011. The increase was attributable to higher average assets under advisement from model-based strategies.

Expenses

Total operating expenses increased 22% to \$138.8 million in the nine months ended September 30, 2012 from \$113.6 million in the nine months ended September 30, 2011, primarily due to increases in employee compensation and benefits, distribution and service fees and general and administrative expenses.

Employee compensation and benefits increased 9% to \$69.7 million in the nine months ended September 30, 2012 from \$63.7 million in the nine months ended September 30, 2011. The increase was primarily due to higher incentive bonus and production compensation, net of deferrals, of approximately \$3.6 million, higher salaries of approximately \$601,000 and higher payroll taxes of approximately \$273,000 associated with the delivery of restricted stock units. Distribution and service fee expenses increased 89% to \$34.1 million in the nine months ended September 30, 2012 from \$18.1 million in the nine months ended September 30, 2011. The nine months ended September 30, 2012 results included approximately \$14.4 million of distribution costs associated with the launch of LDP. After adjusting for these costs, dist

tribution and service fee expenses would have been \$19.8 million. The increase was primarily due to higher average assets under management in certain of our open-end no-load mutual funds.

General and administrative expenses increased 8% to \$29.1 million in the nine months ended September 30, 2012 from \$26.8 million in the nine months ended September 30, 2011. The increase was primarily due to higher professional fees of approximately \$927,000, higher rent of approximately \$736,000 resulting from the extension of the lease for our corporate headquarters in New York City and higher marketing and printing costs of approximately \$369,000.

Non-operating Income

Non-operating income was \$6.3 million in the nine months ended September 30, 2012, compared with non-operating loss of \$2.6 million in the nine months ended September 30, 2011. The increase was primarily attributable to earnings in our seed investments, partially offset by foreign currency revaluations.

Income Taxes

We recorded an income tax expense of \$24.2 million in the nine months ended September 30, 2012, compared with \$23.5 million in the nine months ended September 30, 2011. The provision for income taxes in the nine months ended September 30, 2012 included U.S. federal, state, local and foreign taxes at an approximate effective tax rate of 35%, which included discrete items, the most significant of which was attributable to the offering costs for LDP. Excluding the discrete items, the effective tax rate for the nine months ended September 30, 2012 was approximately 36%. The effective tax rate for the nine months ended September 30, 2011 was approximately 38%. We expect our tax rate for the full year 2012 to approximate 35.5%, excluding discrete items.

Liquidity and Capital Resources

Our investment advisory business does not require us to maintain significant capital balances. Our current financial condition is highly liquid, with a significant amount of our assets comprised of cash and cash equivalents, equity investments, investments, available-for-sale and accounts receivable. Our cash flows generally result from the operating activities of our business, with investment advisory and administrative fees being the most significant contributor. Cash and cash equivalents, equity investments, investments, available-for-sale and accounts receivable were 58% and 69% of total assets as of September 30, 2012 and December 31, 2011, respectively, excluding investments classified as level 3 in accordance with the Accounting Standard Codification (the "Codification") Topic 820, Fair Value Measurements and Disclosures ("Topic 820").

Cash and cash equivalents decreased by \$6.5 million, excluding the effect of foreign exchange rate changes, in the nine months ended September 30, 2012. Net cash used in operating activities was \$21.7 million in the nine months ended September 30, 2012. Net cash of \$3.6 million was provided by investing activities, primarily from proceeds from sales of investments, available-for-sale in the amount of \$23.7 million, partially offset by purchases of \$18.5 million of investments, available-for-sale and purchases of \$2.4 million of property and equipment. Net cash of \$11.6 million was provided by financing activities, primarily from contributions from redeemable noncontrolling interest of \$44.1 million and excess tax benefits associated with the delivery of restricted stock units of \$2.8 million, partially offset by dividends paid to stockholders of \$23.6 million, repurchases of common stock of \$8.5 million to satisfy employee withholding tax obligations on the delivery of restricted stock units, and redemptions of redeemable noncontrolling interest of \$3.6 million.

Cash and cash equivalents decreased by \$41.7 million, excluding the effect of foreign exchange rate changes, in the nine months ended September 30, 2011. Net cash provided by operating activities was \$43.8 million in the nine months ended September 30, 2011. Net cash of \$14.3 million was used in investing activities, primarily for purchases of \$32.9 million of investments, available-for-sale and purchases of \$2.2 million of property and equipment, partially offset by proceeds from sales of investments, available-for-sale in the amount of \$20.8 million. Net cash of \$71.1 million was used in financing activities, primarily for dividends paid to stockholders of \$62.6 million, which included a special dividend of approximately \$43.2 million paid on September 28, 2011, repurchases of common stock of \$6.6 million to satisfy employee withholding tax obligations on the delivery of restricted stock units, and redemptions of redeemable noncontrolling interest of \$3.7 million, partially offset by excess tax benefits associated with the delivery of restricted stock units of \$1.5 million.

It is our policy to continuously monitor and evaluate the adequacy of our capital. We have consistently maintained net capital in excess of the regulatory requirements for our broker/dealer, as prescribed by the Securities and Exchange Commission ("SEC"). At September 30, 2012, we exceeded our minimum regulatory capital requirements by approximately \$669,000. The SEC's Uniform Net Capital Rule 15c3-1 imposes certain requirements that may have the effect of prohibiting

a broker/dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital. Our non-U.S. subsidiaries are regulated outside the U.S. by the Hong Kong Securities and Future Commission, the United Kingdom Financial Securities Authority, and the Belgium Financial Services and Markets Authority. At September 30, 2012, our non-U.S. subsidiaries exceeded their aggregate minimum regulatory requirements by approximately \$64.8 million. We believe that our cash flows from operations will be more than adequate to meet our anticipated capital requirements and other obligations as they become due.

Included in cash and cash equivalents and investments, available-for-sale were approximately \$76.6 million held by our foreign subsidiaries as of September 30, 2012, including amounts held by Cohen & Steers Europe S.A. We are currently considering a reorganization of Cohen & Steers Europe S.A., which may result in funds moving to the U.S. Based on our preliminary review, we believe the reorganization, if effected, should not result in any tax on repatriated funds. Otherwise, it is our current intention to permanently reinvest funds held by our foreign subsidiaries outside of the U.S. We believe that our cash and cash equivalents and short term investments held in the U.S. are more than sufficient to cover our working capital needs.

We periodically commit to fund a portion of the equity in certain of our sponsored investment products. We have committed to co-invest 5%, up to \$25 million, of the total capital raised in Cohen & Steers Global Realty Partners III-TE, L.P. ("GRP-TE"), a global private equity multimanager fund that had an initial closing on October 4, 2011. Our investment with GRP-TE is illiquid and will be invested for up to 12 years through the life of the fund. The ultimate co-investment amount and actual timing of the funding of this commitment is currently unknown, as the co-investment amount will be based on investor commitments to GRP-TE through March 2013, and the drawdown of our commitment is contingent on the timing of drawdowns by the underlying funds and co-investments in which GRP-TE invests. The unfunded portion of this commitment was not recorded on our condensed consolidated statements of financial condition as of September 30, 2012.

Contractual Obligations and Contingencies

We have contractual obligations to make future payments in connection with our non-cancelable operating lease agreements for office space. There were no material capital lease obligations as of September 30, 2012. The following summarizes our contractual obligations as of September 30, 2012 (in thousands):

	2012	2013	2014	2015	2016	2017 and after	Total
Operating leases	\$2,021	\$8,085	\$7,875	\$8,990	\$8,745	\$64,215	\$99,931

On June 29, 2012, we extended the lease for our corporate headquarters in New York City to 2024. See Note 11 for further discussion about our commitments and contingencies.

Off-Balance Sheet Arrangements

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support, or engage in any leasing activities that expose us to any liability that is not reflected in our condensed consolidated financial statements.

Critical Accounting Policies and Estimates

The preparation of our condensed consolidated financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. We believe the estimates used in preparing the condensed consolidated financial statements are reasonable and prudent. Actual results could differ from those estimates.

A thorough understanding of our accounting policies is essential when reviewing our reported results of operations and our financial position. Management considers the following accounting policies critical to an informed review of our condensed consolidated financial statements. For a summary of these and additional accounting policies, see the notes to the annual audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2011.

Investments

We determine the appropriate classification of our investments at the time of purchase and re-evaluate such determination at each statement of financial condition date.

Securities owned and securities sold but not yet purchased are classified as trading securities and are measured at fair value based on quoted market prices, market prices obtained from independent pricing services engaged by management or as determined by our valuation committee. Unrealized gains and losses are recorded as gain (loss) from trading securities reported in our condensed consolidated statements of operations.

Investments classified as equity investments are accounted for using the equity method, under which we recognize our respective share of the investee's net income or loss for the period. The carrying amounts of these investments approximate their fair value.

Investments classified as available-for-sale are comprised of equity securities, investment-grade preferred instruments and investments in our sponsored open-end and closed-end mutual funds. These investments are carried at fair value based on quoted market prices or market prices obtained from independent pricing services engaged by management, with unrealized gains and losses, net of tax, reported in accumulated other comprehensive income. We periodically review each individual security position that has an unrealized loss, or impairment, to determine if that impairment is other than temporary. If we believe an impairment of a security position is other than temporary, the loss will be recognized in our condensed consolidated statements of operations. An other than temporary impairment is generally presumed to have occurred if the available-for-sale investment has an unrealized loss continuously for 12 or more months.

From time to time, our consolidated funds enter into derivative contracts to hedge market and credit risks of the underlying portfolios utilizing options, total return swaps, credit default swaps and futures contracts. These instruments are measured at fair value with gains and losses recorded as gain (loss) from trading securities—net in our condensed consolidated statements of operations. The fair value of these instruments are recorded in other assets or other liabilities and accrued expenses in our condensed consolidated statements of financial condition.

Additionally, from time to time, we enter into foreign currency forward contracts to hedge our currency exposure related to client receivables. These instruments are measured at fair value with gains and losses recorded in other non-operating income in our condensed consolidated statements of operations. We record these contracts as either assets or liabilities in due from broker or other liabilities and accrued expenses, respectively, in our condensed consolidated statements of financial condition.

Goodwill and Intangible Assets

Goodwill represents the excess of the cost of our investment in the net assets of an acquired company over the fair value of the underlying identifiable net assets at the date of acquisition. Goodwill and indefinite lived intangible assets are not amortized but are tested at least annually for impairment by comparing the fair value to their carrying amounts. Finite lived intangible assets are amortized over their useful lives. We determined that the fair values of our goodwill and indefinite lived intangible assets substantially exceeded their carrying values as a result of the most recent impairment test performed as of November 30, 2011.

Stock-based Compensation

We recognize compensation expense for the grant-date fair value of awards of equity instruments granted to employees. This expense is recognized over the period during which employees are required to provide service. We also estimate forfeitures.

Income Taxes

We record the current and deferred tax consequences of all transactions that have been recognized in the condensed consolidated financial statements in accordance with the provisions of the enacted tax laws. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years. Deferred tax liabilities are recognized for temporary differences that will result in taxable income in future years. We record a valuation allowance, when necessary, to reduce deferred tax assets to an amount that more likely than not will be realized. The effective tax rate for interim periods represents our best estimate of the effective tax rate expected to be applied to the full fiscal year.

Recently Issued Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board ("FASB") issued new guidance to make certain technical corrections to the FASB Accounting Standards Codification ("Codification"), which identifies when the use of fair value should be linked to the definition of fair value in Topic 820. The amendments affect various Codification topics and include source literature amendments, guidance clarification and reference corrections and relocated guidance. The amendments that will not have transition guidance were effective upon issuance and the amendments that are subject to the transition guidance will be effective for the first quarter of our 2013 fiscal year. The adoption of this new guidance did not have and is not expected to have a material impact on our condensed consolidated financial statements.

In July 2012, the FASB issued new guidance to simplify how entities test indefinite-lived intangible assets for impairment. The new guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform the second step to measure the amount of the impairment loss, if any. This new guidance will be effective for the first quarter of our 2013 fiscal year. We do not anticipate the adoption of this new guidance to have a material impact on our condensed consolidated financial statements.

In December 2011, the FASB issued new guidance to create new disclosure requirements about the nature of an entity's rights of offset and related arrangements associated with its financial instruments and derivative instruments. This new guidance will be effective for the first quarter of our 2013 fiscal year. We do not anticipate the adoption of this new guidance to have a material impact on our condensed consolidated financial statements.

In September 2011, the FASB issued new guidance to simplify how entities test goodwill for impairment. The new guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the second step to measure the amount of the impairment loss, if any. This new guidance was effective for the first quarter of our 2012 fiscal year. The adoption of this new guidance did not have a material impact on our condensed consolidated financial statements.

In June 2011, the FASB issued new guidance eliminating the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The new guidance requires changes to the components of net income and comprehensive income in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The new guidance should be applied retrospectively. In December 2011, the FASB issued guidance to defer the effective date for amendments to the presentation of reclassifications of items out of accumulated other comprehensive income. This new guidance was effective for the first quarter of our 2012 fiscal year. The adoption of this new guidance did not have a material impact on our condensed consolidated financial statements.

In May 2011, the FASB issued new guidance regarding fair value measurement and disclosures. The new guidance results in common fair value measurement and disclosure requirements in U.S. Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Requirements. This new guidance changed the wording used to describe many of the requirements for measuring fair value and for disclosing information about fair value measurements. This new guidance was effective for the first quarter of our 2012 fiscal year. See Note 5 for further discussion about the fair value of our investments which incorporates this new guidance.

Forward-Looking Statements

This report and other documents filed by us contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative versions of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties.

Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, those described in the Risk

Factors section of our Annual Report on Form 10-K for the year ended December 31, 2011, which is accessible on the Securities and Exchange Commission's website at www.sec.gov and on our website at www.cohenandsteers.com. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our Quantitative and Qualitative Disclosures About Market Risk from those previously reported in our annual report on Form 10-K for the year ended December 31, 2011.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Co-Chief Executive Officers and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Our management, including our Co-Chief Executive Officers and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of September 30, 2012.

Based on that evaluation and subject to the foregoing, our Co-Chief Executive Officers and our Chief Financial Officer have concluded that our disclosure controls and procedures as of September 30, 2012 were effective to accomplish their objectives at a reasonable assurance level.

There has been no change in our internal control over financial reporting that occurred during the three months ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—Other Information

Item 1. Legal Proceedings

From time to time, we are involved in legal matters relating to claims arising in the ordinary course of business. There are currently no such matters pending that we believe could have a material adverse effect on our business or the condensed consolidated financial statements.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, please see Part 1, Item 1A of our 2011 Annual Report on Form 10-K filed with the SEC. There have been no material changes to the risk factors disclosed in Part 1, Item 1A of our 2011 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended September 30, 2012, we made the following purchases of our equity securities that are registered pursuant to Section 12(b) of the Securities Exchange Act of 1934.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
July 1 through July 31, 2012	145	(1) \$33.60	—	—
August 1 through August 31, 2012	1,790	(1) \$34.12	—	—
September 1 through September 30, 2012	672	(1) \$32.61	—	—
Total	2,607	\$33.70	—	—

(1) Purchases made by us to satisfy the income tax withholding obligations of certain employees.

Item 6. Exhibits

Exhibit No. Description

- 3.1 —Form of Amended and Restated Certificate of Incorporation of the Registrant(1)
- 3.2 —Form of Amended and Restated Bylaws of the Registrant(2)
- 4.1 —Specimen Common Stock Certificate(1)
- 4.2 —Form of Registration Rights Agreement among the Registrant, Martin Cohen, Robert H. Steers, The Martin Cohen 1998 Family Trust and Robert H. Steers Family Trust(1)
- 31.1 —Certification of the Co-Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.2 —Certification of the Co-Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.3 —Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.1 —Certification of the Co-Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
- 32.2 —Certification of the Co-Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
- 32.3 —Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

101 The following financial statements from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 are furnished herewith, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Financial Condition as of September 30, 2012 and December 31, 2011, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2012 and 2011, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2012 and 2011, (iv) the Condensed Consolidated Statements of Changes in Stockholders' Equity and Redeemable Noncontrolling Interest for the nine months ended September 30, 2012 and 2011, (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011, and (vi) the Notes to the Condensed Consolidated Financial Statements.

(1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (Registration No. 333-114027), as amended, originally filed with the Securities and Exchange Commission on March 30, 2004.

(2) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q (Commission File No. 001-32236) for the quarter ended June 30, 2008.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 9, 2012

Cohen & Steers, Inc.

/s/ Matthew S. Stadler

Name: Matthew S. Stadler

Title: Executive Vice President & Chief Financial Officer

Date: November 9, 2012

Cohen & Steers, Inc.

/s/ Bernard M. Doucette

Name: Bernard M. Doucette

Title: Senior Vice President & Chief Accounting Officer