

COHEN & STEERS INC  
Form 10-Q  
November 08, 2013

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, 2013

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 10017  
(Address of Principal Executive Offices) (Zip Code)  
(212) 832-3232  
(Registrant's telephone number, including area 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 4, 2013 was 44,251,756.





“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, 2012, which is accessible on the Securities and Exchange Commission’s website at [www.sec.gov](http://www.sec.gov) and on our website at [www.cohenandsteers.com](http://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.

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## 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,<br>2013 | December 31,<br>2012 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>  |                       |                      |
| Cash and cash equivalents  | \$ 143,845            | \$ 95,412            |
| Securities owned (\$26,002)* (\$8,499 and \$849)**   | 11,507                | 97,155               |
| Equity method investments  | 24,301                | 8,106                |
| Investments, available-for-sale  | 13,539                | 25,322               |
| Accounts receivable  | 52,726                | 44,397               |
| Due from broker (\$12,358)*  | 1,838                 | 17,617               |
| Property and equipment—net   | 9,387                 | 9,103                |
| Goodwill   | 20,448                | 20,122               |
| Intangible assets—net  | 1,724                 | 1,790                |
| Deferred income tax asset—net  | 11,279                | 10,171               |
| Other assets (\$103)*  | 6,517                 | 8,120                |
| Total assets   | \$ 297,111            | \$ 337,315           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                       |                      |
| <b>Liabilities:</b>  |                       |                      |
| Accrued compensation   | \$ 19,501             | \$ 25,845            |
| Securities sold but not yet purchased (\$14,685)*  | —                     | 14,685               |
| Income tax payable   | 8,846                 | 8,836                |
| Other liabilities and accrued expenses (\$335)*  | 17,564                | 18,181               |
| Total liabilities  | 45,911                | 67,547               |
| Commitments and contingencies (See Note 11)  |                       |                      |
| Redeemable noncontrolling interest   | 192                   | 53,188               |
| <b>Stockholders' equity:</b>   |                       |                      |
| Common stock, \$0.01 par value; 500,000,000 shares authorized; 47,729,715 and 47,002,117 shares issued at September 30, 2013 and December 31, 2012, respectively | 477                   | 470                  |
| Additional paid-in capital   | 449,568               | 429,377              |
| Accumulated deficit  | (96,483               | ) (117,889           |
| Accumulated other comprehensive income, net of tax   | 3,119                 | 2,341                |
| Less: Treasury stock, at cost, 3,481,712 and 3,239,093 shares at September 30, 2013 and December 31, 2012, respectively  | (105,673              | ) (97,719            |
| Total stockholders' equity   | 251,008               | 216,580              |
| Total liabilities and stockholders' equity   | \$ 297,111            | \$ 337,315           |

\* Asset and liability amounts in parentheses represent the consolidated balances at December 31, 2012 attributable to the Cohen & Steers Global Real Estate Long-Short Fund, L.P., which was a variable interest entity as of December 31, 2012.

\*\* Pledged as collateral attributable to the consolidated balances of Cohen & Steers Active Commodities Fund, LP as of September 30, 2013 and Cohen & Steers Real Assets Fund, Inc. as of December 31, 2012.

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<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|-----------|------------------------------------|-----------|
|  | 2013                                | 2012      | 2013                               | 2012      |
| Revenue:   |                                     |           |                                    |           |
| Investment advisory and administration fees                                | \$67,704                            | \$63,224  | \$203,451                          | \$181,066 |
| Distribution and service fees  | 3,627                               | 2,881     | 10,802                             | 8,129     |
| Portfolio consulting and other   | 2,695                               | 5,191     | 10,028                             | 13,263    |
| Total revenue  | 74,026                              | 71,296    | 224,281                            | 202,458   |
| Expenses:  |                                     |           |                                    |           |
| Employee compensation and benefits   | 24,058                              | 25,101    | 72,330                             | 69,696    |
| Distribution and service fees  | 8,362                               | 21,376    | 33,120                             | 34,148    |
| General and administrative   | 11,688                              | 10,601    | 35,384                             | 29,061    |
| Depreciation and amortization  | 1,423                               | 1,384     | 4,110                              | 4,218     |
| Amortization, deferred commissions   | 776                                 | 595       | 2,351                              | 1,636     |
| Total expenses   | 46,307                              | 59,057    | 147,295                            | 138,759   |
| Operating income   | 27,719                              | 12,239    | 76,986                             | 63,699    |
| Non-operating income:  |                                     |           |                                    |           |
| Interest and dividend income—net   | 218                                 | 478       | 1,507                              | 1,768     |
| Gain (loss) from trading securities—net                                    | 2,383                               | 3,999     | (6,956)                            | ) 3,251   |
| Gain from available-for-sale securities—net                                | 180                                 | 437       | 1,508                              | 1,040     |
| Equity in earnings of affiliates   | 313                                 | 71        | 422                                | 714       |
| Other gain (loss)  | 209                                 | 330       | (430)                              | ) (433)   |
| Total non-operating income (loss)  | 3,303                               | 5,315     | (3,949)                            | ) 6,340   |
| Income before provision for income taxes                                   | 31,022                              | 17,554    | 73,037                             | 70,039    |
| Provision for income taxes   | 11,205                              | 4,987     | 29,210                             | 24,187    |
| Net income   | 19,817                              | 12,567    | 43,827                             | 45,852    |
| Less: Net (income) loss attributable to redeemable noncontrolling interest | (1,534)                             | ) (2,306) | ) 4,879                            | (1,458)   |
| Net income attributable to common shareholders                             | \$18,283                            | \$10,261  | \$48,706                           | \$44,394  |
| Earnings per share attributable to common shareholders:                    |                                     |           |                                    |           |
| Basic  | \$0.41                              | \$0.23    | \$1.10                             | \$1.01    |
| Diluted  | \$0.41                              | \$0.23    | \$1.08                             | \$1.00    |
| Dividends declared per share   | \$0.20                              | \$0.18    | \$0.60                             | \$0.54    |
| Weighted average shares outstanding:                                       |                                     |           |                                    |           |
| Basic  | 44,317                              | 43,822    | 44,254                             | 43,744    |
| Diluted  | 45,106                              | 44,537    | 44,997                             | 44,439    |

See notes to condensed consolidated financial statements





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

|   | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|---|-------------------------------------|-----------|------------------------------------|-----------|
|   | 2013                                | 2012      | 2013                               | 2012      |
| Net income attributable to common shareholders  | \$ 18,283                           | \$ 10,261 | \$ 48,706                          | \$ 44,394 |
| Foreign currency translation gain (loss), net of tax of zero  | 1,233                               | 630       | 890                                | (184 )    |
| Net unrealized gain from available-for-sale securities, net of tax of zero                                  | 463                                 | 344       | 1,396                              | 2,336     |
| Reclassification to statements of operations of gain from available-for-sale securities, net of tax of zero | (180 )                              | (437 )    | (1,508 )                           | (1,040 )  |
| Total comprehensive income attributable to common shareholders  | \$ 19,799                           | \$ 10,798 | \$ 49,484                          | \$ 45,506 |

See notes to condensed consolidated financial statements

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COHEN & STEERS, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND  
 REDEEMABLE NONCONTROLLING INTEREST (Unaudited)  
 Nine Months Ended September 30, 2013 and 2012  
 (in thousands)

|  | Common<br>Stock | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss), Net<br>of Tax | Treasury<br>Stock | Total<br>Stockholders'<br>Equity | Redeemable<br>Noncontrolling<br>Interest | Shares<br>of<br>Common<br>Stock,<br>Net |
|--|-----------------|----------------------------------|------------------------|--|-------------------|----------------------------------|--|---|
| Beginning balance,<br>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<br>stock  | 8               | 402                              | —                      | —  | —                 | 410                              | —  | 840                                     |
| Repurchase of<br>common stock  | —               | —                                | —                      | —  | (8,477 )          | (8,477 )                         | —  | (252 )                                  |
| Tax benefits<br>associated with<br>restricted stock<br>units—net                             | —               | 2,947                            | —                      | —  | —                 | 2,947                            | —  | —                                       |
| Issuance of restricted<br>stock units  | —               | 1,399                            | —                      | —  | —                 | 1,399                            | —  | —                                       |
| Amortization of<br>restricted stock<br>units—net   | —               | 13,053                           | —                      | —  | —                 | 13,053                           | —  | —                                       |
| Forfeitures of vested<br>restricted stock units  | —               | (1 )                             | —                      | —  | —                 | (1 )                             | —  | —                                       |
| Net income   | —               | —                                | 44,394                 | —  | —                 | 44,394                           | 1,458                                    | —                                       |
| Other comprehensive<br>income, net of tax  | —               | —                                | —                      | 1,112  | —                 | 1,112                            | —  | —                                       |
| Distributions to<br>redeemable<br>noncontrolling<br>interest                                 | —               | —                                | —                      | —  | —                 | —                                | (3,647 )                                 | —                                       |
| Contributions from<br>redeemable<br>noncontrolling<br>interest                               | —               | —                                | —                      | —  | —                 | —                                | 44,118                                   | —                                       |
| Foreign currency<br>translation<br>adjustment on<br>redeemable<br>noncontrolling<br>interest | —               | —                                | —                      | —  | —                 | —                                | 44                                       | —                                       |
| Ending balance,<br>September 30, 2012  | \$ 470          | \$ 420,373                       | \$ (62,907 )           | \$ 887   | \$ (97,712 )      | \$ 261,111                       | \$ 46,769                                | 43,756                                  |
|  | \$ 470          | \$ 429,377                       | \$ (117,889 )          | \$ 2,341   | \$ (97,719 )      | \$ 216,580                       | \$ 53,188                                | 43,763                                  |

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|   |        |            |              |          |              |            |           |        |
|---|--------|------------|--------------|----------|--------------|------------|-----------|--------|
| Beginning balance,<br>January 1, 2013   |        |            |              |          |              |            |           |        |
| Dividends   | —      | —          | (27,300 )    | —        | —            | (27,300 )  | —         | —      |
| Issuance of common<br>stock   | 7      | 388        | —            | —        | —            | 395        | —         | 728    |
| Repurchase of<br>common stock   | —      | —          | —            | —        | (7,954 )     | (7,954 )   | —         | (243 ) |
| Tax benefits<br>associated with<br>restricted stock<br>units—net                  | —      | 2,231      | —            | —        | —            | 2,231      | —         | —      |
| Issuance of restricted<br>stock units   | —      | 1,456      | —            | —        | —            | 1,456      | —         | —      |
| Amortization of<br>restricted stock<br>units—net                                  | —      | 16,126     | —            | —        | —            | 16,126     | —         | —      |
| Forfeitures of vested<br>restricted stock units                                   | —      | (10 )      | —            | —        | —            | (10 )      | —         | —      |
| Net income (loss)   | —      | —          | 48,706       | —        | —            | 48,706     | (4,879 )  | —      |
| Other comprehensive<br>income, net of tax   | —      | —          | —            | 778      | —            | 778        | —         | —      |
| Contributions from<br>redeemable<br>noncontrolling<br>interest                    | —      | —          | —            | —        | —            | —          | 37,711    | —      |
| Distributions to<br>redeemable<br>noncontrolling<br>interest                      | —      | —          | —            | —        | —            | —          | (14,242 ) | —      |
| Transfer of<br>redeemable<br>noncontrolling<br>interest in<br>consolidated entity | —      | —          | —            | —        | —            | —          | (71,586 ) | —      |
| Ending balance,<br>September 30, 2013   | \$ 477 | \$ 449,568 | \$ (96,483 ) | \$ 3,119 | \$ (105,673) | \$ 251,008 | \$ 192    | 44,248 |
| See notes to condensed consolidated financial statements                          |        |            |              |          |              |            |           |        |

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

|   | Nine Months Ended<br>September 30, |            |
|---|------------------------------------|------------|
|   | 2013                               | 2012       |
| Cash flows from operating activities:   |                                    |            |
| Net income  | \$43,827                           | \$45,852   |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                                    |            |
| Stock compensation expense  | 16,186                             | 13,101     |
| Amortization, deferred commissions  | 2,351                              | 1,636      |
| Depreciation and amortization   | 4,110                              | 4,218      |
| Deferred rent   | 1,465                              | 226        |
| Loss (gain) from trading securities—net   | 6,956                              | (3,251)    |
| Equity in earnings of affiliates  | (422)                              | (714)      |
| Gain from available-for-sale securities—net   | (1,508)                            | (1,040)    |
| Deferred income taxes   | (1,110)                            | 1,954      |
| Foreign currency loss (gain)  | 313                                | (1,398)    |
| Changes in operating assets and liabilities:  |                                    |            |
| Accounts receivable   | (8,642)                            | (20,181)   |
| Due from broker   | (7,758)                            | (6,349)    |
| Deferred commissions  | (2,096)                            | (2,328)    |
| Securities owned  | (7,756)                            | (58,948)   |
| Other assets  | 2,294                              | (1,295)    |
| Accrued compensation  | (5,865)                            | (295)      |
| Securities sold but not yet purchased   | (14,685)                           | 2,273      |
| Income tax payable  | 245                                | (1,790)    |
| Other liabilities and accrued expenses  | 13,177                             | 6,589      |
| Net cash provided by (used in) operating activities   | 41,082                             | (21,740)   |
| Cash flows from investing activities:   |                                    |            |
| Proceeds from redemptions of equity method investments                                      | 7,746                              | 811        |
| Purchases of investments, available-for-sale  | (8,179)                            | (18,535)   |
| Proceeds from sales of investments, available-for-sale                                      | 20,244                             | 23,720     |
| Purchases of property and equipment   | (4,327)                            | (2,357)    |
| Net cash provided by investing activities   | 15,484                             | 3,639      |
| Cash flows from financing activities:   |                                    |            |
| Excess tax benefits associated with restricted stock units                                  | 1,994                              | 2,843      |
| Issuance of common stock  | 336                                | 357        |
| Repurchase of common stock  | (7,954)                            | (8,477)    |
| Dividends to stockholders   | (26,558)                           | (23,622)   |
| Redemptions of redeemable noncontrolling interest   | (14,242)                           | (3,647)    |
| Contributions from redeemable noncontrolling interest                                       | 37,711                             | 44,118     |
| Net cash (used in) provided by financing activities   | (8,713)                            | 11,572     |
| Net increase (decrease) in cash and cash equivalents  | 47,853                             | (6,529)    |
| Effect of foreign exchange rate changes   | 580                                | (55)       |
| Cash and cash equivalents, beginning of the period  | 95,412                             | 127,824    |
| Cash and cash equivalents, end of the period  | \$ 143,845                         | \$ 121,240 |

See notes to condensed consolidated financial statements

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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, 2013 and 2012, the Company paid taxes, net of tax refunds, of approximately \$28,288,000 and \$21,301,000, respectively.

Supplemental disclosures of non-cash investing and financing activities:

In connection with its stock incentive plan, for the nine months ended September 30, 2013 and 2012, the Company issued fully vested restricted stock units in the amount of \$714,000 and \$783,000, respectively. For the nine months ended September 30, 2013 and 2012, the Company declared restricted stock unit dividend equivalents in the amount of approximately \$742,000 and \$616,000, respectively.

As further described in Note 4, during the nine months ended September 30, 2013, the Company's proportionate ownership interest in Cohen & Steers Real Assets Fund, Inc. ("RAP") decreased and the Company deconsolidated the assets and liabilities of RAP resulting in a non-cash reduction of \$71,586,000 from redeemable noncontrolling interest and a non-cash increase of \$23,519,000 to equity method investments.

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 and Cohen & Steers UK Limited; Cohen & Steers Europe S.P.R.L. is a wholly-owned subsidiary of Cohen & Steers UK Limited (collectively, the “Company”). All material intercompany balances and transactions have been eliminated in consolidation.

Through CSCM, a registered investment adviser 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 with a long history of innovation and a focus on real assets, including real estate, infrastructure and commodities. Its clients include Company-sponsored open-end and closed-end mutual funds, U.S. and non-U.S. pension plans, endowment funds, foundations and subadvised 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, 2012.

**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.

**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 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.

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

**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, primarily 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 gain and loss are recorded as gain (loss) from trading securities—net reported in the Company's condensed consolidated statements of operations.

Investments classified as equity method 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. As of September 30, 2013, the Company's equity method investments consisted of interests in funds which measure their underlying investments at fair value and report a net asset value on a recurring basis. 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 gain and loss, 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 funds consolidated by the Company enter into derivative contracts to gain exposure to the underlying commodities markets or 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 gain and loss recorded as gain (loss) from trading securities—net in the Company's condensed consolidated statements of operations. The fair values of these instruments are 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 exchange contracts to hedge its currency exposure related to client receivables. These instruments are measured at fair value with gain and loss recorded in other non-operating income in the Company's condensed consolidated statements of operations. The fair values of these contracts are recorded in other assets or other liabilities and accrued expenses in the Company's 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 and are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. See Note 3 for further discussion about the Company's goodwill and intangible assets.

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

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permanent equity. Redeemable noncontrolling interest is remeasured at redemption value which approximates the fair value at each reporting period.

**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. During the first quarter of 2013 and the third quarter of 2012, the Company made payments of approximately \$7.2 million and \$14.4 million, respectively, associated with additional compensation agreements entered into in connection with the offering of two closed-end mutual funds. These payments were reflected as expenses in distribution and service fees on the accompanying condensed consolidated statements of operations for the nine months ended September 30, 2013 and September 30, 2012.

**Portfolio Consulting and Other**—The Company earns portfolio consulting and other fees by: i) providing portfolio consulting services in connection with model-based strategies accounts; ii) earning a licensing fee for the use of the Company's proprietary indices; and iii) providing portfolio monitoring services related to a number of unit investment trusts. This revenue is earned pursuant to the terms of the underlying contract, and the fee schedules for these relationships vary based on the type of services the Company provides for each relationship. This revenue is recognized as such fees are earned.

**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. Revenue and expenses are translated at average exchange rates during the period. The gain or loss resulting from translating non-U.S. dollar functional currency into U.S. dollars is included in the Company's condensed consolidated statements of comprehensive income. Gain or loss resulting from non-U.S. dollar currency transactions is 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 gain and loss from available-for-sale securities (net of tax), foreign currency translation gain and loss (net of tax) and reclassification to statements of operations of gain and loss from available-for-sale securities

(net of tax).

Recently Issued Accounting Pronouncements—In July 2013, the Financial Accounting Standards Board (“FASB”) issued new guidance on the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. An entity is required to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss

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carryforward, a similar tax loss, or a tax credit carryforward unless a net operating loss carryforward, a similar tax loss or a tax credit carryforward is not available as of the reporting date or the entity does not intend to use the deferred tax asset for this purpose (provided that the tax law permits a choice). This new guidance will be effective for the Company's first quarter of 2014. The Company does not anticipate that the adoption of this new guidance will have a material impact on the Company's condensed consolidated financial statements.

In February 2013, the FASB issued new guidance requiring an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. An entity is also required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. This new guidance was effective for the Company's first quarter of 2013. The adoption of this new guidance did not have a material impact on the Company's condensed consolidated financial statements.

In January 2013, the FASB issued new guidance to clarify the scope of the offsetting disclosures associated with derivative and hedging transactions, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions. This new guidance was effective for the Company's first quarter of 2013. The adoption of this new guidance did not have a material impact on the Company's condensed consolidated financial statements.

In October 2012, the 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 ("ASC 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 were effective for the Company's first quarter of 2013. The adoption of this new guidance did not 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 was effective for the Company's first quarter of 2013. The adoption of this new guidance did not have a material impact on the Company's 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 was effective for the Company's first quarter of 2013. The adoption of this new guidance did not have a material impact on the Company's condensed consolidated financial statements.

### 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, 2013 and December 31, 2012, goodwill was approximately \$20,448,000 and \$20,122,000, respectively. The Company's goodwill increased by \$326,000 in the nine months ended September 30, 2013 as a result of foreign currency revaluation.



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Intangible Assets

The following table details the gross carrying amounts and accumulated amortization for the intangible assets at September 30, 2013 and December 31, 2012 (in thousands):

|                                  | Remaining<br>Amortization<br>Period<br>(in months) | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Intangible<br>Assets, Net |
|----------------------------------|--|-----------------------------|-----------------------------|---------------------------|
| September 30, 2013:              |  |                             |                             |                           |
| Amortized intangible assets:     |  |                             |                             |                           |
| Client relationships             | 63   | \$1,543                     | \$(1,069)                   | ) \$474                   |
| Non-amortized intangible assets: |  |                             |                             |                           |
| Mutual fund management contracts | —  | 1,250                       | —                           | 1,250                     |
| Total                            |  | \$2,793                     | \$(1,069)                   | ) \$1,724                 |
| December 31, 2012:               |  |                             |                             |                           |
| Amortized intangible assets:     |  |                             |                             |                           |
| Client relationships             | 72   | \$1,543                     | \$(1,003)                   | ) \$540                   |
| Non-amortized intangible assets: |  |                             |                             |                           |
| Mutual fund management contracts | —  | 1,250                       | —                           | 1,250                     |
| Total                            |  | \$2,793                     | \$(1,003)                   | ) \$1,790                 |

Amortization expense related to the intangible assets was approximately \$22,000 for both the three months ended September 30, 2013 and 2012, respectively, and approximately \$66,000 for both the nine months ended September 30, 2013 and 2012, respectively. Estimated future amortization expense is as follows (in thousands):

| Periods Ending December 31, | Estimated<br>Amortization<br>Expense |
|-----------------------------|--------------------------------------|
| 2013                        | \$23                                 |
| 2014                        | 89                                   |
| 2015                        | 89                                   |
| 2016                        | 89                                   |
| 2017                        | 89                                   |
| Thereafter                  | 95                                   |
| Total                       | \$474                                |

4. Investments

The following is a summary of the Company's investments as of September 30, 2013 and December 31, 2012 (in thousands):

|                  | September 30,<br>2013 | December 31,<br>2012 |
|------------------|-----------------------|----------------------|
| Securities owned | \$11,507              | \$97,155             |



|                                 |        |        |
|---------------------------------|--------|--------|
| Equity method investments       | 24,301 | 8,106  |
| Investments, available-for-sale | 13,539 | 25,322 |

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Trading and equity method investments

The Cohen & Steers Active Commodities Fund, LP (“ACOM”), launched by the Company in April 2013, is structured as a partnership. The Company is the investment manager of ACOM for which it receives a management fee. As of September 30, 2013, the Company owned all of the voting interest in ACOM. Accordingly, the underlying assets and liabilities and results of operations of ACOM have been included in the Company's condensed consolidated financial statements.

Cohen & Steers Global Realty Partners III-TE, L.P. (“GRP-TE”), which had its 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, 2013, the fair value of the Company's equity interest in GRP-TE was approximately \$105,000. 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, L.P. (“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, 2013, the Company owned all of the voting interest in GRP-CIP. Accordingly, the underlying assets and liabilities and results of operations of GRP-CIP have been included in the Company's condensed consolidated financial statements.

During 2008, the Company launched the Cohen & Steers Global Real Estate Long-Short Fund, L.P. (the “Onshore Fund”) which is structured as a partnership. The Company is the general partner and investment manager of the Onshore Fund. As of September 30, 2013, the Company owned the majority of the voting interest in the Onshore Fund. Accordingly, the underlying assets and liabilities and results of operations 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 Onshore Fund had been identified as a VIE and the Company was the primary beneficiary until March 31, 2013. During April 2013, the unaffiliated limited partner redeemed all of its partnership interest from the Onshore Fund, which left the Company, with affiliated employees, owning 100% of the voting interests. As a result, the Onshore Fund is no longer a VIE because the interest holders' voting rights are proportionate with their rights to receive returns or obligation to absorb losses. The Onshore Fund continues to be consolidated.

The following represents the portion of the condensed consolidated statements of financial condition attributable to the consolidated Onshore Fund as of December 31, 2012. As of December 31, 2012, the following assets were available only to settle obligations of the Onshore Fund and these liabilities were only the obligations of the Onshore Fund for which the creditors did not have recourse to the general credit of the Company (in thousands):

|                  | December 31,<br>2012 |
|------------------|----------------------|
| Assets:          |                      |
| Securities owned | \$26,002             |
| Due from broker  | 12,358               |
| Other assets     | 103                  |
| Total assets     | \$38,463             |

Liabilities:

|                                       |          |
|---------------------------------------|----------|
| Securities sold but not yet purchased | \$14,685 |
| Other liabilities                     | 335      |
| Total liabilities                     | \$15,020 |

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The Cohen & Steers Global Real Estate Long-Short Offshore Fund, L.P. (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. The Company determined that the Offshore Fund was not a VIE. The limited partners, unaffiliated with the Company, have the ability to dissolve the fund with a majority vote. As a result, the Company does not have financial control and the Offshore Fund is not consolidated into the Company's condensed consolidated financial statements. As the general partner, the Company has significant influence over the financial decisions of the Offshore Fund and therefore 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. RAP, which was launched by the Company on January 31, 2012, is an open-end mutual fund for which the Company is the investment manager. The Company had a controlling financial interest in RAP through July 31, 2013 and therefore, the underlying assets and liabilities and results of operations of RAP had been included in the Company's condensed consolidated financial statements with the third party interests classified as redeemable noncontrolling interest. As a result of additional third party subscriptions into the fund, effective August 1, 2013, the Company no longer held a controlling financial interest in RAP, however it was determined that the Company had significant influence over RAP. Accordingly, effective August 1, 2013, the Company records its investment in RAP using the equity method of accounting. The Company did not record any gain or loss as a result of deconsolidation. Prior to the sale of the Company's remaining 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 results of operations of GLIF had been included in the Company's condensed consolidated financial statements for the nine months ended September 30, 2012.

The following is a summary of the fair value of securities owned and equity method investments as of September 30, 2013 and December 31, 2012 (in thousands):

|               | September 30, 2013 |                           | December 31, 2012 |                           |
|---------------|--------------------|---------------------------|-------------------|---------------------------|
|               | Securities Owned   | Equity Method Investments | Securities Owned  | Equity Method Investments |
| ACOM          | \$8,500            | \$—                       | \$—               | \$—                       |
| GRP-CIP       | 2,583              | —                         | 2,142             | —                         |
| GRP-TE        | —                  | 105                       | —                 | 89                        |
| Offshore Fund | —                  | 376                       | —                 | 8,017                     |
| Onshore Fund  | 424                | —                         | 26,002            | —                         |
| RAP           | —                  | 23,820                    | 69,011            | —                         |
| Total         | \$11,507           | \$24,301                  | \$97,155          | \$8,106                   |

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Gain (loss) from trading securities—net for the three and nine months ended September 30, 2013 and 2012 are summarized below (in thousands):

|   | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |           |
|---|-------------------------------------|---------|------------------------------------|-----------|
|   | 2013                                | 2012    | 2013                               | 2012      |
| ACOM  | \$123                               | \$—     | \$(503)                            | ) \$—     |
| GLIF  | —                                   | —       | —                                  | 142       |
| GRP-CIP                                       | 287                                 | —       | 264                                | 9         |
| Onshore Fund                                  | (104)                               | ) 67    | 417                                | 1,921     |
| RAP   | 2,077                               | 3,932   | (7,134)                            | ) 1,179   |
| Total gain (loss) from trading securities—net | \$2,383                             | \$3,999 | \$(6,956)                          | ) \$3,251 |

Equity in earnings (losses) of affiliates for the three and nine months ended September 30, 2013 and 2012 are summarized below (in thousands):

|  | Three Months Ended<br>September 30, |      | Nine Months Ended<br>September 30, |       |
|--|-------------------------------------|------|------------------------------------|-------|
|  | 2013                                | 2012 | 2013                               | 2012  |
| GRP-TE                                 | \$7                                 | \$—  | \$7                                | \$—   |
| Offshore Fund                          | 5                                   | 71   | 114                                | 714   |
| RAP                                    | 301                                 | —    | 301                                | —     |
| Total equity in earnings of affiliates | \$313                               | \$71 | \$422                              | \$714 |

Available-for-sale

The following is a summary of the cost, gross unrealized gain, gross unrealized loss and fair value of investments, available-for-sale as of September 30, 2013 and December 31, 2012 (in thousands):

|                                       | September 30, 2013 |                             |  |               |
|---------------------------------------|--------------------|-----------------------------|--|---------------|
|                                       | Cost               | Gross<br>Unrealized<br>Gain | Gross<br>Unrealized<br>Loss <<br>12 months | Fair<br>Value |
| Preferred securities                  | \$4,135            | \$211                       | \$(41)                                     | ) \$4,305     |
| Common stocks                         | 7,977              | 1,241                       | (176)                                      | ) 9,042       |
| Company-sponsored mutual funds        | 199                | —                           | (7)  | ) 192         |
| Total investments, available-for-sale | \$12,311           | \$1,452                     | \$(224)                                    | ) \$13,539    |
|                                       | December 31, 2012  |                             |  |               |
|                                       | Cost               | Gross<br>Unrealized<br>Gain | Gross<br>Unrealized<br>Loss <<br>12 months | Fair<br>Value |
| Preferred securities                  | \$4,351            | \$70                        | \$(82)                                     | ) \$4,339     |
| Common stocks                         | 9,490              | 1,147                       | (249)                                      | ) 10,388      |
| Company-sponsored mutual funds        | 10,100             | 495                         | —  | 10,595        |
| Total investments, available-for-sale | \$23,941           | \$1,712                     | \$(331)                                    | ) \$25,322    |



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Unrealized loss on investments, available-for-sale as of September 30, 2013 was 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, 2013, 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 gain and gross realized loss from investments, available-for-sale for the three and nine months ended September 30, 2013 and 2012 are summarized below (in thousands):

|                     | Three Months Ended |         | Nine Months Ended |          |
|---------------------|--------------------|---------|-------------------|----------|
|                     | September 30,      |         | September 30,     |          |
|                     | 2013               | 2012    | 2013              | 2012     |
| Proceeds from sales | \$3,570            | \$7,005 | \$21,326          | \$24,166 |
| Gross realized gain | 283                | 562     | 1,846             | 1,704    |
| Gross realized loss | (103               | ) (125  | ) (338            | ) (664   |

#### 5. Fair Value

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.

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The following table presents fair value measurements as of September 30, 2013 (in thousands):

|                                       | Level 1  | Level 2 | Level 3 | Total    |
|---------------------------------------|----------|---------|---------|----------|
| Cash equivalents*                     | \$59,422 | \$—     | \$—     | \$59,422 |
| Securities owned                      |          |         |         |          |
| Common stocks                         | \$—      | \$—     | \$424   | \$424    |
| Fixed income securities               | —        | 8,500   | —       | 8,500    |
| Limited partnership interests         | —        | —       | 2,583   | 2,583    |
| Total securities owned                | \$—      | \$8,500 | \$3,007 | \$11,507 |
| Equity method investments             | \$23,820 | \$—     | \$481   | \$24,301 |
| Investments, available-for-sale       |          |         |         |          |
| Preferred securities                  | \$951    | \$—     | \$3,354 | \$4,305  |
| Common stocks                         | 9,042    | —       | —       | 9,042    |
| Company-sponsored mutual funds        | 192      | —       | —       | 192      |
| Total investments, available-for-sale | \$10,185 | \$—     | \$3,354 | \$13,539 |
| Derivatives - assets                  |          |         |         |          |
| Foreign exchange contracts            | \$—      | \$109   | \$—     | \$109    |
| Commodity contracts                   | 230      | —       | —       | 230      |
| Total derivatives - assets            | \$230    | \$109   | \$—     | \$339    |
| Derivatives - liabilities             |          |         |         |          |
| Foreign exchange contracts            | \$—      | \$187   | \$—     | \$187    |
| Commodity contracts                   | 263      | —       | —       | 263      |
| Total derivatives - liabilities       | \$263    | \$187   | \$—     | \$450    |

\* Comprised of investments in money market funds.

Approximately \$16,744,000 of securities owned classified as level 2 at December 31, 2012 were transferred to level 1 securities during the nine months ended September 30, 2013. These securities were primarily comprised of investments in foreign common stocks valued at foreign exchange closing prices with no adjustments required for subsequent events or market movements.

Approximately \$7,436,000 of equity method investments classified as level 2 at June 30, 2013 were transferred to level 3 securities during the three months ended September 30, 2013 due to the imposition of redemption restrictions on the Company's investment in connection with the winding down of operations of the Offshore Fund.

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 were 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 were valued by the Company's valuation committee using a market approach which utilized market multiples derived from a set of comparable public companies. The limited partnership interests represent the Company's co-investments through GRP-CIP, which along with the Company's interest in GRP-TE, represent the Company's collective ownership interests in limited partnership vehicles that invest in private real estate funds which are valued based on the net asset values of the underlying funds and direct investments in real estate which are generally valued using a discounted cash flow model. The methodology used to value the investments held by GRP-CIP was changed during the nine months ended September 30, 2013 as the transaction cost was no longer a reasonable approximation of value due to the passage of time.





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Equity method investments classified as level 3 in the above table represent the carrying amount of partnership interests in the Offshore Fund and GRP-TE, which approximate their fair value based on each fund's net asset value. The Offshore Fund made long and short investments in listed real estate equity securities to maximize absolute and risk-adjusted returns with modest volatility. GRP-TE invests in non-registered real estate funds and in private equity vehicles that invest directly in real estate. As of September 30, 2013, the Company does not have the ability to redeem its investment in either fund.

Investments, available-for-sale classified as level 3 in the above table were comprised of an auction rate preferred security. The auction rate preferred security was measured at fair value using a third party pricing service which utilizes 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 Company reviews the fair value provided by the pricing service and confirms its understanding of the methodology utilized.

The following table presents fair value measurements as of December 31, 2012 (in thousands):

|   | Level 1  | Level 2  | Level 3 | Total    |
|---|----------|----------|---------|----------|
| Cash equivalents*                                     | \$20,204 | \$—      | \$—     | \$20,204 |
| Due from broker*                                      | \$3,950  | \$—      | \$—     | \$3,950  |
| Securities owned                                      |          |          |         |          |
| Preferred securities                                  | \$1,418  | \$1,505  | \$—     | \$2,923  |
| Common stocks   | 51,354   | 16,744   | 1,168   | 69,266   |
| Fixed income securities                               | —        | 22,824   | —       | 22,824   |
| Limited partnership interests                         | —        | —        | 2,142   | 2,142    |
| Total securities owned                                | \$52,772 | \$41,073 | \$3,310 | \$97,155 |
| Equity method investments                             | \$—      | \$8,017  | \$89    | \$8,106  |
| Investments, available-for-sale                       |          |          |         |          |
| Preferred securities                                  | \$1,254  | \$5      | \$3,080 | \$4,339  |
| Common stocks   | 10,388   | —        | —       | 10,388   |
| Company-sponsored mutual funds                        | 10,595   | —        | —       | 10,595   |
| Total investments, available-for-sale                 | \$22,237 | \$5      | \$3,080 | \$25,322 |
| Derivatives - assets                                  |          |          |         |          |
| Equity contracts                                      | \$51     | \$52     | \$—     | \$103    |
| Foreign exchange contracts                            | —        | 616      | —       | 616      |
| Commodity contracts                                   | 336      | —        | —       | 336      |
| Total derivatives - assets                            | \$387    | \$668    | \$—     | \$1,055  |
| Derivatives - liabilities                             |          |          |         |          |
| Equity contracts                                      | \$4      | \$111    | \$—     | \$115    |
| Commodity contracts                                   | 492      | —        | —       | 492      |
| Credit contracts                                      | —        | 20       | —       | 20       |
| Total derivatives - liabilities                       | \$496    | \$131    | \$—     | \$627    |
| Securities sold but not yet purchased - common stocks | \$14,685 | \$—      | \$—     | \$14,685 |

\* Comprised of investments in money market funds.

Securities owned classified as level 2 in the above table were primarily comprised of investments in United States Treasury Bills carried at amortized cost, which approximates fair value, and foreign common stocks valued at foreign

exchange closing prices, adjusted for subsequent significant events or market movements.

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Securities owned classified as level 3 in the above table were 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 were valued by the Company's valuation committee using a market approach which utilized market multiples derived from a set of comparable public companies. The limited partnership interests represent the Company's co-investments through GRP-CIP, which along with the Company's interests in GRP-TE, represent the Company's collective 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 method investments classified as level 2 in the above table primarily represent the carrying amount of partnership interests in the Offshore Fund, which approximates its fair value based on the fund's net asset value. The fund made long and short investments in listed real estate equity securities to maximize absolute and risk-adjusted returns with modest volatility. The Company had 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 were no significant restrictions to redemption. Investments, available-for-sale classified as level 3 in the above table were comprised of an auction rate preferred security which was measured at fair value using a third party pricing service which utilizes 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 Company reviews the fair value provided by the pricing service and confirms its understanding of the methodology utilized.

The following table summarizes the changes in level 3 investments measured at fair value on a recurring basis for the three and nine months ended September 30, 2013 (in thousands):

|                                   | Three Months Ended<br>September 30, 2013 |                                     |                                 |                                    | Nine Months Ended<br>September 30, 2013 |                                     |                                 |                                    |
|-----------------------------------|--|-------------------------------------|---------------------------------|------------------------------------|---|-------------------------------------|---------------------------------|------------------------------------|
|                                   | Securities<br>Owned                      |                                     | Equity<br>Method<br>Investments | Investments,<br>available-for-sale | Securities<br>Owned                     |                                     | Equity<br>Method<br>Investments | Investments,<br>available-for-sale |
|                                   | Common<br>Stocks                         | Limited<br>Partnership<br>Interests | GRP-TE/Offs<br>Fund             | Preferred<br>Securities            | Common<br>Stocks                        | Limited<br>Partnership<br>Interests | GRP-TE/Offs<br>Fund             | Preferred<br>Securities            |
| Balance at beginning<br>of period | \$413                                    | \$2,210                             | \$96                            | \$3,092                            | \$1,168                                 | \$2,142                             | \$89                            | \$3,080                            |
| Purchases /<br>contributions      | —  | 115                                 | 3                               | —                                  | —                                       | 318                                 | 10                              | —                                  |
| Sales / distributions             | —  | (28)                                | (7,066)                         | —                                  | (419)                                   | (141)                               | (7,066)                         | —                                  |
| Realized gain (loss)              | —  | 11                                  | —                               | —                                  | (211)                                   | 11                                  | —                               | —                                  |
| Unrealized gain<br>(loss) *       | 11                                       | 275                                 | 12                              | 262                                | (114)                                   | 253                                 | 12                              | 274                                |
| Transfers into level<br>3         | —  | —                                   | 7,436                           | —                                  | —                                       | —                                   | 7,436                           | —                                  |
| Balance at end of<br>period       | \$424                                    | \$2,583                             | \$481                           | \$3,354                            | \$424                                   | \$2,583                             | \$481                           | \$3,354                            |

\* Pertains to unrealized gain (loss) from securities held at September 30, 2013.



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

|                                | Three Months Ended<br>September 30, 2012 |                                     |                                    |                         | Nine Months Ended<br>September 30, 2012 |                                     |                                    |                         |
|--------------------------------|--|-------------------------------------|------------------------------------|-------------------------|---|-------------------------------------|------------------------------------|-------------------------|
|                                | Securities<br>Owned                      | Equity<br>Method<br>Investments     | Investments,<br>available-for-sale | Preferred<br>Securities | Securities<br>Owned                     | Equity<br>Method<br>Investments     | Investments,<br>available-for-sale | Preferred<br>Securities |
|                                | Common<br>Stocks                         | Limited<br>Partnership<br>Interests | GRP-TE                             |                         | Common<br>Stocks                        | Limited<br>Partnership<br>Interests | GRP-TE                             |                         |
| Balance at beginning of period | \$ 1,343                                 | \$ 994                              | \$ 43                              | \$ 3,753                | \$ 1,275                                | \$ —                                | \$ —                               | \$ 4,150                |
| Purchases / contributions      | —  | 1,047                               | 46                                 | 13                      | 628                                     | 2,025                               | 89                                 | 125                     |
| Sales / distributions          | —  | —                                   | —                                  | —                       | —                                       | —                                   | —                                  | (1,213 )                |
| Realized gain                  | —  | —                                   | —                                  | —                       | —                                       | —                                   | —                                  | 100                     |
| Unrealized (loss) gain<br>**   | (150 )                                   | —                                   | —                                  | (649 )                  | (82 )                                   | 16                                  | —                                  | 8                       |
| Transfers out of level<br>3    | —  | —                                   | —                                  | (22 )                   | ^(628 )                                 | *—                                  | —                                  | (75 ) ^                 |
| Balance at end of period       | \$ 1,193                                 | \$ 2,041                            | \$ 89                              | \$ 3,095                | \$ 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.

\*\* Pertains to unrealized (loss) gain from securities held at September 30, 2012.

Realized gain (loss) from investments classified as securities owned, equity method investments and investments, available-for-sale in the above tables was 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 gain (loss) from investments classified as securities owned and equity method investments in the above tables was 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 gain (loss) from investments, available-for-sale in the above tables was recorded as net 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. As part of its independent price verification process, the Company selectively performs detailed reviews of valuations

provided by broker/dealers or pricing services.

Foreign exchange contracts are valued by interpolating a value using the spot foreign exchange rate and forward points (based on the spot rate and currency interest rate differentials), which are all inputs that are observable in active markets (level 2).

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 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 is primarily comprised of senior members from various departments within the

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Company, including investment management. The valuation committee provides independent oversight of the valuation policies and procedures.

The valuation techniques and significant unobservable inputs used in the fair value measurement of the following level 3 investments as of September 30, 2013 were:

|   | Fair Value<br>(in<br>thousands) | Fair Value<br>Methodology   | Significant<br>Unobservable Inputs                                | Input /<br>Range                           |
|---|---------------------------------|-----------------------------|---|--|
| Common shares of privately-held company                           | \$424                           | Market comparable companies | Price / tangible book ratio<br>Liquidity discount                 | 1.24x<br>37.8%                             |
| Limited partnership interests - direct investments in real estate | \$1,985                         | Discounted cash flows       | Discount rate<br>Exit capitalization rates<br>Market rental rates | 9% - 15%<br>8% - 9%<br>\$15.00 - 21.00 psf |

The valuation techniques and significant unobservable inputs used in the fair value measurement of the following level 3 investments as of December 31, 2012 were:

|   | Fair Value<br>(in<br>thousands) | Fair Value<br>Methodology   | Significant<br>Unobservable Inputs | Range        |
|---|---------------------------------|-----------------------------|------------------------------------|--------------|
| Common shares of privately-held company | \$1,168                         | Market comparable companies | Price / tangible book ratio        | 1.02x - 1.1x |
| Limited partnership interests           | \$2,142                         | Transaction value           | Recent transaction price           |              |

Changes in the significant unobservable inputs in the tables above may result in a materially higher or lower fair value measurement. The disclosure in the above tables 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. The disclosure in the above tables also excludes the Company's ownership interests in limited partnership vehicles which are valued based on the net asset values of the underlying funds.

## 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 at September 30, 2013 (in thousands):

|                                  | September 30, 2013 |            |             |            |
|----------------------------------|--------------------|------------|-------------|------------|
|                                  | Assets             |            | Liabilities |            |
|                                  | Notional           | Fair Value | Notional    | Fair Value |
| Total foreign exchange contracts | \$13,348           | \$109      | \$6,433     | \$187      |
| Total commodity contracts        | 8,121              | 230        | 6,671       | 263        |
| Total derivatives                | \$21,469           | \$339      | \$13,104    | \$450      |



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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 at December 31, 2012 (in thousands):

|                                  | December 31, 2012 |            |             |            |
|----------------------------------|-------------------|------------|-------------|------------|
|                                  | Assets            |            | Liabilities |            |
|                                  | Notional          | Fair Value | Notional    | Fair Value |
| Total equity contracts           | \$9,608           | \$103      | \$4,942     | \$115      |
| Total foreign exchange contracts | 13,584            | 616        | —           | —          |
| Total commodity contracts        | 17,817            | 336        | 10,954      | 492        |
| Total credit contracts           | —                 | —          | 1,500       | 20         |
| Total derivatives                | \$41,009          | \$1,055    | \$17,396    | \$627      |

As of September 30, 2013, cash included in due from broker and securities included in securities owned in the condensed consolidated statement of financial condition of approximately \$956,000 and \$8,499,000, respectively, were held as collateral for futures. As of December 31, 2012, cash included in due from broker and securities included in securities owned in the condensed consolidated statement of financial condition of approximately \$2,161,000 and \$849,000, respectively, were held as collateral for futures, total return and credit default swaps.

Gain and loss from derivative financial instruments for the three and nine months ended September 30, 2013 and 2012 are summarized below (in thousands):

|                            | Three Months Ended |         | Nine Months Ended |       |
|----------------------------|--------------------|---------|-------------------|-------|
|                            | September 30,      |         | September 30,     |       |
|                            | 2013               | 2012    | 2013              | 2012  |
| Equity contracts           | \$—                | \$14    | \$(584)           | \$94  |
| Foreign exchange contracts | (105)              | (520)   | 1,224             | 71    |
| Commodity contracts        | 1,087              | 1,585   | (2,753)           | 465   |
| Credit contracts           | —                  | (15)    | (21)              | (22)  |
| Total derivatives          | \$982              | \$1,064 | \$(2,134)         | \$608 |

## 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, 2013 and 2012.

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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, 2013 and 2012 (in thousands, except per share data):

|  | Three Months Ended |          | Nine Months Ended |          |   |
|--|--------------------|----------|-------------------|----------|---|
|  | September 30,      |          | September 30,     |          |   |
|  | 2013               | 2012     | 2013              | 2012     |   |
| Net income   | \$19,817           | \$12,567 | \$43,827          | \$45,852 |   |
| Less: Net (income) loss attributable to redeemable noncontrolling interest | (1,534             | ) (2,306 | ) 4,879           | (1,458   | ) |
| Net income attributable to common shareholders                             | \$18,283           | \$10,261 | \$48,706          | \$44,394 |   |
| Basic weighted average shares outstanding                                  | 44,317             | 43,822   | 44,254            | 43,744   |   |
| Dilutive potential shares from restricted stock units                      | 789                | 715      | 743               | 695      |   |
| Diluted weighted average shares outstanding                                | 45,106             | 44,537   | 44,997            | 44,439   |   |
| Basic earnings per share attributable to common shareholders               | \$0.41             | \$0.23   | \$1.10            | \$1.01   |   |
| Diluted earnings per share attributable to common shareholders             | \$0.41             | \$0.23   | \$1.08            | \$1.00   |   |

#### 8. Income Taxes

The provision for income taxes for the nine months ended September 30, 2013 includes U.S. federal, state, local and foreign taxes at an approximate effective tax rate of 37.5%, which included discrete items, the most significant of which was attributable to the launch costs of Cohen & Steers MLP Income and Energy Opportunity Fund, Inc., a closed-end mutual fund. Excluding the discrete items, the effective tax rate for the nine months ended September 30, 2013 was approximately 38%. The effective tax rate for the three months ended September 30, 2013 was approximately 38%. The effective tax rate for each of the three and nine months ended September 30, 2012 was approximately 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., 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 Company expects the tax rate for the full year 2013 to approximate 38%, 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, 2013, Securities had net capital of approximately \$2,616,000, which exceeded its requirements by approximately \$2,528,000. 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 (collectively, the "Foreign Regulated Entities") are regulated outside the U.S. by the Hong Kong Securities and Futures Commission, the United Kingdom Financial Conduct Authority, and the Belgium Financial Services and Markets Authority. As of September 30, 2013, the Foreign Regulated Entities had aggregate

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regulatory capital of approximately \$47,863,000, which exceeded requirements by approximately \$44,797,000. In February 2013, the Company completed a reorganization of Cohen & Steers Europe S.P.R.L. which resulted in funds moving to the U.S.

#### 10. Related Party Transactions

The Company is an investment adviser to, and has administrative agreements with, affiliated 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, 2013 and 2012 (in thousands):

|   | Three Months Ended |          | Nine Months Ended |           |
|---|--------------------|----------|-------------------|-----------|
|   | September 30,      |          | September 30,     |           |
|   | 2013               | 2012     | 2013              | 2012      |
| Investment advisory and administration fees | \$48,264           | \$41,001 | \$141,792         | \$113,847 |
| Distribution and service fees               | 3,627              | 2,881    | 10,802            | 8,129     |
|   | \$51,891           | \$43,882 | \$152,594         | \$121,976 |

For the nine months ended September 30, 2012, the Company had investment advisory agreements with certain affiliated closed-end mutual funds, pursuant to which the Company contractually waived approximately \$299,000 of advisory fees it was otherwise entitled to receive. There were no such fees waived for the three and nine months ended September 30, 2013 or for the three months ended September 30, 2012. These investment advisory agreements contractually required the Company to waive a portion of the advisory fees the Company otherwise would charge for up to 10 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, 2013, there were no additional scheduled reductions in advisory fee waivers for any fund.

Sales proceeds, gross realized gain and dividend income from investments, available-for-sale in Company-sponsored mutual funds for the three and nine months ended September 30, 2013 and 2012 are summarized below (in thousands):

|                     | Three Months Ended |      | Nine Months Ended |       |
|---------------------|--------------------|------|-------------------|-------|
|                     | September 30,      |      | September 30,     |       |
|                     | 2013               | 2012 | 2013              | 2012  |
| Proceeds from sales | \$102              | \$—  | \$10,715          | \$103 |
| Gross realized gain | 2                  | —    | 615               | 4     |
| Dividend income     | —                  | —    | —                 | 2     |

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, 2013 and 2012, expenses of approximately \$2,629,000 and \$1,214,000, 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, 2013 and 2012, expenses of approximately \$7,353,000 and \$4,735,000, respectively, were incurred.

Included in accounts receivable at September 30, 2013 and December 31, 2012 are receivables due from affiliated funds of approximately \$17,814,000 and \$18,133,000, respectively.



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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 up to \$5.1 million alongside GRP-TE, a portion of which is made through GRP-TE and the remainder of which is made through GRP-CIP for up to 12 years through the life of GRP-TE. As of September 30, 2013, the Company has funded approximately \$2.5 million with respect to this commitment. The actual timing of the funding of this commitment is currently unknown, as the drawdown of the Company's commitment is contingent on the timing of drawdowns by the underlying funds and co-investments in which GRP-TE invests. This unfunded commitment was not recorded on the Company's condensed consolidated statement of financial condition as of September 30, 2013.

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.

13. Subsequent Events

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through the date the condensed consolidated financial statements were issued. Other than the items described below, the Company determined that there were no additional subsequent events that necessitated disclosures and/or adjustments.

On November 6, 2013, CNS declared quarterly and special cash dividends on its common stock in the amount of \$0.20 and \$1.00 per share, respectively. These dividends will be payable on December 20, 2013 to stockholders of record at the close of business on December 2, 2013.

## 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, 2013 and September 30, 2012. 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 with a long history of innovation and a focus on real assets, including real estate, infrastructure and commodities. 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<br>September 30, |          | Nine Months Ended<br>September 30, |          |
|--|-------------------------------------|----------|------------------------------------|----------|
|  | 2013                                | 2012     | 2013                               | 2012     |
| <b>Institutional Accounts</b>                |                                     |          |                                    |          |
| Assets under management, beginning of period | \$24,538                            | \$25,599 | \$24,850                           | \$25,380 |
| Inflows                                      | 91                                  | 362      | 614                                | 1,728    |
| Outflows                                     | (1,395)                             | (2,044)  | (3,351)                            | (6,262)  |
| Net outflows                                 | (1,304)                             | (1,682)  | (2,737)                            | (4,534)  |
| Market appreciation                          | 57                                  | 727      | 1,178                              | 3,798    |
| Total decrease                               | (1,247)                             | (955)    | (1,559)                            | (736)    |
| Assets under management, end of period       | \$23,291                            | \$24,644 | \$23,291                           | \$24,644 |
| Average assets under management for period   | \$23,729                            | \$25,393 | \$25,061                           | \$25,591 |
| <b>Open-End Mutual Funds</b>                 |                                     |          |                                    |          |
| Assets under management, beginning of period | \$14,442                            | \$12,114 | \$12,962                           | \$9,619  |
| Inflows                                      | 1,121                               | 1,225    | 4,418                              | 3,984    |
| Outflows                                     | (1,167)                             | (1,061)  | (3,446)                            | (2,589)  |
| Net (outflows) inflows                       | (46)                                | 164      | 972                                | 1,395    |
| Market (depreciation) appreciation           | (134)                               | 250      | 328                                | 1,514    |
| Total (decrease) increase                    | (180)                               | 414      | 1,300                              | 2,909    |
| Assets under management, end of period       | \$14,262                            | \$12,528 | \$14,262                           | \$12,528 |
| Average assets under management for period   | \$14,385                            | \$12,490 | \$14,397                           | \$11,533 |
| <b>Closed-End Mutual Funds</b>               |                                     |          |                                    |          |
| Assets under management, beginning of period | \$8,843                             | \$6,678  | \$7,985                            | \$6,285  |
| Inflows                                      | —                                   | 889      | 739                                | 889      |
| Outflows                                     | —                                   | —        | —                                  | —        |
| Inflows                                      | —                                   | 889      | 739                                | 889      |
| Market (depreciation) appreciation           | (60)                                | 206      | 59                                 | 599      |
| Total (decrease) increase                    | (60)                                | 1,095    | 798                                | 1,488    |
| Assets under management, end of period       | \$8,783                             | \$7,773  | \$8,783                            | \$7,773  |
| Average assets under management for period   | \$8,864                             | \$7,312  | \$8,723                            | \$6,826  |
| <b>Total</b>                                 |                                     |          |                                    |          |
| Assets under management, beginning of period | \$47,823                            | \$44,391 | \$45,797                           | \$41,284 |
| Inflows                                      | 1,212                               | 2,476    | 5,771                              | 6,601    |
| Outflows                                     | (2,562)                             | (3,105)  | (6,797)                            | (8,851)  |
| Net outflows                                 | (1,350)                             | (629)    | (1,026)                            | (2,250)  |
| Market (depreciation) appreciation           | (137)                               | 1,183    | 1,565                              | 5,911    |
| Total (decrease) increase                    | (1,487)                             | 554      | 539                                | 3,661    |
| Assets under management, end of period       | \$46,336                            | \$44,945 | \$46,336                           | \$44,945 |
| Average assets under management for period   | \$46,978                            | \$45,195 | \$48,181                           | \$43,950 |



Assets under management were \$46.3 billion at September 30, 2013, compared with \$44.9 billion at September 30, 2012. The increase was due to market appreciation of \$2.8 billion, partially offset by net outflows of \$1.4 billion during the prior twelve month period.

Average assets under management were \$47.0 billion in the three months ended September 30, 2013, an increase of 4% from \$45.2 billion in the three months ended September 30, 2012. Average assets under management were \$48.2 billion in the nine months ended September 30, 2013, an increase of 10% from \$44.0 billion in the nine months ended September 30, 2012.

#### Institutional accounts

Institutional accounts assets under management were \$23.3 billion at September 30, 2013, a decrease of 5% from \$24.6 billion at September 30, 2012. The decrease in assets under management was due to net outflows of \$3.3 billion, primarily from global/international real estate strategies associated with subadvisory relationships, partially offset by market appreciation of \$1.9 billion during the prior twelve month period.

Average assets under management for institutional accounts were \$23.7 billion in the three months ended September 30, 2013, a decrease of 7% from \$25.4 billion in the three months ended September 30, 2012. Average assets under management for institutional accounts were \$25.1 billion in the nine months ended September 30, 2013, a decrease of 2% from \$25.6 billion in the nine months ended September 30, 2012.

Net outflows for institutional accounts were \$1.3 billion in the three months ended September 30, 2013, compared with \$1.7 billion in the three months ended September 30, 2012. Gross inflows were \$91 million in the three months ended September 30, 2013, compared with \$362 million in the three months ended September 30, 2012. Gross outflows totaled \$1.4 billion in the three months ended September 30, 2013, compared with \$2.0 billion in the three months ended September 30, 2012. Market appreciation was \$57 million in the three months ended September 30, 2013, compared with \$727 million in the three months ended September 30, 2012.

Net outflows for institutional accounts were \$2.7 billion in the nine months ended September 30, 2013, compared with \$4.5 billion in the nine months ended September 30, 2012. Gross inflows were \$614 million in the nine months ended September 30, 2013, compared with \$1.7 billion in the nine months ended September 30, 2012. Gross outflows totaled \$3.4 billion in the nine months ended September 30, 2013, compared with \$6.3 billion in the nine months ended September 30, 2012. Market appreciation was \$1.2 billion in the nine months ended September 30, 2013, compared with \$3.8 billion in the nine months ended September 30, 2012.

#### Open-end mutual funds

Open-end mutual fund assets under management were \$14.3 billion at September 30, 2013, an increase of 14% from \$12.5 billion at September 30, 2012. The increase in assets under management was due to net inflows of \$1.1 billion, primarily from preferred securities and U.S. real estate strategies, and market appreciation of \$677 million during the prior twelve month period.

Average assets under management for open-end mutual funds were \$14.4 billion in the three months ended September 30, 2013, an increase of 15% from \$12.5 billion in the three months ended September 30, 2012. Average assets under management for open-end mutual funds were \$14.4 billion in the nine months ended September 30, 2013, an increase of 25% from \$11.5 billion in the nine months ended September 30, 2012.

Net outflows for open-end mutual funds were \$46 million in the three months ended September 30, 2013, compared with net inflows of \$164 million in the three months ended September 30, 2012. Gross inflows were \$1.1 billion in the three months ended September 30, 2013, compared with \$1.2 billion in the three months ended September 30, 2012. Gross outflows totaled \$1.2 billion in the three months ended September 30, 2013, compared with \$1.1 billion in the three months ended September 30, 2012. Market depreciation was \$134 million in the three months ended September 30, 2013, compared with market appreciation of \$250 million in the three months ended September 30, 2012.

Net inflows for open-end mutual funds were \$972 million in the nine months ended September 30, 2013, compared with \$1.4 billion in the nine months ended September 30, 2012. Gross inflows were \$4.4 billion in the nine months ended September 30, 2013, compared with \$4.0 billion in the nine months ended September 30, 2012. Gross outflows totaled \$3.4 billion in the nine months ended September 30, 2013, compared with \$2.6 billion in the nine months ended September 30,



2012. Market appreciation was \$328 million in the nine months ended September 30, 2013, compared with \$1.5 billion in the nine months ended September 30, 2012.

#### Closed-end mutual funds

Closed-end mutual funds assets under management were \$8.8 billion at September 30, 2013, an increase of 13% from \$7.8 billion at September 30, 2012. The increase in assets under management was due to net inflows of \$854 million, primarily from the launches of Cohen & Steers Limited Duration Preferred and Income Fund, Inc. ("LDP") and Cohen & Steers MLP Income and Energy Opportunity Fund, Inc. ("MIE"), and market appreciation of \$156 million during the prior twelve month period.

Average assets under management for closed-end mutual funds were \$8.9 billion in the three months ended September 30, 2013, an increase of 21% from \$7.3 billion in the three months ended September 30, 2012. Average assets under management for closed-end mutual funds were \$8.7 billion in the nine months ended September 30, 2013, an increase of 28% from \$6.8 billion in the nine months ended September 30, 2012.

Market depreciation was \$60 million in the three months ended September 30, 2013, compared with market appreciation of \$206 million in the three months ended September 30, 2012.

Closed-end mutual funds had inflows of \$739 million in the nine months ended September 30, 2013 from the launch of MIE, compared with \$889 million in the nine months ended September 30, 2012 from the launch of LDP. Market appreciation was \$59 million in the nine months ended September 30, 2013, compared with \$599 million in the nine months ended September 30, 2012.

#### Results of Operations

Three Months Ended September 30, 2013 compared with Three Months Ended September 30, 2012

| (in thousands)                           | Three Months Ended<br>September 30, |           |
|--|-------------------------------------|-----------|
|  | 2013                                | 2012      |
| Results of operations                    |                                     |           |
| Total revenue                            | \$74,026                            | \$71,296  |
| Total expenses                           | (46,307                             | ) (59,057 |
| Total non-operating income               | 3,303                               | 5,315     |
| Income before provision for income taxes | \$31,022                            | \$17,554  |

#### Revenue

Total revenue increased 4% to \$74.0 million in the three months ended September 30, 2013 from \$71.3 million in the three months ended September 30, 2012. This increase was primarily attributable to higher investment advisory and administration fees resulting from higher average assets under management, partially offset by lower portfolio consulting and other fees. Average assets under management in the three months ended September 30, 2013 were \$47.0 billion compared with \$45.2 billion in the three months ended September 30, 2012.

In the three months ended September 30, 2013, total investment advisory and administration revenue from institutional accounts decreased 11% to \$19.7 million from \$22.2 million in the three months ended September 30, 2012. 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, 2013 were \$23.7 billion compared with \$25.4 billion in the three months ended September 30, 2012.

In the three months ended September 30, 2013, total investment advisory and administration revenue from open-end mutual funds increased 13% to \$28.9 million from \$25.5 million in the three months ended September 30, 2012. The increase in open-end mutual fund revenue was attributable to higher average assets under management resulting from net inflows of \$1.1 billion, primarily from preferred securities and U.S. real estate strategies, and market appreciation of \$677 million during the prior twelve month period. Average assets under management for open-end mutual funds in the three months ended September 30, 2013 were \$14.4 billion compared with \$12.5 billion in the three months ended September 30, 2012.



In the three months ended September 30, 2013, total investment advisory and administration revenue from closed-end mutual funds increased 23% to \$19.1 million from \$15.5 million in the three months ended September 30, 2012. The increase in closed-end mutual fund revenue was attributable to higher average assets under management resulting from net inflows of \$854 million, primarily from the launches of LDP and MIE, and market appreciation of \$156 million during the prior twelve month period. Average assets under management for closed-end mutual funds in the three months ended September 30, 2013 were \$8.9 billion compared with \$7.3 billion in the three months ended September 30, 2012.

In the three months ended September 30, 2013, total distribution and service fee revenue increased 26% to \$3.6 million from \$2.9 million in the three months ended September 30, 2012. The increase was primarily due to higher average assets under management in our open-end mutual funds in 2013.

In the three months ended September 30, 2013, total portfolio consulting and other revenue decreased 48% to \$2.7 million from \$5.2 million in the three months ended September 30, 2012. The decrease was primarily attributable to lower average assets under advisement from model-based strategies.

#### Expenses

Total operating expenses decreased 22% to \$46.3 million in the three months ended September 30, 2013 from \$59.1 million in the three months ended September 30, 2012, primarily due to decreases in distribution and service fees and employee compensation and benefits, partially offset by an increase in general and administrative expenses.

Distribution and service fee expenses decreased 61% to \$8.4 million in the three months ended September 30, 2013 from \$21.4 million in the three months ended September 30, 2012. 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 over the adjusted distribution and service fee expenses was primarily due to higher average assets under management in our open-end mutual funds.

Employee compensation and benefits decreased 4% to \$24.1 million in the three months ended September 30, 2013 from \$25.1 million in the three months ended September 30, 2012, primarily due to lower incentive and production compensation, net of deferrals, of approximately \$3.1 million, partially offset by higher amortization of restricted stock units of approximately \$1.2 million and higher salaries of approximately \$510,000.

General and administrative expenses increased 10% to \$11.7 million in the three months ended September 30, 2013 from \$10.6 million in the three months ended September 30, 2012. The increase was primarily due to higher fund related expenses of approximately \$1.8 million, partially offset by lower professional fees of approximately \$784,000.

#### Non-operating Income

Non-operating income decreased to \$3.3 million in the three months ended September 30, 2013 from \$5.3 million in the three months ended September 30, 2012, primarily due to lower earnings from our seed investments.

#### Income Taxes

We recorded an income tax expense of \$11.2 million in the three months ended September 30, 2013, compared with \$5.0 million in the three months ended September 30, 2012. The provision for income taxes in the three months ended September 30, 2013 included U.S. federal, state, local and foreign taxes at an approximate effective tax rate of 38%. The effective tax rate for the three months ended September 30, 2012 was approximately 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%. We expect our tax rate for the full year 2013 to approximate 38%, excluding discrete items.

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Nine Months Ended September 30, 2013 compared with Nine Months Ended September 30, 2012

| (in thousands)                           | Nine Months Ended<br>September 30, |            |
|--|------------------------------------|------------|
|  | 2013                               | 2012       |
| Results of operations                    |                                    |            |
| Total revenue                            | \$224,281                          | \$202,458  |
| Total expenses                           | (147,295 )                         | (138,759 ) |
| Total non-operating (loss) income        | (3,949 )                           | 6,340      |
| Income before provision for income taxes | \$73,037                           | \$70,039   |

Revenue

Total revenue increased 11% to \$224.3 million in the nine months ended September 30, 2013 from \$202.5 million in the nine months ended September 30, 2012. This increase was primarily attributable to higher investment advisory and administration fees resulting from higher average assets under management, partially offset by lower portfolio consulting and other fees. Average assets under management in the nine months ended September 30, 2013 were \$48.2 billion compared with \$44.0 billion in the nine months ended September 30, 2012.

In the nine months ended September 30, 2013, total investment advisory and administration revenue from institutional accounts decreased 7% to \$62.3 million from \$67.2 million in the nine months ended September 30, 2012. The decrease in institutional account revenue was primarily attributable to a lower effective fee rate and lower average assets under management. Average assets under management for institutional accounts in the nine months ended September 30, 2013 were \$25.1 billion compared with \$25.6 billion in the nine months ended September 30, 2012.

In the nine months ended September 30, 2013, total investment advisory and administration revenue from open-end mutual funds increased 21% to \$85.8 million from \$70.8 million in the nine months ended September 30, 2012. 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 nine months ended September 30, 2013 were \$14.4 billion compared with \$11.5 billion in the nine months ended September 30, 2012.

In the nine months ended September 30, 2013, total investment advisory and administration revenue from closed-end mutual funds increased 29% to \$55.3 million from \$43.0 million in the nine months ended September 30, 2012. The increase in closed-end mutual fund revenue was attributable to higher average assets under management resulting primarily from the launches of LDP and MIE. Average assets under management for closed-end mutual funds in the nine months ended September 30, 2013 were \$8.7 billion compared with \$6.8 billion in the nine months ended September 30, 2012.

In the nine months ended September 30, 2013, total distribution and service fee revenue increased 33% to \$10.8 million from \$8.1 million in the nine months ended September 30, 2012. The increase was primarily due to higher average assets under management in our open-end mutual funds in 2013.

In the nine months ended September 30, 2013, total portfolio consulting and other revenue decreased 24% to \$10.0 million from \$13.3 million in the nine months ended September 30, 2012. The decrease was primarily attributable to lower average assets under advisement from model-based strategies.

Expenses

Total operating expenses increased 6% to \$147.3 million in the nine months ended September 30, 2013 from \$138.8 million in the nine months ended September 30, 2012, primarily due to increases in general and administrative expenses and employee compensation and benefits, partially offset by a decrease in distribution and service fees.

General and administrative expenses increased 22% to \$35.4 million in the nine months ended September 30, 2013 from \$29.1 million in the nine months ended September 30, 2012. The increase was primarily due to higher fund related expenses of approximately \$2.7 million, higher rent of approximately \$1.5 million resulting from the extension of the lease for our corporate headquarters in New York City and higher information technology costs of approximately \$752,000 primarily related to upgrades made to our infrastructure, including trading and application systems.



Employee compensation and benefits increased 4% to \$72.3 million in the nine months ended September 30, 2013 from \$69.7 million in the nine months ended September 30, 2012, primarily due to higher amortization of restricted stock units of approximately \$2.8 million and higher salaries of approximately \$1.5 million, partially offset by lower incentive and production compensation, net of deferrals, of approximately \$2.6 million.

Distribution and service fee expenses decreased 3% to \$33.1 million in the nine months ended September 30, 2013 from \$34.1 million in the nine months ended September 30, 2012. The nine months ended September 30, 2013 results included approximately \$7.2 million of distribution costs associated with the launch of MIE. After adjusting for these costs, distribution and service fee expenses would have been \$25.9 million. 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, distribution and service fee expenses would have been \$19.8 million. The increase in distribution and service fee expenses after adjustments was primarily due to higher average assets under management in our open-end mutual funds and additional expenses related to the exercise of the underwriters' over-allotment option for MIE during the nine months ended September 30, 2013.

#### Non-operating Income

Non-operating loss was \$3.9 million in the nine months ended September 30, 2013, compared with non-operating income of \$6.3 million in the nine months ended September 30, 2012. The decrease was primarily due to net losses in our consolidated seed investments.

#### Income Taxes

We recorded an income tax expense of \$29.2 million in the nine months ended September 30, 2013, compared with \$24.2 million in the nine months ended September 30, 2012. The provision for income taxes in the nine months ended September 30, 2013 included U.S. federal, state, local and foreign taxes at an approximate effective tax rate of 37.5%, which included discrete items, the most significant of which was attributable to the launch costs for MIE. Excluding the discrete items, the effective tax rate for the nine months ended September 30, 2013 was approximately 38%. The effective tax rate for the nine months ended September 30, 2012 was approximately 35%, which included discrete items, the most significant of which was attributable to the offering costs of LDP. Excluding the discrete items, the effective tax rate for the nine months ended September 30, 2012 was approximately 36%. We expect our tax rate for the full year 2013 to approximate 38%, excluding discrete items.

#### Changes in Financial Condition, 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, securities owned, 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 method investments, investments, available-for-sale and accounts receivable were 78% and 50% of total assets as of September 30, 2013 and December 31, 2012, respectively, excluding investments classified as level 3 in accordance with Accounting Standard Codification (the "Codification") Topic 820, Fair Value Measurements and Disclosures ("ASC 820").

Included in equity method investments was approximately \$8.0 million invested in our offshore global real estate long-short fund which was classified as level 2 at December 31, 2012. See Notes 4 and 5 to the condensed consolidated financial statements relating to investments.

Cash and cash equivalents increased by \$47.9 million, excluding the effect of foreign exchange rate changes, in the nine months ended September 30, 2013. Net cash provided by operating activities was \$41.1 million in the nine months ended September 30, 2013. Net cash of \$15.5 million was provided by investing activities, from proceeds from sales of investments, available-for-sale in the amount of \$20.2 million and proceeds from redemption of equity method investments of \$7.7 million, partially offset by purchases of \$8.2 million of investments, available-for-sale and purchases of \$4.3 million of property and equipment. Net cash of \$8.7 million was used in financing activities, primarily for dividends to stockholders of \$26.6 million, redemptions of redeemable noncontrolling interest of \$14.2 million and repurchases of common stock of \$8.0 million to satisfy employee withholding tax obligations on the delivery of restricted stock units, partially offset by contributions from redeemable noncontrolling interest of \$37.7 million and excess tax benefits associated with the delivery of restricted stock units of \$2.0 million.





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.

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, 2013, we exceeded our minimum regulatory capital requirements by approximately \$2.5 million. 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 Conduct Authority, and the Belgium Financial Services and Markets Authority. At September 30, 2013, our non-U.S. subsidiaries exceeded their aggregate minimum regulatory requirements by approximately \$44.8 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 \$67.6 million held by our foreign subsidiaries as of September 30, 2013, including amounts held by Cohen & Steers Europe S.P.R.L. ("CSE"). In February 2013, we completed a reorganization of CSE. This transaction did not impact the accounting for income taxes as of September 30, 2013. 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 in the U.S.

We periodically commit to fund a portion of the equity in certain of our sponsored investment products. We have committed to co-invest up to \$5.1 million alongside Cohen & Steers Global Realty Partners III-TE, L.P. ("GRP-TE"). As of September 30, 2013, we have funded approximately \$2.5 million with respect to this commitment. Our co-investment alongside GRP-TE is illiquid and will be invested for up to 12 years through the life of the fund. The actual timing of the funding of this commitment is currently unknown, as the drawdown of our commitment is contingent on the timing of drawdowns by the underlying funds and co-investments in which GRP invests. The unfunded portion of this commitment was not recorded on our condensed consolidated statement of financial condition as of September 30, 2013.

#### 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, 2013. The following summarizes our contractual obligations as of September 30, 2013 (in thousands):

|                  | 2013    | 2014    | 2015    | 2016    | 2017    | 2018<br>and after | Total    |
|------------------|---------|---------|---------|---------|---------|-------------------|----------|
| Operating leases | \$2,060 | \$7,903 | \$8,993 | \$8,748 | \$8,447 | \$55,768          | \$91,919 |

#### 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 in accordance with accounting principles generally accepted in the United States of America 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

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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, 2012.

#### Consolidation

We consolidate operating entities deemed to be voting interest entities if we own a majority of the voting interest. The equity method of accounting is used for investments in non-controlled affiliates in which our ownership ranges from 20 to 50 percent, or in instances in which we are able to exercise significant influence but not control. We also consolidate any variable interest entities (“VIEs”) in which we are the primary beneficiary. We provide for noncontrolling interests in consolidated subsidiaries for which our 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. We assess whether entities in which we have an interest are VIEs upon initial involvement and at each reporting date. We assess whether we are the primary beneficiary of any VIEs identified by evaluating our economic interests in the entity held either directly by us and our affiliates or indirectly through employees. See Note 4 for further discussion about our investments.

#### 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 gain and loss are recorded as gain (loss) from trading securities—net reported in our condensed consolidated statements of operations.

Investments classified as equity method 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. As of September 30, 2013, our equity method investments consisted of interests in funds which measure their underlying investments at fair value and report a net asset value on a recurring basis. 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 gain and loss, 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 gain exposure to the underlying commodities markets or 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 gain and loss recorded as gain (loss) from trading securities—net in our condensed consolidated statements of operations. The fair values 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 exchange contracts to hedge our currency exposure related to client receivables. These instruments are measured at fair value with gain and loss recorded in other non-operating income in our condensed consolidated statements of operations. The fair values of these contracts are recorded in other assets or other liabilities and accrued expenses 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 and are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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, 2012.

#### 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 July 2013, the Financial Accounting Standards Board (“FASB”) issued new guidance on the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. An entity is required to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward unless a net operating loss carryforward, a similar tax loss or a tax credit carryforward is not available as of the reporting date or the entity does not intend to use the deferred tax asset for this purpose (provided that the tax law permits a choice). This new guidance will be effective for the first quarter of our 2014 fiscal year. We do not anticipate that the adoption of this new guidance will have a material impact on our condensed consolidated financial statements.

In February 2013, the FASB issued new guidance requiring an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. An entity is also required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. This new guidance was effective for the first quarter of our 2013 fiscal year. The adoption of this new guidance did not have a material impact on our condensed consolidated financial statements.

In January 2013, the FASB issued new guidance to clarify the scope of the offsetting disclosures associated with derivative and hedging transactions, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions. This new guidance was effective for the first quarter of our 2013 fiscal year. The adoption of this new guidance did not have a material impact on our condensed consolidated financial statements.

In October 2012, the FASB issued new guidance to make certain technical corrections to the Codification, which identifies when the use of fair value should be linked to the definition of fair value in ASC 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 were effective for the first quarter of our 2013 fiscal year. The adoption of this new guidance did not 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 was effective for the first quarter of our 2013 fiscal year. The adoption of this new guidance did not 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 was effective for the first quarter of our 2013 fiscal year. The adoption of this new guidance did not have a material impact on our condensed consolidated financial statements.

#### 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,” “may,” “should,” “seeks,” “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, 2012, which is accessible on the Securities and Exchange Commission’s website at [www.sec.gov](http://www.sec.gov) and on our website at [www.cohenandsteers.com](http://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, 2012.

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, 2013.

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, 2013 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, 2013 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 financial condition. From time to time, we receive subpoenas or other requests for information from various U.S. federal, state governmental and domestic and international regulatory authorities in connection with certain industry-wide or other investigations or proceedings. It is our policy to cooperate fully with such inquiries.

## Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, please see Part 1, Item 1A of our 2012 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 2012 Annual Report on Form 10-K.

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

During the three months ended September 30, 2013, 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, 2013           | 55                               | (1) \$35.11                  | —  | —  |
| August 1 through August 31, 2013       | 1,412                            | (1) \$33.28                  | —  | —  |
| September 1 through September 30, 2013 | 84                               | (1) \$32.86                  | —  | —  |
| Total                                  | 1,551                            | \$33.32                      | —  | —  |

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

## Item 6. Exhibits

Any agreements or other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and should not be relied upon for that purpose. In particular, any representations and warranties made by the Company in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

| 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, 2013 are furnished herewith, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Financial Condition as of September 30, 2013 and December 31, 2012, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2013 and 2012, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2013 and 2012, (iv) the Condensed Consolidated Statements of Changes in Stockholders' Equity and Redeemable Noncontrolling Interest for the nine months ended September 30, 2013 and 2012, (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012, 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.

SIGNATURES

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 8, 2013

Cohen & Steers, Inc.

/s/ Matthew S. Stadler

Name: Matthew S. Stadler

Title: Executive Vice President & Chief Financial Officer

Date: November 8, 2013

Cohen & Steers, Inc.

/s/ Elena Dulik

Name: Elena Dulik

Title: Senior Vice President & Chief Accounting Officer