COHEN & STEERS INC
Form 10-Q
May 09, 2013

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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2013

OR

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

Commission File Number: 001-32236

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

Delaware (State or Other Jurisdiction of Incorporation or Organization)	14-1904657 (I.R.S. Employer Identification No.)
280 Park Avenue New York, NY (Address of Principal Executive Offices)	10017 (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 x No o

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 x No o

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

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

The number of shares of the Registrant's common stock, par value $0.01 per share, outstanding as of May 6, 2013 was 44,229,518.

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

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

Forward-Looking Statements

This report and other documents filed by us contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “may,” “should,” “seeks,” “predicts,” “int “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 and on our website at www.cohenandsteers.com. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

PART I—Financial Information

Item 1. Financial Statements

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

	March 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$80,272	$95,412
Securities owned ($25,955 and $26,002)* ($935 and $849)**	113,630	97,155
Equity investments	8,349	8,106
Investments, available-for-sale	25,747	25,322
Accounts receivable	57,249	44,397
Due from broker ($10,956 and $12,358)*	25,591	18,233
Property and equipment—net	9,171	9,103
Goodwill	19,782	20,122
Intangible assets—net	1,768	1,790
Deferred income tax asset—net	6,512	10,171
Other assets ($73 and $103)*	6,265	7,504
Total assets	$354,336	$337,315
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accrued compensation	$7,417	$25,845
Securities sold but not yet purchased ($12,536 and $14,685)*	12,536	14,685
Dividend payable	8,851	—
Income tax payable	5,150	8,836
Other liabilities and accrued expenses ($309 and $335)*	26,409	18,181
Total liabilities	60,363	67,547
Commitments and contingencies (See Note 11)		
Redeemable noncontrolling interest	70,684	53,188
Stockholders' equity:		
Common stock, $0.01 par value; 500,000,000 shares authorized; 47,702,678 and 47,002,117 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	477	470
Additional paid-in capital	437,206	429,377
Accumulated deficit	(111,861)	(117,889)
Accumulated other comprehensive income, net of tax	2,984	2,341
Less: Treasury stock, at cost, 3,477,413 and 3,239,093 shares at March 31, 2013 and December 31, 2012 respectively	(105,517)	(97,719)
Total stockholders' equity	223,289	216,580
Total liabilities and stockholders' equity	$354,336	$337,315

* Asset and liability amounts in parentheses represent the consolidated balances attributable to the Cohen & Steers Global Real Estate Long-Short Fund, L.P., which is a variable interest entity, as of March 31, 2013 and December 31, 2012, respectively.
** Pledged as collateral as of March 31, 2013 and December 31, 2012, respectively, attributable to the consolidated balances of Cohen & Steers Real Asset Fund.

See notes to condensed consolidated financial statements

1

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

	Three Months Ended March 31, 2013	2012
Revenue:		
Investment advisory and administration fees	$65,394	$58,155
Distribution and service fees	3,434	2,501
Portfolio consulting and other	3,631	3,074
Total revenue	72,459	63,730
Expenses:		
Employee compensation and benefits	23,377	21,668
Distribution and service fees	15,081	6,237
General and administrative	11,179	8,537
Depreciation and amortization	1,347	1,396
Amortization, deferred commissions	765	496
Total expenses	51,749	38,334
Operating income	20,710	25,396
Non-operating income:		
Interest and dividend income—net	546	621
Gain from trading securities—net	1,624	1,721
Gain from available-for-sale securities—net	491	687
Equity in earnings of affiliates	536	772
Other	(271)	(784)
Total non-operating income	2,926	3,017
Income before provision for income taxes	23,636	28,413
Provision for income taxes	8,135	10,155
Net income	15,501	18,258
Less: Net income attributable to redeemable noncontrolling interest	(360)	(204)
Net income attributable to common shareholders	$15,141	$18,054
Earnings per share attributable to common shareholders:		
Basic	$0.34	$0.41
Diluted	$0.34	$0.41
Weighted average shares outstanding:		
Basic	44,137	43,601
Diluted	44,882	44,386

See notes to condensed consolidated financial statements

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

	Three Months Ended March 31,	
	2013	2012
Net income attributable to common shareholders	$15,141	$18,054
Foreign currency translation (loss) gain, net of tax of zero	(662)	1,139
Net unrealized gain from available-for-sale securities, net of tax of zero	1,796	1,927
Reclassification to statements of operations of gain from available-for-sale securities, net of tax of zero	(491)	(687)
Total comprehensive income attributable to common shareholders	$15,784	$20,433

See notes to condensed consolidated financial statements

COHEN & STEERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND REDEEMABLE NONCONTROLLING INTEREST (Unaudited)
Three Months Ended March 31, 2013 and 2012
(in thousands)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss), Net of Tax	Treasury Stock	Total Stockholders Equity	Redeemable Noncontrolling Interest	Shares of Common Stock, Net
Beginning balance, January 1, 2012	$ 462	$ 402,573	$ (83,063)	$ (225)	$ (89,235)	$ 230,512	$ 4,796	43,168
Dividends	—	—	(8,092)	—	—	(8,092)	—	—
Issuance of common stock	7	146	—	—	—	153	—	802
Repurchase of common stock	—	—	—	—	(8,298)	(8,298)	—	(246)
Tax benefits associated with restricted stock units—net	—	2,760	—	—	—	2,760	—	—
Issuance of restricted stock units	—	823	—	—	—	823	—	—
Amortization of restricted stock units—net	—	4,445	—	—	—	4,445	—	—
Net income	—	—	18,054	—	—	18,054	204	—
Other comprehensive income, net of tax	—	—	—	2,379	—	2,379	—	—
Contributions from redeemable noncontrolling interest	—	—	—	—	—	—	23,444	—
Foreign currency translation adjustment on redeemable noncontrolling interest	—	—	—	—	—	—	33	—
Ending balance, March 31, 2012	$ 469	$ 410,747	$ (73,101)	$ 2,154	$ (97,533)	$ 242,736	$ 28,477	43,724
Beginning balance, January 1, 2013	$ 470	$ 429,377	$ (117,889)	$ 2,341	$ (97,719)	$ 216,580	$ 53,188	43,763
Dividends	—	—	(9,113)	—	—	(9,113)	—	—
Issuance of common stock	7	151	—	—	—	158	—	700
Repurchase of common stock	—	—	—	—	(7,798)	(7,798)	—	(238)

Tax benefits associated with restricted stock units—net	—	1,998	—	—	—	1,998	—	—
Issuance of restricted stock units	—	826	—	—	—	826	—	—
Amortization of restricted stock units—net	—	4,854	—	—	—	4,854	—	—
Net income	—	—	15,141	—	—	15,141	360	—
Other comprehensive income, net of tax	—	—	—	643	—	643	—	—
Contributions from redeemable noncontrolling interest	—	—	—	—	—	—	18,890	—
Redemptions of redeemable noncontrolling interest	—	—	—	—	—	—	(1,754)	—
Ending balance, March 31, 2013	$ 477	$ 437,206	$ (111,861)	$ 2,984	$ (105,517)	$ 223,289	$ 70,684	44,225

See notes to condensed consolidated financial statements

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

	Three Months Ended March 31, 2013	2012
Cash flows from operating activities:		
Net income	$15,501	$18,258
Adjustments to reconcile net income to net cash used in operating activities:		
Stock compensation expense	4,878	4,462
Amortization, deferred commissions	765	496
Depreciation and amortization	1,347	1,396
Deferred rent	480	(130)
Gain from trading securities - net	(1,624)	(1,721)
Equity in earnings of affiliates	(536)	(772)
Gain from available-for-sale securities - net	(491)	(687)
Deferred income taxes	3,471	4,913
Foreign currency loss	1,750	953
Changes in operating assets and liabilities:		
Accounts receivable	(14,602)	(14,947)
Due from broker	(5,650)	(11,817)
Deferred commissions	(770)	(765)
Securities owned	(16,178)	(45,325)
Other assets	1,244	107
Accrued compensation	(17,939)	(16,851)
Securities sold but not yet purchased	(2,268)	5,224
Income tax payable	(3,459)	(2,264)
Other liabilities and accrued expenses	7,638	3,203
Net cash used in operating activities	(26,443)	(56,267)
Cash flows from investing activities:		
Proceeds from redemption (purchases) of equity investments	294	(36)
Purchases of investments, available-for-sale	(2,231)	(8,624)
Proceeds from sales of investments, available-for-sale	3,510	9,869
Purchases of property and equipment	(1,416)	(1,054)
Net cash provided by investing activities	157	155
Cash flows from financing activities:		
Excess tax benefits associated with restricted stock units	1,952	2,801
Issuance of common stock	134	137
Repurchase of common stock	(7,798)	(8,298)
Redemptions of redeemable noncontrolling interest	(1,754)	—
Contributions from redeemable noncontrolling interest	18,890	23,444
Net cash provided by financing activities	11,424	18,084
Net decrease in cash and cash equivalents	(14,862)	(38,028)
Effect of foreign exchange rate changes	(278)	809
Cash and cash equivalents, beginning of the period	95,412	127,824
Cash and cash equivalents, end of the period	$80,272	$90,605

See notes to condensed consolidated financial statements

5

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

Supplemental disclosures of cash flow information:
For the three months ended March 31, 2013 and 2012, the Company paid taxes, net of tax refunds, of approximately $6,166,000 and $5,124,000, respectively.
Supplemental disclosures of non-cash investing and financing activities:
In connection with its stock incentive plan, for the three months ended March 31, 2013 and 2012, the Company issued fully vested restricted stock units in the amount of $564,000 and $607,000, respectively. For the three months ended March 31, 2013 and 2012, the Company declared restricted stock unit dividend equivalents in the amount of approximately $262,000 and $217,000, respectively.

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

1. Organization and Description of Business

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

The condensed consolidated financial statements set forth herein include the accounts of CNS and its direct and indirect subsidiaries. CNS’s wholly-owned subsidiaries are CSCM, Cohen & Steers Securities, LLC (“Securities”), Cohen & Steers Asia Limited and Cohen & Steers UK Limited; Cohen & Steers Europe S.P.R.L. (formerly known as Cohen & Steers Europe S.A.) 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. The amounts related to these reclassifications are not material to the Company’s condensed consolidated financial statements.

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

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

VIE or the determination of the primary beneficiary. The Company assesses whether entities in which it has an interest are VIEs upon initial involvement and at each reporting date. The Company assesses whether it is the primary beneficiary of any VIEs identified

7

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

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

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

Due from Broker—The Company conducts business, 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 gains and losses are recorded as gain (loss) from trading securities—net reported in the Company’s condensed consolidated statements of operations.

Investments classified as equity investments are accounted for using the equity method, under which the Company recognizes its respective share of the investee’s net income or loss for the period. As of March 31, 2013, the Company's equity 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 gains and losses, net of tax, reported in accumulated other comprehensive income. The Company periodically reviews each individual security position that has an unrealized loss, or impairment, to determine if that impairment is other than temporary. If the Company believes an impairment of a security position is other than temporary, the loss will be recognized in the Company’s condensed consolidated statements of operations. An other than temporary impairment is generally presumed to have occurred if the available-for-sale investment has an unrealized loss continuously for 12 or more months.

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

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

Goodwill and Intangible Assets—Goodwill represents the excess of the cost of the Company’s investment in the net assets of an acquired company over the fair value of the underlying identifiable net assets at the date of acquisition. Goodwill and indefinite lived intangible assets are not amortized but are tested at least annually for impairment by comparing the fair value to their carrying amounts. Finite lived intangible assets are amortized over their useful lives 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.

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

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 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, the Company made payments of approximately $7.2 million associated with an additional compensation agreement entered into in connection with the offering of Cohen & Steers MLP Income and Energy Opportunity Fund, Inc., a closed end mutual fund. These payments were reflected as expenses in distribution and service fees on the accompanying condensed consolidated statements of operations for the three months ended March 31, 2013.

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 gains or losses resulting from translating non-U.S. dollar functional currency into U.S. dollars are included in the Company's condensed consolidated statements of comprehensive income. Gains or losses resulting from non-U.S. dollar currency transactions are included in other non-operating income in the condensed consolidated statements of operations.

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

Recently Issued Accounting Pronouncements—In February 2013, the Financial Accounting Standards Board (“FASB”) issued new guidance requiring an entity to provide information about the amounts reclassified out of accumulated other

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

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 March 31, 2013 and December 31, 2012, goodwill was approximately $19,782,000 and $20,122,000, respectively. The Company’s goodwill decreased by $340,000 in the three months ended March 31, 2013 as a result of foreign currency revaluation.

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

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

	Remaining Amortization Period (In Months)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
March 31, 2013:				
Amortized intangible assets:				
Client relationships	69	$1,543	$(1,025)	$518
Non-amortized intangible assets:				
Mutual fund management contracts	—	1,250	—	1,250
Total		$2,793	$(1,025)	$1,768
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 March 31, 2013 and 2012, respectively. Estimated future amortization expense is as follows (in thousands):

Periods Ending December 31,	Estimated Amortization Expense
2013	$67
2014	89
2015	89
2016	89
2017	89
Thereafter	95
Total	$518

4. Investments
The following is a summary of the Company's investments as of March 31, 2013 and December 31, 2012 (in thousands):

	March 31, 2013	December 31, 2012
Securities owned	$113,630	$97,155
Equity investments	8,349	8,106

Investments, available-for-sale	25,747	25,322

11

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

Trading and equity investments
Cohen & Steers Global Realty Partners III-TE, L.P. ("GRP-TE"), which had an initial closing in October 2011, is structured as a partnership. The Company is the general partner and investment manager of GRP-TE, for which it receives a management fee and is entitled to receive an incentive distribution, if earned. GRP-TE is a VIE and the Company is not deemed the primary beneficiary. As the general partner, the Company has significant influence over the financial decisions of GRP-TE and therefore records its investment in this fund using the equity method of accounting. The Company's equity interest in GRP-TE represents a seed investment to launch the fund which was made during the first quarter of 2012, adjusted for the Company’s proportionate share of the fund’s earnings. As of March 31, 2013, the fair value of the Company's equity interest in GRP-TE was approximately $95,000. The Company's risk with respect to its investment in GRP-TE is limited to its equity ownership and any uncollected management fees. In conjunction with the launch of GRP-TE, the Company established Cohen & Steers Co-Investment Partnership (“GRP-CIP”), which is used by the Company to fulfill its contractual commitment to co-invest with GRP-TE. See Note 11 for further discussion regarding the Company's co-investment commitment. As of March 31, 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.
The Cohen & Steers Real Asset Fund (“RAP”), launched by the Company on January 31, 2012, is an open-end mutual fund for which the Company is the investment manager. As of March 31, 2013, the Company had a controlling financial interest in RAP. Accordingly, the underlying assets and liabilities and results of operations of RAP have been included in the Company's condensed consolidated financial statements with the third party interests classified as redeemable noncontrolling interest.
Prior to the sale of the Company's 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 underlying assets and liabilities and results of operations of GLIF had been included in the Company's condensed consolidated financial statements with the third party interests classified as redeemable noncontrolling interest for the three months ended March 31, 2012.
During 2008, the Company launched the Cohen & Steers Global Real Estate Long-Short Fund, L.P. (the “Onshore Fund”). As of March 31, 2013, the Company determined that the Onshore Fund was a VIE and the Company was the primary beneficiary. Therefore, 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 following represents the portion of the condensed consolidated statements of financial condition attributable to the consolidated Onshore Fund as of March 31, 2013 and December 31, 2012. The following assets may only be used to settle obligations of the Onshore Fund and these liabilities are only the obligations of the Onshore Fund for which the creditors do not have recourse to the general credit of the Company (in thousands):

	March 31, 2013	December 31, 2012
Assets:		
Securities owned	$25,955	$26,002
Due from broker	10,956	12,358
Other assets	73	103
Total assets	$36,984	$38,463

Liabilities:		
Securities sold but not yet purchased	$12,536	$14,685
Other liabilities	309	335
Total liabilities	$12,845	$15,020

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

As of March 31, 2013 and December 31, 2012, cash and cash equivalents included in due from broker in the condensed consolidated statements of financial condition related to the Company's consolidated funds, of approximately $12,541,000 and $13,880,000, respectively, was held at two brokers for the purpose of covering securities sold but not yet purchased.

The Cohen & Steers Global Real Estate Long-Short Offshore Fund, Ltd. (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, as of March 31, 2013, records its investment in this fund using the equity method of accounting. The Company’s equity interest in the Offshore Fund represents a seed investment to launch the fund, adjusted for the Company’s proportionate share of the fund’s earnings.

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

	March 31, 2013		December 31, 2012	
	Securities Owned	Equity Investments	Securities Owned	Equity Investments
GRP-CIP	$2,292	$—	$2,142	$—
GRP-TE	—	95	—	89
Offshore Fund	—	8,254	—	8,017
Onshore Fund	25,955	—	26,002	—
RAP	85,383	—	69,011	—
Total	$113,630	$8,349	$97,155	$8,106

Gain (loss) from trading securities—net for the three months ended March 31, 2013 and 2012 are summarized below (in thousands):

	Three Months Ended March 31,	
	2013	2012
GLIF	$—	$21
GRP-CIP	—	—
Onshore Fund	1,621	2,136
RAP	3	(436)
Total gain from trading securities—net	$1,624	$1,721

Equity in earnings (losses) of affiliates for the three months ended March 31, 2013 and 2012 are summarized below (in thousands):

	Three Months Ended March 31,	
	2013	2012
GRP-TE	$—	$—
Offshore Fund	536	772
Total equity in earnings of affiliates	$536	$772

13

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

Available-for-sale
The following is a summary of the cost, gross unrealized gains, gross unrealized losses and fair value of investments, available-for-sale as of March 31, 2013 and December 31, 2012 (in thousands):

	March 31, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses < 12 months	Fair Value
Preferred securities	$4,107	$65	$(81)	$4,091
Common stocks	8,770	1,614	(92)	10,292
Company-sponsored mutual funds	10,200	1,164	—	11,364
Total investments, available-for-sale	$23,077	$2,843	$(173)	$25,747

	December 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses < 12 months	Fair 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

Unrealized losses on investments, available-for-sale as of March 31, 2013 were generally caused by market conditions. When evaluating whether an unrealized loss on an investment, available-for-sale is other than temporary, the Company reviews such factors as extent and duration of the loss, deterioration in the issuer's credit quality, reduction or cessation of dividend payments and overall financial strength of the issuer. As of March 31, 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 gains and losses from investments, available-for-sale for the three months ended March 31, 2013 and 2012 are summarized below (in thousands):

	Three Months Ended March 31,	
	2013	2012
Proceeds from sales	$3,772	$12,156
Gross realized gains	539	853
Gross realized losses	(48)	(166)

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.

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

- 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.

Approximately $16,744,000 of securities owned classified as level 2 at December 31, 2012 were transfered to level 1 securities during the three months ended March 31, 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.

The following table presents fair value measurements as of March 31, 2013 (in thousands):

	Level 1	Level 2	Level 3	Total
Cash equivalents*	$38,190	$—	$—	$38,190
Due from broker*	$4,040	$—	$—	$4,040
Securities owned				
Preferred securities	$2,369	$2,436	$—	$4,805
Common stocks	77,683	—	1,075	78,758
Fixed income securities	—	27,775	—	27,775
Limited partnership interest	—	—	2,292	2,292
Total securities owned	$80,052	$30,211	$3,367	$113,630
Equity investments **	$—	$8,254	$95	$8,349
Investments, available-for-sale				
Preferred securities	$981	$31	$3,079	$4,091
Common stocks	10,292	—	—	10,292
Company-sponsored mutual funds	11,364	—	—	11,364
Total investments, available-for-sale	$22,637	$31	$3,079	$25,747
Derivatives - assets				
Equity contracts	$70	$3	$—	$73
Foreign exchange contracts	—	1,946	—	1,946
Commodity contracts	376	—	—	376
Total derivatives - assets	$446	$1,949	$—	$2,395
Derivatives - liabilities				
Equity contracts	$14	$102	$—	$116
Foreign exchange contracts	—	28	—	28
Commodity contracts	1,054	37	—	1,091
Credit contracts	—	29	—	29
Total derivatives - liabilities	$1,068	$196	$—	$1,264
Securities sold but not yet purchased - common stocks	$12,536	$—	$—	$12,536

* Comprised of investments in money market funds.

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

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.

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

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 interest made during 2012 as a co-investment through GRP-CIP, 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 investments classified as level 2 in the above table 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 makes long and short investments in listed real estate equity securities to maximize absolute and risk-adjusted returns with modest volatility. The Company has the ability to redeem its investment in the fund monthly at net asset value per share with prior written notice of 30 days and there are no significant restrictions to redemption.

Equity investments classified as level 3 in the above table represent the carrying amount of a limited partnership interest in GRP-TE, which approximates the Company's ownership interests in private equity vehicles that invest directly in U.S. commercial real estate and was valued primarily based on the recent transaction value of the underlying investments.

Investments, available-for-sale classified as level 3 in the above table were comprised primarily 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.

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

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 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.

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

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.

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 interest made during 2012 as a co-investment through GRP-CIP, 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 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 makes long and short investments in listed real estate equity securities to maximize absolute and risk-adjusted returns with modest volatility.

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

The Company has the ability to redeem its investment in the fund monthly at net asset value per share with prior written notice of 30 days and there are no significant restrictions to redemption.

Investments, available-for-sale classified as level 3 in the above table were comprised primarily of 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 months ended March 31, 2013 (in thousands):

	Securities Owned		Equity Investments	Investments, available-for-sale
	Common Stocks	Limited Partnership Interests	GRP-TE	Preferred Securities
Balance at January 1, 2013	$1,168	$2,142	$89	$ 3,080
Purchases	—	150	6	—
Sales	—	—	—	—
Realized gains	—	—	—	—
Unrealized losses	(93)	—	—	(1)
Balance at March 31, 2013	$1,075	$2,292	$95	$ 3,079

The following table summarizes the changes in level 3 investments measured at fair value on a recurring basis for the three months ended March 31, 2012 (in thousands):

	Securities Owned		Equity Investments	Investments, available-for-sale
	Common Stocks	Limited Partnership Interests	GRP-TE	Preferred Securities
Balance at January 1, 2012	$1,275	$—	$—	$ 4,150
Purchases	628	811	36	90
Sales	—	—	—	(1,175)
Realized gains	—			