COHEN & STEERS REIT & PREFERRED INCOME FUND INC
Form N-CSR
March 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act File Number: 811-21326

Cohen & Steers REIT and Preferred Income Fund, Inc.

(Exact name of registrant as specified in charter)

280 Park Avenue, New York, NY 10017

(Address of principal executive offices) (Zip code)

Francis C. Poli

Cohen & Steers Capital Management, Inc.

280 Park Avenue

New York, New York 10017

(Name and address of agent for service)

Registrant s telephone number, including area code: (212) 832-3232

Date of fiscal year end: December 31

Date of reporting period: December 31, 2017

Item 1. Reports to Stockholders.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

To Our Shareholders:

We would like to share with you our report for the year ended December 31, 2017. The total returns for the Fund and its comparative benchmarks were:

	Six Months Ended December 31, 2017	Year Ended December 31, 2017
Cohen & Steers REIT and Preferred Income Fund at Net Asset Value[a]	3.80%	12.65%
Cohen & Steers REIT and Preferred Income Fund at Market Value[a]	6.01%	19.58%
FTSE NAREIT Equity REIT Index[b]	2.46%	5.23%
ICE BofAML Fixed-Rate Preferred Securities Index[b]	1.71%	10.58%
Blended Benchmark 50% FTSE NAREIT Equity REIT Index/50% ICE BofAML Fixed-Rate Preferred Securities Index[b]	2.09%	7.92%
S&P 500 Index[b]	11.42%	21.83%

The performance data quoted represent past performance. Past performance is no guarantee of future results. The investment return and the principal value of an investment will fluctuate and shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance results reflect the effects of leverage, resulting from borrowings under a credit agreement. Current total returns of the Fund can be obtained by visiting our website at cohenandsteers.com. The Fund s returns assume the reinvestment of all dividends and distributions at prices obtained under the Fund s dividend reinvestment plan. Index performance does not reflect the deduction of any fees, taxes or expenses. An investor cannot invest directly in an index. Performance figures for periods shorter than one year are not annualized.

Managed Distribution Policy

Through November 30, 2017, Cohen & Steers REIT and Preferred Income Fund, Inc. (the Fund) made regular monthly distributions at a level rate (the Policy). As a result of the Policy, the Fund paid distributions in excess of the Fund s investment company taxable income and realized gains.

[a] As a closed-end investment company, the price of the Fund s exchange-traded shares will be set by market forces and can deviate from the net asset value (NAV) per share of the Fund.

[b] The FTSE NAREIT Equity REIT Index contains all tax-qualified Real Estate Investment Trusts (REITs) except timber and infrastructure REITs with more than 50% of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria. The ICE BofAML Fixed-Rate Preferred Securities Index tracks the performance of fixed-rate U.S. dollar-denominated preferred

securities issued in the U.S. domestic market. The S&P 500 Index is an unmanaged index of 500 large-capitalization stocks that is frequently used as a general measure of U.S. stock market performance. Benchmark returns are shown for comparative purposes only and may not be representative of the Fund s portfolio. The Fund s benchmarks do not include below-investment-grade securities.

1

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

On December 5, 2017 the Board of Directors of the Fund, acting in accordance with an exemptive order received from the U.S. Securities and Exchange Commission (SEC), approved the adoption of a managed distribution policy under which the Fund intends to include long-term capital gains, where applicable, as part of the regular monthly cash distributions to its shareholders (the Plan). The Plan will give the Fund greater flexibility to realize long-term capital gains and to distribute those gains on a regular monthly basis. In accordance with the Plan, the Fund currently distributes $ 0.124 per share on a monthly basis.

The Fund may pay distributions in excess of the Fund s investment company taxable income and net realized gains. This excess would be a return of capital distributed from the Fund s assets. Distributions of capital decrease the Fund s total assets and, therefore, could have the effect of increasing the Fund s expense ratio. In addition, in order to make these distributions, the Fund may have to sell portfolio securities at a less than opportune time.

Shareholders should not draw any conclusions about the Fund s investment performance from the amount of these distributions or from the terms of the Fund s Plan. The Fund s total return based on NAV is presented in the table above as well as in the Financial Highlights table.

The Plan provides that the Board of Directors may amend or terminate the Plan at any time without prior notice to Fund shareholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination. The termination of the Plan could have the effect of creating a trading discount (if the Fund s stock is trading at or above NAV) or widening an existing trading discount.

Market Review

The year was defined by a broad-based acceleration in global growth, subdued inflation, low interest rates and a high investor appetite for income. In this environment, preferred securities delivered strong returns in 2017 and outperformed most other classes of fixed income, while U.S. real estate benefited from an improving economy, although returns trailed the broad stock market by a wide margin amid concerns over rising interest rates and the growing challenges facing retail landlords.

Supported by economic growth, central banks took measures to tighten highly accommodative monetary policy conditions. The U.S. Federal Reserve hiked overnight rates three times to end the year at 1.5%, and also laid out plans for slowly shrinking its balance sheet in late 2017. The Bank of England and the Bank of Canada also raised rates, while the European Central Bank announced plans to reduce its quantitative easing program by cutting its monthly bond purchases in half to 30 billion ($36 billion) per month for the first nine months of 2018.

While the passage of the Tax Cut and Jobs Act in late December added fuel to an already healthy U.S. economy, REITs are expected to see little direct benefit from a lower corporate tax rate because they pay little to no taxes. However, we believe REITs held outside of U.S. open-end funds, closed-end funds, exchange-traded funds (ETFs) and unit investment trusts gained additional investor appeal due to a new 20% deduction on pass-through income, reducing the effective tax rate on REIT income distributions. Lower taxes also offer the prospect of a stronger business environment and increased consumer spending that could benefit overall demand for real estate.

Fund Performance

The Fund had a positive total return in 2017 and outperformed its blended benchmark on both a NAV and market price basis. In real estate, performance varied significantly among different property sectors, with e-commerce trends having a major influence on REIT returns, lifting sectors that provide infrastructure for the digital ecosystem, while weighing on retail sectors.

Data centers were among the strongest performers, as the continued adoption of e-commerce, cloud computing and rising digital media consumption increased the need for data storage and computing power. Our overweight in data centers was an important contributor to the Fund s relative performance. The Fund also had an out-of-index allocation to cell tower REITs, which enjoyed substantial gains due to demand for faster mobile networks and more bandwidth.

Regional malls struggled amid soft year-over-year sales comparisons for major brick-and-mortar retailers, department store closings and tenant bankruptcies. The Fund s underweight allocation and favorable stock selection in the sector aided relative performance. The Fund s modest exposure was concentrated in owners of high-quality regional malls that ended the year largely unchanged. We chose not to own lower-tier mall companies, which lagged far behind on continuing concerns about future occupancy rates and capital expenditure requirements.

Shopping center landlords also declined on tenant bankruptcies, increasing vacancies and downward pressure on rents. Investors were also concerned that grocery store anchor tenants may face competition from Amazon s entry into the space. Our underweight in the sector contributed to relative performance.

Apartment owners generally benefited from an improving job market and expensive coastal housing markets. Healthy gains in several companies were partly offset by weakness in student housing landlords that reported underwhelming results. Our stock selection and overweight in the sector detracted from relative performance, due in part to our overweight in a student housing REIT.

In preferreds, we sought to own securities with meaningful call protection in both the retail and over-the-counter (OTC) markets, with the aim of limiting redemption risk and allowing more room for a security s price to appreciate. With credit spreads compressing and sovereign yields generally relatively steady over the year, this had an overall positive effect on performance.

U.S. and European banks the largest issuers of preferreds enjoyed strong earnings growth, benefiting from higher net interest margins, as well as improved trading and investment banking income all of which contributed to improving credit fundamentals. Security selection in the banking sector contributed to relative performance. We were overweight European contingent capital securities (CoCos), which were among the strongest performers in the period, as economic fundamentals and a better political backdrop in Europe continued to support credit spread compression amid improvements in banking markets.

In August, we reduced our allocation to property & casualty and reinsurance companies as the outlook for hurricane damage in the U.S. worsened. While these companies have strong capital positions, the large accumulated losses from hurricane activity raised near-term earnings concerns. Security selection in the insurance sector also contributed to performance.

Impact of Leverage on Fund Performance

The Fund employs leverage as part of a yield-enhancement strategy. Leverage, which can increase total return in rising markets (just as it can have the opposite effect in declining markets), significantly contributed to the Fund s performance for the 12-month period ended December 31, 2017.

Impact of Derivatives on Fund Performance

The Fund used derivatives in the form of forward foreign currency exchange contracts for managing currency risk on certain Fund positions denominated in foreign currencies. These contracts did not have a material effect on the Fund s total return for the 12-month period ended December 31, 2017.

Sincerely,

THOMAS N. BOHJALIAN
Portfolio Manager

WILLIAM F. SCAPELL
Portfolio Manager

JASON YABLON

Portfolio Manager

The views and opinions in the preceding commentary are subject to change without notice and are as of the date of the report. There is no guarantee that any market forecast set forth in the commentary will be realized. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice and is not intended to predict or depict performance of any investment.

Visit Cohen & Steers online at cohenandsteers.com

For more information about the Cohen & Steers family of mutual funds, visit cohenandsteers.com. Here you will find fund net asset values, fund fact sheets and portfolio highlights, as well as educational resources and timely market updates.

Our website also provides comprehensive information about Cohen & Steers, including our most recent press releases, profiles of our senior investment professionals and their investment approach to each asset class. The Cohen & Steers family of mutual funds invests in major real asset categories including real estate securities, listed infrastructure, commodities and natural resource equities, as well as preferred securities and other income solutions.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

Our Leverage Strategy

(Unaudited)

Our current leverage strategy utilizes borrowings up to the maximum permitted by the Investment Company Act of 1940 to provide additional capital for the Fund, with an objective of increasing net income available for shareholders. As of December 31, 2017, leverage represented 24% of the Fund s managed assets.

Through a combination of variable and fixed rate financing, the Fund has locked in interest rates on a significant portion of this additional capital for periods expiring in 2020, 2021 and 2022[a] (where we effectively reduce our variable rate obligation and lock in our fixed rate obligation over various terms). Locking in a significant portion of our leveraging costs is designed to protect the dividend-paying ability of the Fund. The use of leverage increases the volatility of the Fund s NAV in both up and down markets. However, we believe that locking in portions of the Fund s leveraging costs for the various terms partially protects the Fund s expenses from an increase in short-term interest rates.

Leverage Facts[b,c]

Leverage (as a % of managed assets)	24%
% Fixed Rate	85%
% Variable Rate	15%
Weighted Average Rate on Financing	2.4%[a]
Weighted Average Term on Financing	3.6 years[a]

The Fund seeks to enhance its dividend yield through leverage. The use of leverage is a speculative technique and there are special risks and costs associated with leverage. The NAV of the Fund s shares may be reduced by the issuance and ongoing costs of leverage. So long as the Fund is able to invest in securities that produce an investment yield that is greater than the total cost of leverage, the leverage strategy will produce higher current net investment income for shareholders. On the other hand, to the extent that the total cost of leverage exceeds the incremental income gained from employing such leverage, shareholders would realize lower net investment income. In addition to the impact on net income, the use of leverage will have an effect of magnifying capital appreciation or depreciation for shareholders. Specifically, in an up market, leverage will typically generate greater capital appreciation than if the Fund were not employing leverage. Conversely, in down markets, the use of leverage will generally result in greater capital depreciation than if the Fund had been unlevered. To the extent that the Fund is required or elects to reduce its leverage, the Fund may need to liquidate investments, including under adverse economic conditions which may result in capital losses potentially reducing returns to shareholders. There can be no assurance that a leveraging strategy will be successful during any period in which it is employed.

[a] On February 24, 2015, the Fund amended its credit agreement to extend the fixed rate financing terms, originally expiring in 2017, 2018 and 2019, by three years, now expiring in 2020, 2021 and 2022. The weighted average rate on financing does not include the three year extension for the 2021 and 2022 fixed-rate tranches and will increase as the extended fixed-rate tranches become effective. The weighted average term on financing includes the three year extension.

[b] Data as of December 31, 2017. Information is subject to change.

[c] See Note 7 in Notes to Financial Statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

December 31, 2017

Top Ten Holdings[a]

(Unaudited)

Security	Value	% of Managed Assets
Simon Property Group	$ 43,888,500	3.1
Prologis	41,158,412	2.9
Equinix	38,060,056	2.7
Equity Residential	30,939,737	2.2
Extra Space Storage	27,219,425	1.9
Essex Property Trust	26,848,068	1.9
UDR	25,929,044	1.8
Digital Realty Trust	24,056,363	1.7
Crown Castle International Corp.	22,763,489	1.6
SL Green Realty Corp.	22,205,811	1.5

[a] Top ten holdings are determined on the basis of the value of individual securities held. The Fund may also hold positions in other types of securities issued by the companies listed above. See the Schedule of Investments for additional details on such other positions.

Sector Breakdown

(Based on Managed Assets)

(Unaudited)

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS

December 31, 2017

		Number of Shares	Value
COMMON STOCK	65.3%		
COMMUNICATIONS TOWERS	2.1%		
Crown Castle International Corp.[a]		205,058	$ 22,763,489
REAL ESTATE	63.2%		
DATA CENTERS	7.7%		
CyrusOne[a,b]		163,314	9,722,082
Digital Realty Trust[a,b]		211,206	24,056,363
Equinix[a,b]		83,977	38,060,056
QTS Realty Trust, Class A[a,b]		224,353	12,150,959
			83,989,460
DIVERSIFIED	0.5%		
American Assets Trust[a]		150,222	5,744,489
HEALTH CARE	4.8%		
HCP[a,b]		681,392	17,770,703
Healthcare Trust of America, Class A[a,b]		689,491	20,712,310
Physicians Realty Trust[a,b]		740,460	13,320,875
			51,803,888
HOTEL	4.0%		
Host Hotels & Resorts[a,b]		952,766	18,912,405
Pebblebrook Hotel Trust[a,b]		283,625	10,542,341
Sunstone Hotel Investors[a,b]		856,730	14,161,747
			43,616,493
INDUSTRIALS	3.8%		
Prologis[a,b]		638,016	41,158,412
NET LEASE	2.5%		
Four Corners Property Trust		214,456	5,511,519
Gaming and Leisure Properties[a]		264,452	9,784,724
Gramercy Property Trust[a,b]		426,267	11,364,279

			26,660,522
Office	10.7%		
Alexandria Real Estate Equities[a,b]		125,046	16,329,757
Boston Properties		62,842	8,171,345
Douglas Emmett[a,b]		308,082	12,649,847
Highwoods Properties[a,b]		269,384	13,714,340

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
Hudson Pacific Properties[a]		285,889	$ 9,791,698
Kilroy Realty Corp.[a,b]		241,457	18,024,765
SL Green Realty Corp.[a,b]		220,012	22,205,811
Vornado Realty Trust[a,b]		194,861	15,234,233
			116,121,796
Residential	15.7%		
Apartment	10.5%		
Apartment Investment & Management Co., Class A[a,b]		231,507	10,119,171
Equity Residential[a,b]		485,177	30,939,737
Essex Property Trust[a,b]		111,232	26,848,068
Mid-America Apartment Communities[a,b]		196,053	19,715,090
UDR[a,b]		673,132	25,929,044
			113,551,110
Manufactured Home	1.8%		
Sun Communities[a,b]		213,633	19,820,870
Single Family	1.8%		
American Homes 4 Rent, Class A		104,435	2,280,860
Invitation Homes[a,b]		729,598	17,196,625
			19,477,485
Student Housing	1.6%		
American Campus Communities[a,b]		428,760	17,592,023
Total Residential			170,441,488
Self Storage	4.3%		
CubeSmart[a]		281,601	8,143,901
Extra Space Storage[a,b]		311,257	27,219,425
Life Storage		129,987	11,577,942
			46,941,268

Shopping Centers	8.0%		
Community Center	2.7%		
Brixmor Property Group[a,b]		584,432	10,905,501
Regency Centers Corp.[a,b]		156,608	10,834,142
Weingarten Realty Investors		226,214	7,435,654
			29,175,297

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
Regional Mall	5.3%		
GGP[a,b]		585,538	$ 13,695,734
Simon Property Group[a,b]		255,552	43,888,500
			57,584,234
Total Shopping Centers			86,759,531
Specialty	1.2%		
CoreCivic		206,790	4,652,775
Lamar Advertising Co., Class A		108,307	8,040,712
			12,693,487
Total Real Estate			685,930,834
Total Common Stock (Identified cost $503,317,154)			708,694,323
Preferred Securities $25 Par Value	19.5%		
Banks	5.2%		
Bank of America Corp., 6.20%, Series CC[a,c]		134,575	3,692,738
Bank of America Corp., 6.00%, Series EE[c]		153,877	4,183,916
Bank of America Corp., 6.50%, Series Y[a,c]		63,268	1,709,501
Citigroup, 6.30%, Series S[a,c]		139,006	3,743,431
GMAC Capital Trust I, 7.201% , due 2/15/40, Series 2 (TruPS) (FRN) (3 Month US LIBOR + 5.785%)[a,b,d]		324,847	8,429,780
Huntington Bancshares, 6.25%, Series D[a,c]		108,437	3,051,417
JPMorgan Chase & Co., 6.10%, Series AA[a,c]		43,750	1,179,937
JPMorgan Chase & Co., 6.15%, Series BB[a,c]		78,600	2,116,698
JPMorgan Chase & Co., 6.125%, Series Y[a,c]		90,000	2,398,500
New York Community Bancorp, 6.375% to 3/7/27, Series A[c,e]		143,450	4,102,670
People s United Financial, 5.625% to 12/15/26, Series A[c,e]		104,699	2,965,076
Regions Financial Corp., 6.375% to 9/15/24, Series B[c,e]		113,497	3,226,720
TCF Financial Corp., 5.70%, Series C[c]		73,000	1,878,290
Wells Fargo & Co., 5.85% to 9/15/23, Series Q[a,b,c,e]		192,386	5,194,422
Wells Fargo & Co., 5.70%, Series W[a,c]		117,835	3,062,532
Wells Fargo & Co., 5.625%, Series Y[c]		184,825	4,794,360

55,729,988

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
Electric	1.8%		
Integrated Electric	1.0%		
Alabama Power Co., 5.00%, Series A[c]		72,000	$ 1,913,760
DTE Energy Co., 5.375%, due 6/1/76, Series B		116,388	2,964,403
Georgia Power Co., 5.00%, due 10/1/77, Series 2017		60,825	1,557,728
Integrys Holdings, 6.00% to 8/1/23, due 8/1/73[e]		162,977	4,418,714
			10,854,605
Regulated Electric	0.8%		
Southern Co./The, 6.25%, due 10/15/75		238,165	6,428,073
Southern Co./The, 5.25%, due 12/1/77		70,000	1,781,500
			8,209,573
Total Electric			19,064,178
Financial	3.2%		
Diversified Financial Services	0.7%		
KKR & Co. LP, 6.75%, Series A[c]		140,000	3,781,400
State Street Corp., 5.35% to 3/15/26, Series G[c,e]		126,525	3,431,358
			7,212,758
Investment Advisory Services	0.3%		
Ares Management LP, 7.00%, Series A[c]		136,000	3,604,000
Investment Banker/Broker	2.2%		
Carlyle Group LP/The, 5.875%, Series A[c]		176,675	4,482,245
Charles Schwab Corp./The, 5.95%, Series D[c]		122,400	3,304,800
Morgan Stanley, 6.875% to 1/15/24, Series F[a,c,e]		254,714	7,244,066
Morgan Stanley, 6.375% to 10/15/24, Series I[a,c,e]		164,338	4,576,813
Morgan Stanley, 5.85% to 4/15/27, Series K[c,e]		166,775	4,519,603
			24,127,527
Total Financial			34,944,285

Industrials Chemicals	1.0%		
CHS, 7.10% to 3/31/24, Series II[a,c,e]		193,453	5,292,874
CHS, 6.75% to 9/30/24, Series III[a,c,e]		130,453	3,453,091
CHS, 7.50%, Series IV[c]		74,495	2,097,034
			10,842,999

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
INSURANCE	3.0%		
MULTI-LINE	1.0%		
American Financial Group, 6.00%, due 11/15/55		99,000	$ 2,595,780
American Financial Group, 6.25%, due 9/30/54		89,041	2,334,655
Hanover Insurance Group/The, 6.35%, due 3/30/53		98,400	2,491,488
WR Berkley Corp., 5.75%, due 6/1/56		139,375	3,613,994
			11,035,917
MULTI-LINE FOREIGN	0.2%		
PartnerRe Ltd., 6.50%, Series G (Bermuda)[c]		74,903	2,014,891
PROPERTY CASUALTY FOREIGN	0.6%		
Axis Capital Holdings Ltd., 5.50%, Series E[c]		160,000	4,027,200
Validus Holdings Ltd., 5.80%, Series B[c]		105,871	2,712,415
			6,739,615
REINSURANCE	0.4%		
Reinsurance Group of America, 5.75% to 6/15/26, due 6/15/56[a,e]		138,000	3,862,620
REINSURANCE FOREIGN	0.8%		
Arch Capital Group Ltd., 5.25%, Series E[c]		241,762	6,073,061
Arch Capital Group Ltd., 5.45%, Series F[c]		120,000	3,040,800
			9,113,861
TOTAL INSURANCE			32,766,904
PIPELINES	0.3%		
NuStar Energy LP, 7.625% to 6/15/22, Series B[c,e]		113,604	2,573,131
REAL ESTATE	3.7%		
DIVERSIFIED	1.3%		
Colony NorthStar, 8.50%, Series D[c]		90,426	2,311,289
Lexington Realty Trust, 6.50%, Series C ($50 Par Value)[a,c]		76,536	3,928,210
VEREIT, 6.70%, Series F[a,c]		254,902	6,517,844

Wells Fargo Real Estate Investment Corp., 6.375%, Series A[c]	60,862	1,612,234
		14,369,577

See accompanying notes to financial statements.

12

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
HOTEL	0.5%		
Hersha Hospitality Trust, 6.875%, Series C[a,c]		134,345	$ 3,376,761
Sunstone Hotel Investors, 6.95%, Series E[c]		65,000	1,702,350
			5,079,111
INDUSTRIALS	0.5%		
Monmouth Real Estate Investment Corp., 6.125%, Series C[c]		140,000	3,505,600
STAG Industrial, 6.875%, Series C[c]		96,000	2,513,280