CBRE CLARION GLOBAL REAL ESTATE INCOME FUND
Form N-CSR/A
May 01, 2013
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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 811-21465

CBRE Clarion Global Real Estate Income Fund

(Exact name of registrant as specified in charter)

201 King of Prussia Road, Suite 600 Radnor, PA 19087
(Address of principal executive offices) (Zip code)

T. Ritson Ferguson, President and Chief Executive Officer

CBRE Clarion Global Real Estate Income Fund

201 King of Prussia Road, Suite 600

Radnor, PA 19087
(Name and address of agent for service)

Registrant s telephone number, including area code: 1-888-711-4272

Date of fiscal year end: December 31

Date of reporting period: December 31, 2012

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

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Item 1. Report(s) to Stockholders.

The Annual Report of CBRE Clarion Global Real Estate Income Fund (the Trust) transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is as follows:

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CBRE CLARION GLOBAL REAL ESTATE

INCOME FUND

Annual Report for the Year Ended December 31, 2012

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CBRE Clarion Global Real Estate Income Fund (the Trust), acting in accordance with an exemptive order received from the Securities and Exchange Commission (SEC) and with approval of its Board of Trustees (the Board), has adopted a managed distribution policy (the Policy) with the purpose of distributing over the course of each year, through periodic distributions as nearly equal as practicable and any required special distributions, an amount closely approximating the total taxable income of the Trust during such year and all of the returns of capital paid by portfolio companies to the Trust during such year. In accordance with its Policy, the Trust distributes a fixed amount per common share, currently $0.045, each month to its common shareholders. This amount is subject to change from time to time in the discretion of the Board. Although the level of distributions is independent of fund performance, the Trust expects such distributions to correlate with its performance over time. Each monthly distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions and potential increases or decreases in the final dividend periods for each year in light of the Trust s performance for the entire calendar year and to enable the Trust to comply with the distribution requirements imposed by the Internal Revenue Code. Over time, the Trust expects that the distribution rate in relation to the Trust s Net Asset Value (NAV) will approximately equal the Trust s total return on NAV.

The fixed amount of distributions will be reviewed and amended as necessary by the Board at regular intervals with consideration of the level of investment income and realized gains. The Board strives to establish a level regular distribution that will meet the Trust s requirement to pay out all taxable income (including amounts representing return of capital paid by portfolio companies) with a minimum of special distributions. The Trust s total return in relation to changes in NAV is presented in the financial highlights table. Shareholders should not draw any conclusions about the Trust s investment performance from the amount of the current distribution or from the terms of the Trust s managed distribution policy. The Board may amend or terminate the managed distribution policy without prior notice to Trust shareholders.

Shareholders should note that the Trust s Policy is subject to change or termination as a result of many factors. The Trust is subject to risks through ownership of its portfolio company holdings including, but not limited to, declines in the value of real estate held by the portfolio company, risks related to general and local economic conditions, and portfolio company losses. Moreover, an economic downturn could have a material adverse effect on the real estate markets and on real estate companies in which the Trust invests, which in turn could result in the Trust not achieving its investment or distribution objectives thereby jeopardizing the continuance of the Policy. Please refer to the prospectus for a fuller description of the Trust s risks.

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CBRE CLARION GLOBAL REAL ESTATE INCOME FUND ANNUAL REPORT 2012

Letter to Shareholders

T. Ritson Ferguson

Steven D. Burton

Dear Shareholder:

We are pleased to present the 2012 Annual Report for the CBRE Clarion Global Real Estate Income Fund (the Trust).

Performance Review

Global real estate stocks, as measured by the S&P Developed Property Index (S&PDPI) [(1)], delivered strong positive returns in 2012 (+29%). Approximately half of the 2012 return for real estate stocks can be attributed to dividends (of 3-5%) and earnings growth (of 7-8%). A large part of the balance of the impressive property share performance for the year occurred as the result of improving real estate values. In 2012, we estimate real estate values for properties owned by public real estate companies have increased globally by approximately 12% on a weighted average basis as a result of the combination of improving underlying earnings growth as well as investors willingness to accept lower initial yields on their real estate investments.

During the 2012 calendar year, the S&PDPI rose 29% and the MSCI REIT Preferred Index (MSRPI) [(2)] rose 9.6%. The Trust s Net Asset Value Return (NAV Return i.e., NAV gain plus dividends) was 24.2% during 2012, which was modestly behind the 25% return of a blended index comprised of 80% S&PDPI and 20% MSRPI [(3)]. On average in 2012, 14% of the Trust s portfolio was invested in preferred stock, and the Trust s preferred stock holdings outperformed the MSRPI for the year. The Trust s common stock holdings, which comprised 85% of the Trust s portfolio on average during the year, slightly underperformed the S&PDPI. The Trust s market price return of 38.8% (i.e., stock price appreciation plus reinvested dividends) exceeded the NAV Return due to the significant narrowing of the discount of the Trust s share price to NAV (from a 16% discount at the end of last year to a 6.5% discount at December 31, 2012). The Trust continues to employ little leverage in an effort to reduce volatility.

The Trust paid total dividends of $0.582 per share in 2012: twelve regular monthly dividends of $0.045 per share and one special dividend of $0.042 in December, which was necessary to ensure that the Trust distributed all of its estimated income for the year. The total dividends paid in 2012 ($0.582 per share) represents a 6.6% yield on the $8.86 share price and a 6.1% yield on the $9.48 NAV per share as of December 31, 2012.

The Board continues to review the sustainability of the Trust s regular monthly dividend in light of the current market environment and the dividends that have been paid out over the life of the Trust (which amount to $12.23 per share since inception in 2004). Based on anticipated income and expected gains in global property company stocks in 2013, the Board has decided to maintain the monthly dividend at the current level rate of $0.045 per share. The Trust s dividend is established by the Board at regular intervals with consideration of the portfolio s level of investment income, potential capital appreciation and market conditions. The Board strives to establish a level monthly dividend that, by the end of the year, satisfies the requirement (under applicable tax regulations) to distribute all income and realized gains, with a minimum of special distributions.

(1) The S&P Developed Property Index is an unmanaged market-weighted total return index which consists of over 350 real estate companies from 22 developed markets with a free float total market capitalization of at least U.S. $100 million that derive more than 60% of their revenue from real estate development, management, rental and/or direct investment in physical property.

(2) The MSCI REIT Preferred Index is a preferred stock market capitalization weighted index of all exchange traded preferred securities of equity REITs.

(3) We include the return of this blended index as a reference point, since the Trust invests in both common and preferred stocks issued by listed property companies. The Trust does not have a formal performance benchmark.

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Portfolio Review

The Trust s portfolio remains well-diversified by property type and geography as shown in the pie charts below. The geographic mix of the portfolio changed during the past twelve months. The Trust s holdings of preferred stock (issued by US real estate companies) has been reduced to 12% of its portfolio (versus 20% at the beginning of the year) resulting in an 8% reduction in exposure to North America. At December 31, the Trust s portfolio was 48% invested in common stock and 12% in preferred stock issued by property companies in North America. The reduction in exposure to North America gave rise to increased exposure to the Asia-Pacific region (which now comprises 28% of the portfolio compared to 23% at the start of the year) as well as to Europe (which increased to 12% from 10% a year ago). Retail continues to be the largest property type represented in the portfolio at 45%. We continue to favor retail properties, particularly top-quality malls (because historically these properties have shown more stable cash flows during economic slow-downs than other types of commercial property). The second largest property type exposure is diversified which reflects the portfolio s increased exposure to the Asia-Pacific region, where many companies specialize by geography and own a mix of high quality office, retail and residential properties. The Trust also has meaningful positions in the industrial, apartment and office sectors.

Geographic Diversification

Sector Diversification

Source CBRE Clarion. Geographic and Sector diversification are unaudited. Percentages presented are based on managed trust assets, which includes borrowings. The percentages in the pie charts will differ from those on the Portfolio of Investments because the figures on the Portfolio of Investments are calculated using net assets of the Trust.

Market Commentary

Listed real estate companies delivered impressive returns in 2012 generating strong double-digit returns in every region. Returns were good in absolute terms and in relative terms as regional real estate stock indices outperformed local equity market indices in 2012. Returns were strongest in the Asia-Pacific region, followed by Europe and then North America. Property companies performed well due to a high and growing dividend, strong earnings growth, and rising property values due to gradually improving economic conditions, evidence of continued improving real estate fundamentals, and accommodative capital markets.

Global Real Estate Returns By Region

Region/ Country	2012	2011
World	28.9%	-5.6%
North America	18.5	8.1
Canada	20.4	11.5
United States	18.4	7.9
Europe	30.7	-13.5
Continental Europe	28.2	-15.6
United Kingdom	35.7	-9.2
Asia-Pacific	43.3	-16.5
Australia	34.4	-2.5
Hong Kong	38.2	-22.7

Japan	46.4	-17.0
Singapore	62.6	-23.8

Source: S&P Developed Property Index in USD. Not all countries displayed. An index is unmanaged and not available for direct investment. ***Past performance is no guarantee of future results.***

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Performance leadership changed in 2012. As in past years, performance for real estate stocks varied significantly across regions last year. After two consecutive years as the best performing region, property stocks in North America underperformed in 2012. However, total returns for both U.S. and Canadian REITs were still impressive at +18% and +20%, respectively. Asia-Pacific returns were strongest as all four of its major constituent geographies delivered very good performance, including Singapore 63%, Japan 46%, Hong Kong 38%, and Australia 34%. European property companies generated strong total returns in both the U.K. and Continental Europe as investors increasingly realized that the euro zone debt crisis had stabilized and the political crisis had begun to wane. Investors were also attracted to the 4-5% dividends of European property companies, which were above the global average for real estate stocks and were also superior to many fixed income alternatives in the region. The U.S. dollar (USD) generally weakened during the year versus other major currencies with the exception of the Japanese yen. All-in, however, the currency effect for the year for a USD-based investor was negligible.

Strong returns were driven by significant increase in real estate values. In 2012, we estimate real estate values for properties owned by public real estate companies to have increased globally by approximately 12%, on a weighted average basis. Real estate values improved as a result of the combination of improving underlying earnings growth as well as investors willingness to accept lower initial yields on their real estate investments. Using real estate terminology, we experienced cap rate compression during the year. Our underwritten increases in real estate value or net asset value (NAV) by region for 2012 are reflected in the following chart:

Changes in NAV Estimates

Information is the opinion of CBRE Clarion as of 12/31/12, is subject to change and is not intended to be a forecast of future events, or a guarantee of future results, or investment advice. ***Forecasts and any factors discussed are not indicative of future investment performance.***

Strong growth in dividends was fueled by strong earnings growth. Dividend growth in 2012 was in the high single-digit range, exceeding our predictions at the beginning of the year. We project dividend growth will continue in 2013 growing 5-8%, driven by a combination of improving company cash flows as well as an expansion of dividend payout policies which remain conservative. Dividend increases among U.S. REITs were particularly strong in 2012 with 105 increases versus 79 increases during 2011. Seventeen companies increased their dividend multiple times during the year. The weighted average increase for those U.S. companies increasing their dividends was approximately 20% which translated to a 15% increase for the entire U.S. REIT universe. For example, Simon Property Group, a large mall company, has increased its dividend in each of the past four quarters for an aggregate increase of 22%. The average dividend yield for global real estate stocks remains in the 3-5% range and is growing.

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The case for investment in listed property remains robust. The investment case for property companies remains very much intact despite strong performance last year. The investment thesis remains favorable based on: (1) improving earnings, which have generally consistently met or exceeded expectations and are underpinned by contractual lease obligations; (2) attractive absolute and relative level of the dividend yield which is growing; (3) valuations that remain attractive relative to our estimate of inherent private market real estate values; (4) continued access to attractively priced capital, which has provided a competitive advantage versus many private owners of real estate; and (5) a robust commercial property sales transaction market in which listed property companies are actively involved.

We expect global property stocks to deliver a total return of 10-12% in 2013. Our return forecast is based on a well-supported dividend yield of approximately 4%, cash flow per share growth of 6-7%, and stable to improving earnings multiples. We make this projection with full knowledge that predictions often go wrong and that assumptions will likely change over the course of the year. In a new normal world of low returns and economic uncertainty, listed real estate trading at discounted valuations should, in our view, offer investors attractive total return potential.

We estimate earnings will grow again in 2013, in the 6-7% range. The bottom-up view of listed property companies appears to validate a thesis of continued improvement in cash flows despite sluggish, but improving economic growth. We expect property companies to generate earnings growth in 2013 of approximately 6-7% as the gradual economic recovery begins to gain traction which will positively affect real estate cash flows. This outlook follows earnings growth of approximately 7-8% in 2012. Our earnings growth forecasts are positive as a result of a combination of improving operating trends, improving occupancies, and positive mark-to-market of rental rates for newly signed leases. Other positive factors include improved balance sheets, access to attractively priced capital (both equity and debt) and an active transactions market.

Regional Earnings Growth Forecast

*Source: CBRE Clarion as of 12/31/2012. Information is the opinion of CBRE Clarion and is subject to change and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. f refers to forecasts . **Forecasts and the factors noted are not indicative of future investment performance.***

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We expect dividend growth will be strong again in 2013. Current income generated by listed property s dividend yield remains a defining investment characteristic of the sector. Listed property companies currently offer dividend yields of 3-5% globally and are growing at a very healthy clip. We project average dividend growth to be in the 5-8% range in 2013, driven by a combination of improving company cash flows as well as an expansion of dividend payout policies which remain conservative. The spread between dividend yields and bonds also continues to be above-average. For example, the spread between the average dividend yield on U.S. REITs at year-end of approximately 170 basis points (3.5% dividend yield versus 1.8% yield on 10-year Treasuries) compares favorably to a long-term average of approximately 110 basis points. This above-average spread is common in many of the world s REIT markets. Dividend yields for the major geographic markets are reflected in the chart below:

Global Dividend Yield

Source: CBRE Clarion, FactSet and Bloomberg as of 12/31/2012. Not all countries included. This information is subject to change and should not be construed as investment advice. Yields fluctuate and are not guaranteed. ***Past performance is no guarantee of future results.***

Valuations remain reasonable despite outperformance. Listed property companies continue to trade at discounts to our estimate of the companies underlying real estate values (NAV). The discount has narrowed somewhat (to 3% from the 11% discount observed at the start of 2012), but valuations remain reasonable. Said differently, we believe that the price-earnings multiples on property stocks are generally well supported by the estimated private market value of their properties, and could expand further in 2013. The current valuations equates to a 5.7% implied unleveraged cash flow yield which is also appealing in today s investment market given an interest rate environment which remains at historical lows. We believe the unleveraged implied yield of listed property companies comfortably meets institutional underwriting requirements for compounded rates of return (i.e., IRR s in the 6-8% range). After growth from other sources like acquisitions and balance sheet refinancing are taken into account, prospective returns of listed real estate companies remain attractive.

We continue to believe that global property stocks offer investors an attractive investment option, anchored by current yield via the dividend and underpinned by increasing real estate cash flows derived from improving fundamentals.

We appreciate your continued faith and confidence.

Sincerely,

T. Ritson Ferguson
President & Chief Executive Officer
Co-Portfolio Manager

Steven D. Burton
Co-Portfolio Manager

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Portfolio of Investments

December 31, 2012

Shares		Market Value ($)
	Real Estate Securities* 101.4%	
	Common Stock 89.6%	
	Australia 14.8%	
5,453,037	CFS Retail Property Trust Group	$ 10,841,467
2,776,835	Charter Hall Retail Real Estate Investment Trust	10,839,737
38,529,000	Dexus Property Group	40,600,801
1,410,723	Goodman Group	6,341,770
4,469,500	GPT Group	17,076,056
4,102,827	Westfield Group	44,980,879
10,284,262	Westfield Retail Trust	32,244,890
		162,925,600
	Canada 11.3%	
200,100	Calloway Real Estate Investment Trust	5,817,912
500,000	Crombie Real Estate Investment Trust [(a)]	7,411,871
1,039,800	H&R Real Estate Investment Trust	25,167,400
2,082,900	InnVest Real Estate Investment Trust	8,639,527
440,000	InnVest Real Estate Investment Trust [(a)]	1,825,048
700,000	Primaris Retail Real Estate Investment Trust [(a)]	18,911,319
2,078,800	RioCan Real Estate Investment Trust	57,539,146
		125,312,223
	France 5.1%	
65,700	Altarea	10,134,411
351,122	Societe de la Tour Eiffel	20,599,911
106,820	Unibail-Rodamco SE	25,624,294
		56,358,616
	Germany 0.6%	
167,161	GSW Immobilien AG	7,052,323
	Hong Kong 4.0%	
8,913,000	Link REIT (The)	44,502,616
	Japan 3.1%	
840	Activia Properties, Inc.	5,265,483
620	Frontier Real Estate Investment Corp.	5,413,751
12,852	Japan Retail Fund Investment Corp.	23,574,015

Shares		Market Value ($)
		34,253,249
	Netherlands 2.9%	
118,455	Corio NV	$ 5,359,011
357,401	Eurocommercial Properties NV	14,201,895
277,161	Vastned Retail NV	11,967,149
		31,528,055
	New Zealand 0.7%	
9,050,000	Goodman Property Trust	7,540,914
	Singapore - 5.8%	
6,735,000	Ascendas Real Estate Investment Trust	13,067,499
16,748,000	CapitaMall Trust	29,204,453
6,761,600	Global Logistic Properties Ltd.	15,388,660
4,757,000	Suntec Real Estate Investment Trust	6,523,107
		64,183,719
	United Kingdom 3.8%	
1,939,300	Land Securities Group Plc	25,644,236
4,045,110	Segro Plc	16,214,763
		41,858,999
	United States 37.5%	
666,667	American Homes 4 Rent (a)(b)(d)	10,000,005
795,353	Brandywine Realty Trust	9,695,353
826,200	Camden Property Trust	56,355,102
666,632	CBL & Associates Properties, Inc.	14,139,265
327,769	General Growth Properties, Inc.	6,506,215
418,515	Health Care REIT, Inc. (c)	