

COHEN & STEERS SELECT UTILITY FUND INC
Form DEFA14A
March 17, 2008

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

Cohen & Steers Select Utility Fund, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

Edgar Filing: COHEN & STEERS SELECT UTILITY FUND INC - Form DEFA14A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Cohen & Steers Select Utility Fund, Inc. (UTF)
Cohen & Steers REIT and Utility Income Fund, Inc. (RTU)
Annual Meeting of Stockholders

2
CPRET8164
Table of Contents
Auction Market Preferred Shares
VI.
Shareholder Proposal
V.
Election of Directors
IV.
RTU
III.
UTF
II.
Overview
I.

Overview

4

CPRET8164

About Cohen & Steers

Leading manager of high-income equity portfolios with a focus on:

Global real estate securities

Preferred stocks

Utilities

Large cap value equities

Global presence through offices in New York, Seattle, Brussels and Hong Kong

\$29.8 billion in assets under management as of December 31, 2007

Advises 11 open-end funds and 11 closed-end funds

Record of 32 dividend increases (never missing or reducing distributions on any existing Cohen & Steers closed-end funds)

First closed-end fund launched September 1988

5

CPRET8164

Matters for the 2008 Annual Meeting

Elect three directors, each for a three-year term

Two directors elected by common and preferred voting together

One director elected by preferred shareholders voting separately
Actions of Western Investment LLC, controlled by Arthur Lipson

Soliciting for an alternate slate of three directors

Activist stockholder proposal by Bulldog Investors advocating for an extensive and continuous partial tender offer policy (UTF only)

6

CPRET8164

Summary

Cohen & Steers

Our Fund board is independent and engaged. The Directors have:

Overseen outstanding performance for the life of the Funds

Delivered
substantial
shareholder
value
and
met
the
Funds
investment
objectives

Taken
actions
to
enhance
the
net
asset
value
(NAV)
and
narrow
the
Funds
discounts

Dissident Shareholder

Lipson is self-motivated his interests are not aligned with all shareholders

Short-term hedge fund speculator looking for a quick profit

Told us directly that the long-term interests of the shareholders is the directors
problem not his!

Only recently acquired large positions in the Funds (at a discount), augmented by swaps
that expire in May

Lipson's approach will have an adverse impact on all long-term shareholders

UTF

8

CPRET8164

UTF Performance Strong and Improving

Investment Objective: The Fund's investment objective is to seek a high level of after-tax total return through investment in utility securities with an emphasis on current income

Invests primarily in common stocks, preferred stocks and other equity securities issued by utility companies

Strong market performance benefiting all shareholders

Outperformed the S&P 1500 Utilities Index and the S&P 500 Index for the one-

and three-year periods ended December 31, 2007

Overall Morningstar

Rating

The overall Morningstar Rating is derived from a weighted average of the performance figures associated with its three-, five-, Morningstar calculates its ratings based on a risk-adjusted return measure that accounts for variation in a fund's monthly performance of 10%

of

funds
in
each
category
receive
five
stars,
the
next
22.5%
receive
four
stars,
the
next
35%
receive
three
stars,
the
next
22.5%
receive
two
stars
and
the
bottom
10%
receive
one
star.
Cohen
&
Steers
Select
Utility
Fund
received three stars in the three year category out of 8 funds.

©2008
Morningstar,
Inc.
All
Rights
Reserved.
Morningstar
and/or
its
content
providers

are
the
proprietors
of
this
information;
do
not
permit
its
unauthorized
copying
or
distribution;
do
not
warrant
it
to
be
accurate,
complete
or
timely;
and are not responsible for damages or losses arising from its use.

9
CPRET8164
UTF Performance Strong and Improving (continued)
Original distribution rate \$1.02; current distribution rate is \$2.22 per share; **a 118% increase**
NYSE traded; market cap \$1.0 billion as of March 13, 2008
Leveraged fund triple AAA rated with auction market preferred shares (AMPS)

Aggregate liquidation preference \$652 million as of March 13, 2008

Cohen & Steers has managed UTF since its inception in 2004

The
portfolio
managers,
Robert
S.
Becker
and
William

F.
Scapell,
have
been
with
Cohen
&
Steers
since inception of the Fund

10
CPRET8164
UTF Performance Strong and Improving (continued)
9.32%
8.63%
5.49%
S&P 500
18.90%
17.68%
16.46%
S&P 1500 Utilities
17.02%
20.62%
25.34%
UTF
Since Inception
(3/30/2004)
3 Years

1 Year

Total returns as of December 31, 2007, based on market price. The performance data quoted represent past performance. Past performance does not guarantee a similar outcome. Future investment will fluctuate and shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance shown.

RTU

12

CPRET8164

RTU Performance Strong and Improving

Investment Objective: The Fund's primary investment objective is to seek high current income

Invests

primarily

in

securities

issued

by

real

estate

companies,

such

as

real

estate

investment

trusts,

or

REITs, and companies engaged in the utilities industry

Strong market performance benefiting all shareholders

Outperformed the FTSE NAREIT Equity Index and the Fund's blended index for

the one-

and three-year periods ended December 31, 2007

The overall Morningstar Rating is derived from a weighted average of the performance figures associated with its three-, five-,

Morningstar calculates its ratings based on a risk-adjusted return measure that accounts for variation in a fund's monthly performance

10%

of

funds

in

each

category

receive

five

stars,

the

next

22.5%

receive

four

stars,

the

next

35%

receive

three

stars,

the

next

22.5%

receive

two

stars

and

the

bottom

10%

receive

one

star.

Cohen

&

Steers

Select

REIT

and

Utility

Income Fund received four stars in the three year category out of 8 funds.

©2008 Morningstar, Inc. All Rights Reserved. Morningstar and/or its content providers are the proprietors of this information; not permit its unauthorized copying or distribution; do not warrant it to be accurate, complete or timely; and are not responsible for damages or losses arising from its use.

Overall Morningstar

Rating

13

CPRET8164

RTU Performance Strong and Improving (continued)

Original distribution rate \$1.26; current distribution rate is \$1.65 per share, a **31% increase**

NYSE traded; market cap approximately \$1.02 billion as of March 13, 2008

Leveraged fund triple AAA rated with AMPS

Aggregate liquidation preference \$795 million as of March 13, 2008

Cohen & Steers has managed RTU since its inception in 2004

The
portfolio
management
team
consisting
of
Martin
Cohen,

Joseph

M.

Harvey,

Robert

S.

Becker,

Thomas N. Bohjalian, Robert H. Steers and William F. Scapell, has been with Cohen & Steers since inception of the Fund

14

CPRET8164

RTU Performance Strong and Improving (continued)

12.92%

10.40%

-2.63%

Blended Index

(1)

12.95%

8.50%

-15.69%

FTSE NAREIT Equity Index

9.48%

12.75%

-1.24%

RTU

Since Inception

(1/30/2004)

3 Years

1 Year

(1) Blended Index consists of 40% NAREIT Equity REIT Index, 40% S&P 1500 Utilities and 20% Merrill Lynch Fixed Rate Index. Past performance does not represent past performance. Past performance is no guarantee of future results. The investment return will vary and the market performance may be lower or higher than the performance data quoted.

Election of Directors

16

CPRET8164

Independent and Engaged Board

Meeting the Fund's investment objectives for shareholders

Approved additional investment strategies designed to increase income return of the Fund

Fully supported Management's build-out of a dedicated team

Responsible for implementing a covered call writing strategy designed to further enhance the Fund's investment objectives and help meet the firm's goal of increasing the distribution rate
The Board has increased UTF's distribution level three times in the past 12 months and a total of five times since the Fund was launched in March 2004

The
distribution

level

has

increased

80%

in
the
past
12
months
and
118%
since
inception
UTF s
annual
distribution
rate
is
now
equal
to
\$2.22
per
share,
a
8.9%
annualized
rate

(1)
The Board has a solid history of taking steps to increase shareholder value
and narrow the discount to NAV

UTF

(1) Based upon NYSE closing price on February 25, 2008.

17

CPRET8164

Independent and Engaged Board (continued)

A \$10,000 investment in UTF at the Fund's inception in 2004 would have been worth \$17,092 as of December 31, 2007

(1)

As of March 13, 2008, UTF's discount to NAV was 8.98%, down from 13.95% on December 29, 2006. The discount was 6.97% on December 31, 2007, 5.32% on January 31, 2008 and 5.09% on February 29, 2008

The
Directors
actions
have
improved
the
Fund's

discount
and
management
believes
any

recent increase in the discount is a result of industry-wide issues affecting all leveraged closed-end funds

The Board has a solid history of taking steps to increase shareholder value and narrow the discount to NAV

UTF

(1) Includes the reinvestment of distributions, which are generally reinvested at NAV if the shares are trading at a discount. Do

18

CPRET8164

Independent and Engaged Board (continued)

UTF's discount to NAV has declined as a result of strong performance and distribution increases

UTF Distribution/Premium Discount History

0.103

0.133

0.108

0.185

0.100

0.085

\$0.08

\$0.09

\$0.10

\$0.11

\$0.12

\$0.13

\$0.14

\$0.15

\$0.16

\$0.17

\$0.18

\$0.19

\$0.20

4/2004

12/2004

6/2005

3/2006

12/2006

6/2007

12/2007

-20%

-15%

-10%

-5%

0%

5%

10%

Distribution Rate

Premium/Discount

12/13/07: Fifth distribution increase

2007: Amended filing for

closed-end managed

distribution order

2004: Filed for

closed-end managed

distribution order

3/8/05: First distribution increase

19

CPRET8164

Independent and Engaged Board (continued)

Meeting the Fund's investment objectives for shareholders

Approved additional investment strategies designed to increase income return of the Fund

Fully supported Management's build-out of a dedicated team

Responsible for implementing a covered call writing strategy designed to further enhance the Fund's investment objectives and help meet the firm's goal of increasing the distribution rate

The

Board

has

increased

RTU's

distribution

level

each

year
since
the
fund
was
launched
in
January 2004
RTU
has
paid
total
distributions
of
\$6.99
per
share
since
inception
RTU

The Board has a solid history of taking steps to increase shareholder value
and narrow the discount to NAV

20

CPRET8164

Independent and Engaged Board (continued)

A \$10,000 investment in RTU at the Fund's inception in 2004 would have been worth \$14,006 as of December 31, 2007

(1)

As of March 13, 2008, RTU's discount to NAV was 10.78%, down from 11.38% on December 29, 2006. The discount was 9.13% on December 31, 2007, 7.75% on January 31, 2008 and 8.44% on February 29, 2008

The
Directors
actions
have
improved
the
Fund's

discount
and
management
believes
any
recent

increase in the discount is a result of industry-wide issues affecting all leveraged
closed-end funds

(1) Includes the reinvestment of distributions, which are generally reinvested at NAV if the shares are trading at a discount. Do
RTU

The Board has a solid history of taking steps to increase shareholder value
and narrow the discount to NAV

21
CPRET8164
0.105
0.115
0.118
0.120
0.138
\$0.10
\$0.11
\$0.12
\$0.13
\$0.14
\$0.15
\$0.16
2/2004
12/2004

6/2005

3/2006

12/2006

6/2007

12/2007

-20%

-15%

-10%

-5%

0%

5%

10%

Distribution Rate

Premium/Discount

Independent and Engaged Board (continued)

RTU Distribution/Premium Discount History

RTU's discount to NAV has declined as a result of
strong performance and distribution increases

2007: Amended filing for

closed-end managed

distribution order

3/8/05: First distribution increase

6/13/07: Fourth distribution increase

2004: Filed for

closed-end managed

distribution order

22

CPRET8164

Independent and Engaged Board Focused on Discount to NAV

In December 2004, the Funds applied to the SEC for an exemption to permit the Funds to adopt a managed distribution plan

The Funds submitted an amended application in 2007

If and when this relief is granted, Management expects to recommend to the Board that they consider additional

distribution

increases,

further

reducing

the

discount

to

NAV

Since 2005, the Board has been working with UBS Investment Bank exploring additional ways to

decrease the discount in a responsible manner

UBS has presented to the Board on multiple occasions and was engaged well before the recent public filings by Lipson and Bulldog Investors

Regular updates by Management on NAV, distribution and the discount level (if any) on all Funds

Commitment to monitor a Fund's discount level and take action when appropriate

23

CPRET8164

Independent and Engaged Board (continued)

With the help of UBS and other advisors, during the last two years, the Board has evaluated numerous alternatives for possibly reducing the discount, including the following:

Increasing the distribution rate

Self-tender offers

Converting to an interval fund

Open-ending

Liquidating

Merging with another closed-end fund

Repositioning
the
Funds
focus

Instituting a share buyback program

After analyzing each of the options, each time the Board concluded that increasing the distribution rate is the only proven way to reduce the discount over the long-term while continuing to serve the interests of all shareholders

24

CPRET8164

Independent and Engaged Board (continued)

Lipson wants to initiate a large self-tender aimed at exiting the Funds and unwinding a leveraged derivatives position

UBS and other advisors have counseled the Board that share buybacks and self-tenders may hurt long-term shareholders by:

Decreasing
the
Funds
assets
as
short-term
investors
like
Lipson

sell
their
shares
back
to
the

Funds, resulting in higher expense ratios for remaining shareholders

Increasing costs like brokerage and other trading expenses as the Funds sell securities to raise cash

Triggering substantial capital gains and taxes

Forcing
the
Funds
to
redeem/reduce
some
of
their
preferred
shares/financing,
effectively

reducing the Fund's leverage and possibly their returns

While the Board may in the future consider buybacks and self-tenders, it will only do so in a responsible manner and for the benefit of ALL shareholders

25

CPRET8164

Independent, Engaged and Experienced Directors

Each of the Board's nominees has been a director since 2004, regularly assessing, along with the rest of the Board, how best to maintain each Fund's strong performance while increasing value for all stockholders. Cohen & Steers does not nominate or select any of the independent directors.

Bonnie Cohen

(1)

consultant; former Undersecretary of State, United States Department of State;

Director of NASD quoted Reis, Inc., formerly Wellsford Real Property

Richard E. Kroon

lead

independent

director;

member

of

Investment

Committee,

Monmouth

University; retired chairman and managing partner of the Sprout Group venture capital funds, then an affiliate of Donaldson, Lufkin & Jenrette Securities Corporation; former chairman of the National Venture Capital Association

Willard H. Smith Jr.

board
member
of
NYSE
listed
companies,
Essex
Property
Trust,
Inc.,
Realty

Income Corporation and Crest Net Lease, Inc.; managing director at Merrill Lynch & Co., Equity
Capital Markets Division (1983 - 1995)

(1) Not related to Martin Cohen

26

CPRET8164

Lipson Director Nominees Less Qualified

The Board's three nominees are better qualified to serve as closed-end fund directors than Lipson's nominees

Cohen & Steers doesn't believe Lipson's nominees will reliably represent all shareholders

Lipson's nominees are conflicted

will they serve the interests of the shareholders in the Funds or the investors in his hedge funds?

These nominees will advocate Lipson's short-term strategy, which is adverse to long-term holders

Arthur

D.

Lipson

sole

managing

member

of
Western
Investment.
Less
than
one
year
of
experience
as a director of a closed-end fund.

William
J.

Roberts
no
financial
markets
experience
(per
his
bio
in
Lipson's
proxy
statement).

No
experience as a director of a public company or investment company.

Matthew
S.

Crouse
employed
by
Lipson.

No
experience
as
a
director
of
a
public
company
or
investment company.

27

CPRET8164

Lipson's Interests Are Not Aligned With All Shareholders

Western Investment is a hedge fund manager controlled by Lipson with a history of closed-end fund activism

In

a

telephone

meeting

on

December

19,

2007,

Lipson

told

us

I'm

not
interested
in
long-term
solutions; the long-term is the directors' problem

He clearly doesn't care about any shareholders but himself and his hedge funds

No value was placed on performance and history of distribution increases as an effective strategy

Lipson's strategy is likely to impair the ability to maintain the current distribution rate and put further pressure on the discount

Lipson's
nominees
would
detract
from
the
Funds
focus
on
sustainable
and
long-term
performance

They will seek to implement proposals to allow Lipson and his hedge funds to sell their shares back to the funds and earn a profit on his expiring derivatives transaction

28
CPRET8164
Correcting the Record
Lipson
claims
that
Cohen
&
Steers
is
unresponsive
to
shareholder
concerns
and
that
Cohen

&
Steers
cancelled a meeting with him
Cohen & Steers was in fact responsive to Lipson's request for a meeting

Cohen & Steers co-chairmen and CEO s had a conference call with Lipson in December

At the December meeting, Lipson repeatedly demanded a large share tender be effected

Cohen & Steers agreed to meet with Lipson in January

While
the
firm
was
fully
prepared
to
have
a
second
dialogue
with
Lipson,
at
the
last
minute
Lipson said that he planned to bring along a reporter

After
Cohen
&
Steers
indicated
that
it
would
not
be
constructive
to
invite
the
press
and
confirmed its willingness to meet privately, Lipson abruptly cancelled the meeting

29
CPRET8164
December 2007 By-Law Amendments
The
Board
reviewed
the
Funds
corporate
governance
provisions
at
its
regular
December
meeting
to

ensure that it would be in a position to act in accordance with its responsibilities under Maryland corporate law and to protect the interests of all shareholders.

Lipson complains of several provisions some of which were in place at the time of the 2004 IPOs and were fully disclosed when he acquired his positions. For example, the December changes did not affect the voting threshold percentage for the call of a special shareholder meeting.

The
Board
adopted
provisions
designed
to
improve
transparency
of
shareholder
information
and
the

proper conduct of meetings. For example, shareholders that make proposals are required to disclose hedging activities to determine whether they are in a similar position as all other shareholders. The

Board
did
not
adopt
any
poison
pills
or
similar
anti-takeover
measures.

The
Board
also
amended
the
by-laws to deal with certain procedural matters.

Each measure was standard in Maryland corporate law and was adopted for the purpose of permitting the Board to carry out its responsibilities in the best interests of the Funds and their shareholders.

Nothing was done to impede Lipson from instituting a proxy contest or shareholders from submitting proposals, which they have proceeded to do.

Corporate Governance

Shareholder Proposal

31

CPRET8164

Shareholder Proposal

Bulldog Investors is requesting that UTF shareholders approve the following proposal

If the Fund's shares trade at an average discount of more than 7.5% during any calendar quarter the Fund shall commence a self-tender offer within twenty days of the end of such quarter for 15% of its shares at 98% of net asset value.

Issue the tender proposal would create an ongoing and burdensome obligation, potentially forcing the Fund into a liquidation as implementing the proposal could result in 60% of the Fund's assets being liquidated in the fiscal year and harming shareholders who want to remain invested in the Fund
Please refer to slide 24 for information about the Board's actions and reasons for not implementing such a strategy

Auction Market Preferred Shares

33

CPRET8164

Auction Market Preferred Shares

The Board is very sensitive to the recent lack of liquidity in the AMPS

The
Board
of
Directors,
along
with
management,
is
addressing
the
situation
and

evaluating

the

best long-term solution for the Funds one that balances the interests of common and preferred shareholders

Lipson, through his hedge fund owns only four AMPS of the Funds totaling \$100,000 which was purchased on February 25, 2008, the record date. Together, the Funds have \$1.45 billion of AMPS outstanding.

Lipson's proposal would result in the redemption of only a limited number of AMPS, leaving most AMPS outstanding, and would not address the industry-wide issues in the AMPS market

Lipson's proposal to reduce leverage would decrease the distributions to common shareholders and potentially increase the discount

34
CPRET8164
Forward-Looking Statements
Statements made in this presentation that look forward in time involve risks and uncertainties and are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such risks and uncertainties include, without limitation, the adverse effect from a decline in the securities markets or a decline in the Funds performance, a general downturn in the economy, competition from other closed-end investment companies, changes in government policy or regulation, inability of the Funds investment adviser to attract or retain key employees, inability of the Funds to implement its investment strategy, inability of the Fund to manage unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations.