

COHEN & STEERS TOTAL RETURN REALTY FUND INC  
Form N-Q  
May 28, 2013

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-07154

Cohen & Steers Total Return Realty Fund, Inc.  
(Exact name of registrant as specified in charter)

280 Park Avenue

New York, NY  
(Address of principal executive offices)

10017  
(Zip code)

Tina M. Payne

280 Park Avenue

New York, NY 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: March 31, 2013

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**Item 1. Schedule of Investments**

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## COHEN &amp; STEERS TOTAL RETURN REALTY FUND, INC.

## SCHEDULE OF INVESTMENTS

March 28, 2013 (Unaudited)\*

|   | Number<br>of Shares | Value        |
|---|---------------------|--------------|
| <b>COMMON STOCK REAL ESTATE 82.8%</b>   |                     |              |
| <b>DIVERSIFIED 8.0%</b>                 |                     |              |
| American Assets Trust                   | 33,170              | \$ 1,061,772 |
| Colony Financial                        | 56,185              | 1,247,307    |
| Duke Realty Corp.                       | 103,200             | 1,752,336    |
| Forest City Enterprises, Class A(a)     | 42,400              | 753,448      |
| Societe Fonciere Lyonnaise SA (France)  | 14,100              | 713,927      |
| Vornado Realty Trust                    | 47,960              | 4,011,374    |
| WP Carey                                | 15,602              | 1,051,575    |
|   |                     | 10,591,739   |
| <b>HEALTH CARE 10.3%</b>                |                     |              |
| Aviv REIT(a)                            | 6,900               | 166,014      |
| Emeritus Corp.(a)                       | 27,096              | 752,998      |
| HCP                                     | 87,885              | 4,381,946    |
| Healthcare Trust of America, Class A    | 57,538              | 676,072      |
| Omega Healthcare Investors              | 25,492              | 773,937      |
| Ventas                                  | 92,336              | 6,758,995    |
|   |                     | 13,509,962   |
| <b>HOTEL 6.7%</b>                       |                     |              |
| Chesapeake Lodging Trust                | 27,900              | 640,026      |
| Hersha Hospitality Trust                | 204,107             | 1,191,985    |
| Host Hotels & Resorts                   | 53,643              | 938,216      |
| Hyatt Hotels Corp., Class A(a)          | 22,442              | 970,167      |
| Pebblebrook Hotel Trust                 | 39,800              | 1,026,442    |
| RLJ Lodging Trust                       | 47,100              | 1,071,996    |
| Starwood Hotels & Resorts Worldwide     | 14,700              | 936,831      |
| Strategic Hotels & Resorts Worldwide(a) | 145,788             | 1,217,330    |
| Sunstone Hotel Investors(a)             | 67,851              | 835,246      |
|   |                     | 8,828,239    |
| <b>INDUSTRIALS 6.5%</b>                 |                     |              |
| DCT Industrial Trust                    | 135,853             | 1,005,312    |
| First Industrial Realty Trust           | 30,442              | 521,471      |
| Prologis                                | 153,253             | 6,127,055    |
| STAG Industrial                         | 23,703              | 504,163      |
| Terreno Realty Corp.                    | 25,449              | 457,573      |
|   |                     | 8,615,574    |
| <b>MORTGAGE 0.6%</b>                    |                     |              |
| Gramercy Capital Corp.(a)               | 149,900             | 780,979      |

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|                                       | Number<br>of Shares | Value             |
|---------------------------------------|---------------------|-------------------|
| <b>OFFICE 11.2%</b>                   |                     |                   |
| Boston Properties                     | 23,117              | \$ 2,336,204      |
| Brandywine Realty Trust               | 54,100              | 803,385           |
| Corporate Office Properties Trust     | 45,030              | 1,201,400         |
| Douglas Emmett                        | 63,416              | 1,580,961         |
| Highwoods Properties                  | 38,600              | 1,527,402         |
| Hudson Pacific Properties             | 60,154              | 1,308,349         |
| Kilroy Realty Corp.                   | 13,659              | 715,732           |
| Mack-Cali Realty Corp.                | 36,047              | 1,031,305         |
| Parkway Properties                    | 60,000              | 1,113,000         |
| SL Green Realty Corp.                 | 35,565              | 3,062,502         |
|                                       |                     | 14,680,240        |
| <b>OFFICE/INDUSTRIAL 0.7%</b>         |                     |                   |
| PS Business Parks                     | 11,803              | 931,493           |
| <b>RESIDENTIAL 11.8%</b>              |                     |                   |
| <b>APARTMENT 10.7%</b>                |                     |                   |
| Apartment Investment & Management Co. | 73,244              | 2,245,661         |
| AvalonBay Communities                 | 10,178              | 1,289,247         |
| Colonial Properties Trust             | 71,600              | 1,618,876         |
| Education Realty Trust                | 88,988              | 937,044           |
| Equity Residential                    | 86,541              | 4,764,948         |
| Essex Property Trust                  | 8,300               | 1,249,814         |
| Mid-America Apartment Communities     | 9,754               | 673,611           |
| UDR                                   | 54,084              | 1,308,292         |
|                                       |                     | 14,087,493        |
| <b>MANUFACTURED HOME 1.1%</b>         |                     |                   |
| Sun Communities                       | 13,041              | 643,312           |
| TRI Pointe Homes(a)                   | 36,798              | 741,480           |
|                                       |                     | 1,384,792         |
| <b>TOTAL RESIDENTIAL</b>              |                     | <b>15,472,285</b> |
| <b>SELF STORAGE 5.3%</b>              |                     |                   |
| CubeSmart                             | 62,500              | 987,500           |
| Extra Space Storage                   | 33,900              | 1,331,253         |
| Public Storage                        | 22,020              | 3,354,086         |
| Sovran Self Storage                   | 20,583              | 1,327,398         |
|                                       |                     | 7,000,237         |

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|   | Number<br>of Shares | Value              |
|---|---------------------|--------------------|
| <b>SHOPPING CENTERS 19.6%</b>                                   |                     |                    |
| <b>COMMUNITY CENTER 7.6%</b>                                    |                     |                    |
| Acadia Realty Trust   | 23,598              | \$ 655,317         |
| Cedar Realty Trust  | 85,403              | 521,812            |
| DDR Corp.   | 99,900              | 1,740,258          |
| Kimco Realty Corp.  | 105,941             | 2,373,078          |
| Ramco-Gershenson Properties Trust                               | 52,786              | 886,805            |
| Regency Centers Corp.   | 47,638              | 2,520,527          |
| Tanger Factory Outlet Centers                                   | 36,861              | 1,333,631          |
|   |                     | 10,031,428         |
| <b>FREE STANDING 0.8%</b>                                       |                     |                    |
| National Retail Properties                                      | 29,100              | 1,052,547          |
| <b>REGIONAL MALL 11.2%</b>                                      |                     |                    |
| General Growth Properties                                       | 106,479             | 2,116,802          |
| Glimcher Realty Trust   | 141,700             | 1,643,720          |
| Simon Property Group  | 69,557              | 11,028,958         |
|   |                     | 14,789,480         |
| <b>TOTAL SHOPPING CENTERS</b>                                   |                     | <b>25,873,455</b>  |
| <b>SPECIALTY 2.1%</b>   |                     |                    |
| Digital Realty Trust  | 38,720              | 2,590,755          |
| DuPont Fabros Technology  | 7,204               | 174,841            |
|   |                     | 2,765,596          |
| <b>TOTAL COMMON STOCK</b><br>(Identified cost \$76,046,726)     |                     | <b>109,049,799</b> |
| <b>PREFERRED SECURITIES \$25 PAR VALUE 13.8%</b>                |                     |                    |
| <b>BANKS 0.6%</b>   |                     |                    |
| Ally Financial, 7.375%, due 12/16/44                            | 30,000              | 756,600            |
| <b>BANKS FOREIGN 0.3%</b>                                       |                     |                    |
| National Westminster Bank PLC, 7.76%, Series C (United Kingdom) | 13,358              | 342,232            |
| <b>INSURANCE MULTI-LINE FOREIGN 0.3%</b>                        |                     |                    |
| ING Groep N.V., 7.375% (Netherlands)                            | 15,000              | 381,000            |
| <b>REAL ESTATE 12.6%</b>  |                     |                    |
| <b>DIVERSIFIED 4.4%</b>   |                     |                    |
| Capital Lease Funding, 8.125%, Series A                         | 15,358              | 392,090            |
| Colony Financial, 8.50%, Series A                               | 20,000              | 538,200            |
| Cousins Properties, 7.75%, Series A                             | 26,725              | 685,229            |

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|  | Number<br>of Shares | Value            |
|--|---------------------|------------------|
| DuPont Fabros Technology, 7.875%, Series A                 | 20,000              | \$ 538,600       |
| DuPont Fabros Technology, 7.625%, Series B                 | 20,000              | 539,800          |
| EPR Properties, 9.00%, Series E (Convertible)              | 20,000              | 648,800          |
| Forest City Enterprises, 7.375%, due 2/1/34                | 38,000              | 966,340          |
| Lexington Realty Trust, 6.50%, Series C (\$50 Par Value)   | 22,800              | 1,121,304        |
| Lexington Realty Trust, 7.55%, Series D                    | 16,500              | 413,820          |
|  |                     | 5,844,183        |
| <b>HOTEL 2.9%</b>  |                     |                  |
| Ashford Hospitality Trust, 9.00%, Series E                 | 27,083              | 747,762          |
| Chesapeake Lodging Trust, 7.75%, Series A                  | 20,000              | 556,800          |
| Hersha Hospitality Trust, 8.00%, Series B                  | 25,000              | 657,000          |
| Hospitality Properties Trust, 7.125%, Series D             | 10,000              | 268,900          |
| Pebblebrook Hotel Trust, 7.875%, Series A                  | 35,000              | 938,525          |
| Strategic Hotels & Resorts, 8.25%, Series B                | 374                 | 9,241            |
| Sunstone Hotel Investors, 8.00%, Series D                  | 25,000              | 667,000          |
|  |                     | 3,845,228        |
| <b>INDUSTRIALS 0.7%</b>                                    |                     |                  |
| First Potomac Realty Trust, 7.75%, Series A                | 15,000              | 390,000          |
| Monmouth Real Estate Investment Corp., 7.875%, Series B(b) | 20,000              | 529,200          |
|  |                     | 919,200          |
| <b>MORTGAGE 0.5%</b>                                       |                     |                  |
| Gramercy Capital Corp., 8.125%, Series A                   | 20,157              | 669,011          |
| <b>OFFICE 0.2%</b>   |                     |                  |
| Hudson Pacific Properties, 8.375%, Series B                | 8,500               | 228,438          |
| <b>RESIDENTIAL 0.8%</b>                                    |                     |                  |
| <b>APARTMENT 0.4%</b>                                      |                     |                  |
| Alexandria Real Estate Equities, 7.00%, Series D           | 19,000              | 522,500          |
| <b>MANUFACTURED HOME 0.4%</b>                              |                     |                  |
| Equity Lifestyle Properties, 6.75%, Series C               | 19,060              | 493,273          |
| <b>TOTAL RESIDENTIAL</b>                                   |                     | <b>1,015,773</b> |
| <b>SHOPPING CENTERS 3.1%</b>                               |                     |                  |
| <b>COMMUNITY CENTER 1.7%</b>                               |                     |                  |
| Cedar Realty Trust, 7.25%, Series B                        | 20,000              | 503,000          |
| DDR Corp., 7.375%, Series H                                | 19,900              | 501,878          |
| DDR Corp., 6.50%, Series J                                 | 25,200              | 637,308          |
| Kite Realty Group Trust, 8.25%, Series A                   | 10,000              | 259,400          |

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|   | Number<br>of Shares |                             | Value      |
|---|---------------------|-----------------------------|------------|
| Ramco-Gershenson Properties Trust, 7.25%, Series D (\$50 Par Value)(Convertible)  | 5,000               | \$                          | 313,125    |
|   |                     |                             | 2,214,711  |
| <b>REGIONAL MALL 1.4%</b>   |                     |                             |            |
| CBL & Associates Properties, 7.375%, Series D                                     | 49,998              |                             | 1,265,949  |
| Pennsylvania REIT, 8.25%, Series A  | 25,000              |                             | 664,250    |
|   |                     |                             | 1,930,199  |
| <b>TOTAL SHOPPING CENTERS</b>   |                     |                             | 4,144,910  |
| <b>TOTAL REAL ESTATE</b>  |                     |                             | 16,666,743 |
| <b>TOTAL PREFERRED SECURITIES \$25 PAR VALUE</b>                                  |                     |                             |            |
| (Identified cost \$15,570,201)  |                     |                             | 18,146,575 |
| <b>PREFERRED SECURITIES CAPITAL SECURITIES 0.7%</b>                               |                     |                             |            |
| <b>BANKS 0.5%</b>   |                     |                             |            |
| Farm Credit Bank of Texas, 10.00%, due 12/15/20, Series I                         | 500                 |                             | 635,937    |
| <b>BANKS FOREIGN 0.2%</b>   |                     |                             |            |
| Barclays Bank PLC, 7.625%, due 11/21/22 (United Kingdom)                          | 250,000             |                             | 247,188    |
| <b>TOTAL PREFERRED SECURITIES CAPITAL SECURITIES</b>                              |                     |                             |            |
| (Identified cost \$750,000)   |                     |                             | 883,125    |
|   |                     |                             |            |
|   |                     | <b>Principal<br/>Amount</b> |            |
| <b>CORPORATE BONDS 1.6%</b>   |                     |                             |            |
| <b>INSURANCE PROPERTY CASUALTY 0.3%</b>   |                     |                             |            |
| Liberty Mutual Insurance, 7.697%, due 10/15/97, 144A(c)                           |                     | \$                          | 375,000    |
|   |                     |                             | 414,211    |
| <b>INTEGRATED TELECOMMUNICATIONS SERVICES 0.4%</b>                                |                     |                             |            |
| CenturyLink, 7.65%, due 3/15/42   |                     |                             | 500,000    |
|   |                     |                             | 484,497    |
| <b>REAL ESTATE SHOPPING CENTERS 0.9%</b>  |                     |                             |            |
| BR Malls International Finance Ltd., 8.50%, due 1/29/49, 144A (Brazil)(b),(c)     |                     |                             | 500,000    |
| General Shopping Finance Ltd., 10.00%, due 11/29/49, 144A (Cayman Islands)(b),(c) |                     |                             | 620,000    |
|   |                     |                             | 1,180,889  |
| <b>TOTAL CORPORATE BONDS</b>  |                     |                             |            |
| (Identified cost \$1,964,532)   |                     |                             | 2,079,597  |

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|  | Principal<br>Amount | Value          |
|--|---------------------|----------------|
| <b>COLLATERALIZED MORTGAGE OBLIGATIONS 0.5%</b>  |                     |                |
| Commercial Mortgage Trust, due 11/15/45, Series 2012-CR3, Class E 144A (FRN)(b),(c)                          | \$ 700,000          | \$ 671,893     |
| <b>TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS</b><br>(Identified cost \$612,511)                              |                     | 671,893        |
|  | Number<br>of Shares |                |
| <b>SHORT-TERM INVESTMENTS 0.7%</b>   |                     |                |
| <b>MONEY MARKET FUNDS</b>  |                     |                |
| BlackRock Liquidity Funds: FedFund, 0.01%(d)   | 500,000             | 500,000        |
| Federated Government Obligations Fund, 0.01%(d)  | 500,000             | 500,000        |
| <b>TOTAL SHORT-TERM INVESTMENTS</b><br>(Identified cost \$1,000,000)   |                     | 1,000,000      |
| <b>TOTAL INVESTMENTS</b> (Identified cost \$95,943,970)  | 100.1%              | 131,830,989    |
| <b>LIABILITIES IN EXCESS OF OTHER ASSETS</b>   | (0.1)               | (120,209)      |
| <b>NET ASSETS</b> (Equivalent to \$13.75 per share based on<br>9,576,239 shares of common stock outstanding) | 100.0%              | \$ 131,710,780 |

Glossary of Portfolio Abbreviations

|      |                              |
|------|------------------------------|
| FRN  | Floating Rate Note           |
| REIT | Real Estate Investment Trust |

Note: Percentages indicated are based on the net assets of the Fund.

\* March 28, 2013 represents the last business day of the Fund's quarterly period. See Note 1 of the accompanying notes to the Financial Statements.

- (a) Non-income producing security.
- (b) Illiquid security. Aggregate holdings equal 1.8% of the net assets of the Fund.
- (c) Resale is restricted to qualified institutional investors. Aggregate holdings equal 1.7% of the net assets of the Fund, of which 1.4% are illiquid.
- (d) Rate quoted represents the seven-day yield of the fund.



**Cohen & Steers Total Return Realty Fund, Inc.**

**NOTES TO FINANCIAL STATEMENTS (Unaudited)**

**Note 1. Quarterly Period**

Since March 28, 2013 represents the last day during the Fund's quarterly period on which the New York Stock Exchange was open for trading, the Fund's financial statements have been presented through that date to maintain consistency with the Fund's net asset value calculations used for shareholder transactions.

**Note 2. Portfolio Valuation**

Investments in securities that are listed on the New York Stock Exchange (NYSE) are valued, except as indicated below, at the last sale price reflected at the close of the NYSE on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the closing bid and ask prices on such day or, if no ask price is available, at the bid price. Exchange traded options are valued at their last sale price as of the close of options trading on applicable exchanges on the valuation date. In the absence of a last sale price, options are valued at the average of the quoted bid and ask prices as of the close of business. Over-the-counter options quotations are provided by the respective counterparty.

Securities not listed on the NYSE but listed on other domestic or foreign securities exchanges are valued in a similar manner. Securities traded on more than one securities exchange are valued at the last sale price reflected at the close of the exchange representing the principal market for such securities on the business day as of which such value is being determined. If after the close of a foreign market, but prior to the close of business on the day the securities are being valued, market conditions change significantly, certain foreign securities may be fair valued pursuant to procedures established by the Board of Directors.

Readily marketable securities traded in the over-the-counter market, including listed securities whose primary market is believed by Cohen & Steers Capital Management, Inc. (the advisor) to be over-the-counter, are valued at the last sale price on the valuation date as reported by sources deemed appropriate by the Board of Directors to reflect their fair market value. If there has been no sale on such day, the securities are valued at the mean of the closing bid and ask prices on such day or, if no ask price is available, at the bid price. However, certain fixed-income securities may be valued on the basis of prices provided by a pricing service when such prices are believed by the advisor, pursuant to delegation by the Board of Directors, to reflect the fair market value of such securities.

Short-term debt securities with a maturity date of 60 days or less are valued at amortized cost, which approximates value. Investments in open-end mutual funds are valued at their closing net asset value.

The policies and procedures approved by the Fund's Board of Directors delegate authority to make fair value determinations to the advisor, subject to the oversight of the Board of Directors. The advisor has established a valuation committee (Valuation Committee) to administer,

implement and oversee the fair valuation process according to the policies and procedures approved annually by

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**Cohen & Steers Total Return Realty Fund, Inc.**

**NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)**

the Board of Directors. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers and other market sources to determine fair value.

Securities for which market prices are unavailable, or securities for which the advisor determines that the bid and/or ask price or a counterparty valuation does not reflect market value, will be valued at fair value, as determined in good faith by the Valuation Committee, pursuant to procedures approved by the Fund's Board of Directors. Circumstances in which market prices may be unavailable include, but are not limited to, when trading in a security is suspended, the exchange on which the security is traded is subject to an unscheduled close or disruption or material events occur after the close of the exchange on which the security is principally traded. In these circumstances, the Fund determines fair value in a manner that fairly reflects the market value of the security on the valuation date based on consideration of any information or factors it deems appropriate. These may include, but are not limited to, recent transactions in comparable securities, information relating to the specific security and developments in the markets.

Foreign equity fair value pricing procedures utilized by the Fund may cause certain foreign securities to be fair valued on the basis of fair value factors provided by a pricing service to reflect any significant market movements between the time the Fund values such securities and the earlier closing of foreign markets.

The Fund's use of fair value pricing may cause the net asset value of Fund shares to differ from the net asset value that would be calculated using market quotations. Fair value pricing involves subjective judgments and it is possible that the fair value determined for a security may be materially different than the value that could be realized upon the sale of that security.

Fair value is defined as the price that the Fund would expect to receive upon the sale of an investment or expect to pay to transfer a liability in an orderly transaction with an independent buyer in the principal market or, in the absence of a principal market, the most advantageous market for the investment or liability. The hierarchy of inputs that are used in determining the fair value of the Fund's investments is summarized below.

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

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For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfer at the end of the period in which the underlying event causing the

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## Cohen &amp; Steers Total Return Realty Fund, Inc.

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

movement occurred. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. As of March 28, 2013, there were \$713,927 of securities transferred between Level 1 and Level 2, which resulted from not utilizing foreign equity fair value pricing procedures by the Fund as of March 28, 2013.

The following is a summary of the inputs used as of March 28, 2013 in valuing the Fund's investments carried at value:

|   | Total                 | Quoted Prices In<br>Active Markets for<br>Identical<br>Investments<br>(Level 1) | Other<br>Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3)(a) |
|---|-----------------------|---|---|---|
| Common Stock  | \$ 109,049,799        | \$ 109,049,799  |   |   |
| Preferred Securities - \$25 Par Value                           | 18,146,575            | 18,146,575  |   |   |
| Preferred Securities - Capital Securities -<br>Banks            | 635,937               |   |   | 635,937(b)  |
| Preferred Securities - Capital Securities -<br>Other Industries | 247,188               |   | 247,188   |   |
| Corporate Bonds - Real Estate - Shopping<br>Centers             | 1,180,889             |   |   | 1,180,889(c)  |
| Corporate Bonds - Other Industries                              | 898,708               |   | 898,708   |   |
| Collateralized Mortgage Obligations                             | 671,893               |   | 671,893   |   |
| Money Market Funds  | 1,000,000             |   | 1,000,000   |   |
| <b>Total Investments(d)</b>                                     | <b>\$ 131,830,989</b> | <b>\$ 127,196,374</b>   | <b>\$ 2,817,789</b>                                       | <b>\$ 1,816,826</b>                                   |

(a) Certain of the Fund's investments are categorized as Level 3 and were valued utilizing third party pricing information without adjustment. Such valuations are based on significant unobservable inputs. A change in the significant unobservable inputs could result in a significantly lower or higher value in such Level 3 investments.

(b) Valued by a pricing service which utilized independent broker quotes.

(c) Deemed illiquid and valued by a pricing service which utilized independent broker quotes.

(d) Portfolio holdings are disclosed individually on the Schedule of Investments.

Following is a reconciliation of investments for which significant unobservable inputs (Level 3) were used in determining fair value:

| Total<br>Investments<br>in | Preferred<br>Securities<br>- Capital | Corporate<br>Bonds -<br>Real Estate |
|----------------------------|--------------------------------------|-------------------------------------|
|----------------------------|--------------------------------------|-------------------------------------|

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|                                   | Securities   |    | Securities<br>- Banks |    | - Shopping<br>Centers |
|-----------------------------------|--------------|----|-----------------------|----|-----------------------|
| Balance as of December 31, 2012   | \$ 1,785,406 | \$ | 624,219               | \$ | 1,161,187             |
| Change in unrealized appreciation | 31,420       |    | 11,718                |    | 19,702                |
| Balance as of March 28, 2013      | \$ 1,816,826 | \$ | 635,937               | \$ | 1,180,889             |

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## Cohen &amp; Steers Total Return Realty Fund, Inc.

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

The change in unrealized appreciation/(depreciation) attributable to securities owned on March 28, 2013 which were valued using significant unobservable inputs (Level 3) amounted to \$31,420.

**Note 3. Derivative Instruments**

*Options:* The Fund writes covered call options on securities and may write put or call options on an index and put options on securities with the intention of earning option premiums. Option premiums may increase the Fund's realized gains and therefore may help increase distributable income. When the Fund writes (sells) an option, an amount equal to the premium received by the Fund is recorded on the Statement of Assets and Liabilities as a liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written. When an option expires, the Fund realizes a gain on the option to the extent of the premium received. Premiums received from writing options which are exercised or closed are added to or offset against the proceeds or amount paid on the transaction to determine the realized gain or loss. If a put option on a security is exercised, the premium reduces the cost basis of the security purchased by the Fund. If a call option is exercised, the premium is added to the proceeds of the security sold to determine the realized gain or loss. The Fund, as writer of an option, bears the market risk of an unfavorable change in the price of the underlying index or security. Other risks include the possibility of an illiquid options market or the inability of the counterparties to fulfill their obligations under the contracts.

Transactions in written options during the three months ended March 28, 2013, were as follows:

|  | Number<br>of Contracts | Premium |
|--|------------------------|---------|
| Options outstanding at December 31, 2012 |                        | \$      |
| Options written                          | 246                    | 9,820   |
| Options expired                          | (246)                  | (9,820) |
| Options outstanding at March 28, 2013    |                        | \$      |

**Note 4. Income Tax Information**

As of March 28, 2013, the federal tax cost and unrealized appreciation and depreciation in value of securities held were as follows:

|                                      |    |            |
|--------------------------------------|----|------------|
| Cost for federal income tax purposes | \$ | 95,943,970 |
| Gross unrealized appreciation        | \$ | 35,927,010 |
| Gross unrealized depreciation        |    | (39,991)   |
| Net unrealized appreciation          | \$ | 35,887,019 |





**Item 2. Controls and Procedures**

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) are effective based on their evaluation of these disclosure controls and procedures required by Rule 30a-3(b) under the Investment Company Act of 1940 and Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act as of a date within 90 days of the filing of this report.

(b) During the last fiscal quarter, there were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3. Exhibits.**

(a) Certifications of principal executive officer and principal financial officer as required by Rule 30a-2(a) under the Investment Company Act of 1940.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**COHEN & STEERS TOTAL RETURN REALTY FUND, INC.**

By: /s/ Adam M. Derechin  
Name: Adam M. Derechin  
Title: President

Date: May 28, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Adam M. Derechin  
Name: Adam M. Derechin  
Title: President and Principal Executive Officer

By:

/s/ James Giallanza  
Name: James Giallanza  
Title: Treasurer and Principal Financial Officer

Date: May 28, 2013

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