Cohen & Steers Select Preferred & Income Fund, Inc.
Form N-CSRS
September 06, 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: 811-22455

Cohen & Steers Select Preferred And 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)

Dana DeVivo

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: June 30, 2018

Item 1. Reports to Stockholders.

COHEN & STEERS SELECT PREFERRED AND INCOME FUND, INC.

To Our Shareholders:

We would like to share with you our report for the six months ended June 30, 2018. The total returns for Cohen & Steers Select Preferred and Income Fund, Inc. (the Fund), and its comparative benchmarks were:

	Six Months Ended June 30, 2018
Cohen & Steers Select Preferred and Income Fund at Net Asset Value[a]	2.72%
Cohen & Steers Select Preferred and Income Fund at Market Value[a]	1.10%
ICE BofAML Fixed-Rate Preferred Securities Index[b]	0.04%
Blended Benchmark 60% ICE BofAML US IG Institutional Capital Securities Index/30% ICE BofAML Core Fixed-Rate Preferred Securities Index/10% Bloomberg Barclays Developed Market USD Contingent Capital Index[b]	1.57%
Bloomberg Barclays US Aggregate Bond Index[b]	1.62%

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

The Fund, acting in accordance with an exemptive order received from the U.S. Securities and Exchange Commission (SEC) and with approval of its Board of Directors (the Board), adopted 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

[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 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 ICE BofAML US IG Institutional Capital Securities Index is a subset of the ICE BofAML US Corporate Index including all fixed-to-floating rate, perpetual callable and capital securities. The ICE BofAML Core Fixed-Rate Preferred Securities Index tracks the performance of fixed-rate U.S. dollar-denominated preferred securities issued in the U.S. domestic market, excluding $1,000 par securities. The Bloomberg Barclays Developed Market USD Contingent Capital Index includes hybrid capital securities in developed markets with explicit equity conversion or write down loss absorption

mechanisms that are based on an issuer s regulatory capital ratio or other explicit solvency-based triggers. The Bloomberg Barclays US Aggregate Bond Index is a broad-market measure of the U.S. dollar-denominated investment-grade fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities, and commercial mortgage-backed securities. Benchmark returns are shown for comparative purposes only and may not be representative of the Fund s portfolio.

gives 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 $0.172 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 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

Against a backdrop of rising interest rates and widening credit spreads, preferred securities had a negative total return in the first half of 2018, but outperformed U.S. Treasuries and investment-grade corporate bonds.

The yield on the 10-year U.S. Treasury rose from 2.4% to as high as 3.1% on a strengthening U.S. economy and rising inflation pressures, driven in part by tax cuts enacted at the end of 2017. However, bond yields settled around 2.8% by the end of June amid concerns of slowing growth in Europe and escalating trade tensions.

Preferreds generally outperformed other fixed income categories, helped in part by relatively high yields, shorter average durations and strengthening bank credit fundamentals. However, there was a sharp divergence within the preferreds market, as retail exchange-listed issues generally advanced, while the institutional over-the-counter (OTC) market declined.

Performance in the exchange-listed market was strongly influenced by technical factors. Despite negative investor sentiment toward fixed income broadly during the period, demand for exchange-listed issues remained relatively healthy. At the same time, the available pool of exchange-listed securities declined, as several issuers redeemed securities without issuing new ones. As a result, preferred exchange-traded funds (ETFs) which invest almost exclusively in $25 par exchange-listed preferreds and now control roughly 20% of the $25 market were forced to reinvest substantial funds into a shrinking market. These asset flows kept prices in the $25 market from falling, and in some cases, pushed prices higher, even though many of the securities trade at premiums.

Fund Performance

The Fund had a negative total return in the six months ended June 30, 2018 and underperformed its blended benchmark on a NAV basis. However, it outperformed its blended benchmark on a market price basis. Coming into the year, the Fund was positioned defensively relative to interest rate risk and consequently was underweight many of the higher-duration exchange-listed preferreds. Despite the rise in interest rates, these securities generally outperformed amid the favorable supply-demand picture. However, the Fund benefited from our opportunistic allocation to preferred ETFs, added late in the period as an efficient way to gain exposure to the exchange-listed market on a tactical basis.

The Fund s exposure to contingent capital securities (CoCos) also detracted from relative performance. The securities generally declined as growth in Europe slowed from its strong pace in 2017 and as political uncertainties in Italy, Spain and Germany added to the risk premiums demanded by investors. As well, new issuance weighed on the market given the weak backdrop. We believed the political backdrop and outlook for more supply made European issues somewhat less appealing on a risk-weighted basis, and we reduced our exposure to the region, including the U.K.

The insurance sector underperformed, largely due to weakness in Europe. Security selection in the sector detracted from relative performance. This included several out-of-benchmark securities that were pressured by new issues that came to market. In the banking sector, the Fund did not own a long-dated OTC issue from Bank of America that was called at a substantial premium.

An underweight allocation in the real estate sector detracted modestly from relative performance. REIT preferreds declined early in the period as rising interest rates and widening credit spreads impacted many low-coupon issues that came to market in late 2017. REIT preferreds later recovered, aided by healthy issuer fundamentals. Leading the advance were securities of retail-related property issuers, which, after underperforming amid negative news flow in the space, rebounded as retail sales improved and property owners earnings releases showed greater-than-expected resiliency.

In general, an underweight in European hybrid securities aided relative performance, as they underperformed as credit spreads widened. The Fund also benefited from holding several out-of-index securities that outperformed after garnering credit upgrades and being added to the investment-grade preferred benchmark. Not owning a high-coupon, exchange-listed issue from HSBC Holdings also aided relative performance. The security, which had been trading at a premium, declined on being redeemed at par.

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 detracted from the Fund s performance for the six-month period ended June 30, 2018.

Impact of Derivatives on Fund Performance

In connection with its use of leverage, the Fund pays interest on borrowings based on a floating rate under the terms of its credit agreement. To reduce the impact that an increase in interest rates could have on the performance of the Fund with respect to these borrowings, the Fund used interest rate swaps to exchange a significant portion of the floating rate for a fixed rate. Since the value of the swaps rose as short rates moved higher, the Fund s use of swaps significantly contributed to the Fund s performance for the six-month period ended June 30, 2018.

The Fund also used derivatives in the form of forward foreign currency exchange contracts for managing currency risk on certain Fund positions denominated in foreign currencies. The currency exchange contracts contributed to the Fund s total return for the six-month period ended June 30, 2018.

Sincerely,

WILLIAM F. SCAPELL	ELAINE ZAHARIS-NIKAS
Portfolio Manager	*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 SELECT PREFERRED AND 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 the net income available for shareholders. As of June 30, 2018, leverage represented 29% of the Fund s managed assets.

It has been our philosophy to utilize interest rate swap transactions to seek to reduce the interest rate risk inherent in our utilization of leverage. Considering that the Fund s borrowings have variable interest rate payments, we seek to lock in those rates on a significant portion of this additional capital through interest rate swap agreements (where we effectively convert our variable rate obligations to fixed-rate obligations for the term of the swap agreements). 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 a portion of the Fund s leveraging costs for the term of the swap agreements partially protects the Fund s expenses from an increase in short-term interest rates.

Leverage Facts[a,b]

Leverage (as a % of managed assets)	29%
% Fixed Rate	88%
% Variable Rate	12%
Weighted Average Rate on Swaps:	
Fixed Rate (Payer)	1.3%
Floating Rate (Receiver)	2.1%
Weighted Average Term on Swaps	4.4 years
Current Rate on Debt	2.9%

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] Data as of June 30, 2018. Information is subject to change.

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

COHEN & STEERS SELECT PREFERRED AND INCOME FUND, INC.

June 30, 2018

Top Ten Holdings[a]

(Unaudited)

Security	Value	% of Managed Assets
Farm Credit Bank of Texas, 10.00%, Series I	$ 11,425,000	2.6
iShares US Preferred Stock ETF	9,616,050	2.2
General Electric Co., 5.00% to 1/21/21, Series D	9,557,749	2.2
Rabobank Nederland, 11.00% to 6/30/19, 144A (Netherlands)	8,600,000	2.0
JPMorgan Chase & Co., 6.75% to 2/1/24, Series S	7,681,131	1.7
MetLife, 9.25%, due 4/8/38, 144A	7,614,640	1.7
Prudential Financial, 5.625% to 6/15/23, due 6/15/43	7,603,330	1.7
HSBC Capital Funding LP, 10.176% to 6/30/30, 144A (United Kingdom)	7,365,937	1.7
Wells Fargo & Co., 6.111% to 6/15/18, Series K (FRN)	6,745,594	1.5
Liberty Mutual Insurance, 7.697%, due 10/15/97, 144A	6,722,008	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 SELECT PREFERRED AND INCOME FUND, INC.

SCHEDULE OF INVESTMENTS

June 30, 2018 (Unaudited)

		Number of Shares	Value
EXCHANGE-TRADED FUNDS U.S. EQUITY	5.1%		
Invesco Preferred ETF		418,489	$ 6,093,200
iShares US Preferred Stock ETF		255,000	9,616,050
TOTAL EXCHANGE-TRADED FUNDS (Identified cost $15,579,919)			15,709,250
PREFERRED SECURITIES $25 PAR VALUE	28.5%		
BANKS	8.8%		
Bank of America Corp., 6.20%, Series CC[a]		69,634	1,832,766
Bank of America Corp., 6.00%, Series EE[a]		52,820	1,378,074
Bank of America Corp., 6.00%, Series GG[a]		135,700	3,544,484
Bank of America Corp., 6.50%, Series Y[a]		68,230	1,796,496
Citigroup, 7.125% to 9/30/23, Series J[a,b]		39,953	1,107,896
Citigroup, 6.875% to 11/15/23, Series K[a,b]		30,900	848,514
Citigroup, 6.30%, Series S[a]		102,777	2,698,924
Deutsche Bank Contingent Capital Trust V, 8.05%[a]		22,523	565,778
GMAC Capital Trust I, 8.128%, due 2/15/40, Series 2 (TruPS) (FRN) (3 Month US LIBOR + 5.785%)[c]		100,000	2,630,000
Huntington Bancshares, 6.25%, Series D[a]		59,156	1,545,155
JPMorgan Chase & Co., 6.125%, Series Y[a]		55,000	1,439,900
New York Community Bancorp, 6.375% to 3/17/27, Series A[a,b]		47,509	1,290,819
Regions Financial Corp., 6.375% to 9/15/24, Series B[a,b]		46,629	1,261,781
Synovus Financial Corp., 6.30% to 6/21/23, Series D[a,b]		44,000	1,128,160
TCF Financial Corp., 5.70%, Series C[a]		89,600	2,220,288
Wells Fargo & Co., 5.625%, Series Y[a]		89,875	2,262,154
			27,551,189
ELECTRIC	2.8%		
INTEGRATED ELECTRIC	1.3%		
DTE Energy Co., 5.375%, due 6/1/76, Series B		51,859	1,308,921
Integrys Holdings, 6.00% to 8/1/23, due 8/1/73[b]		101,232	2,669,994
			3,978,915
REGULATED ELECTRIC	1.5%		
Southern Co./The, 5.25%, due 12/1/77		25,000	615,000

Southern Co./The, 6.25%, due 10/15/75	159,308	4,189,801
		4,804,801
Total Electric		8,783,716

See accompanying notes to financial statements.

COHEN & STEERS SELECT PREFERRED AND INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2018 (Unaudited)

		Number of Shares	Value
Financial	5.4%		
Diversified Financial Services	1.5%		
Apollo Global Management LLC, 6.375%, Series B[a]		48,625	$ 1,208,331
KKR & Co. LP, 6.75%, Series A[a]		88,000	2,365,440
Stifel Financial Corp., 6.25%, Series A[a]		42,325	1,103,836
			4,677,607
Investment Banker/Broker	3.9%		
Carlyle Group LP/The, 5.875%, Series A[a]		114,800	2,700,096
Charles Schwab Corp./The, 5.95%, Series D[a]		66,145	1,734,983
Morgan Stanley, 6.875% to 1/15/24, Series F[a,b]		115,689	3,167,565
Morgan Stanley, 6.375% to 10/15/24, Series I[a,b]		89,337	2,399,592
Morgan Stanley, 5.85% to 4/15/27, Series K[a,b]		79,700	2,047,493
			12,049,729
Total Financial			16,727,336
Industrials Chemicals	1.8%		
CHS, 7.10% to 3/31/24, Series II[a,b]		80,171	2,187,065
CHS, 6.75% to 9/30/24, Series III[a,b]		63,597	1,682,776
CHS, 7.50%, Series IV[a]		64,655	1,819,392
			5,689,233
Insurance	5.7%		
Life/Health Insurance	1.1%		
MetLife, 5.625%, Series E[a]		135,000	3,435,750
Multi-Line	1.1%		
Allstate Corp., 5.625%, Series G[a]		35,274	912,538
American Financial Group, 6.25%, due 9/30/54		8,507	219,736
WR Berkley Corp., 5.75%, due 6/1/56		89,350	2,211,413
			3,343,687
Multi-line Foreign	0.6%		

PartnerRe Ltd., 6.50%, Series G (Bermuda)[a]		76,959	2,020,174
PROPERTY CASUALTY FOREIGN	1.3%		
Enstar Group Ltd., 7.00% to 9/1/28, Series D (Bermuda)[a,b]		70,000	