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5th Annual PortfolioConstruction Conference

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Pillars for building better
quality investor portfolios...



Principal Global Investors

Listed Property -

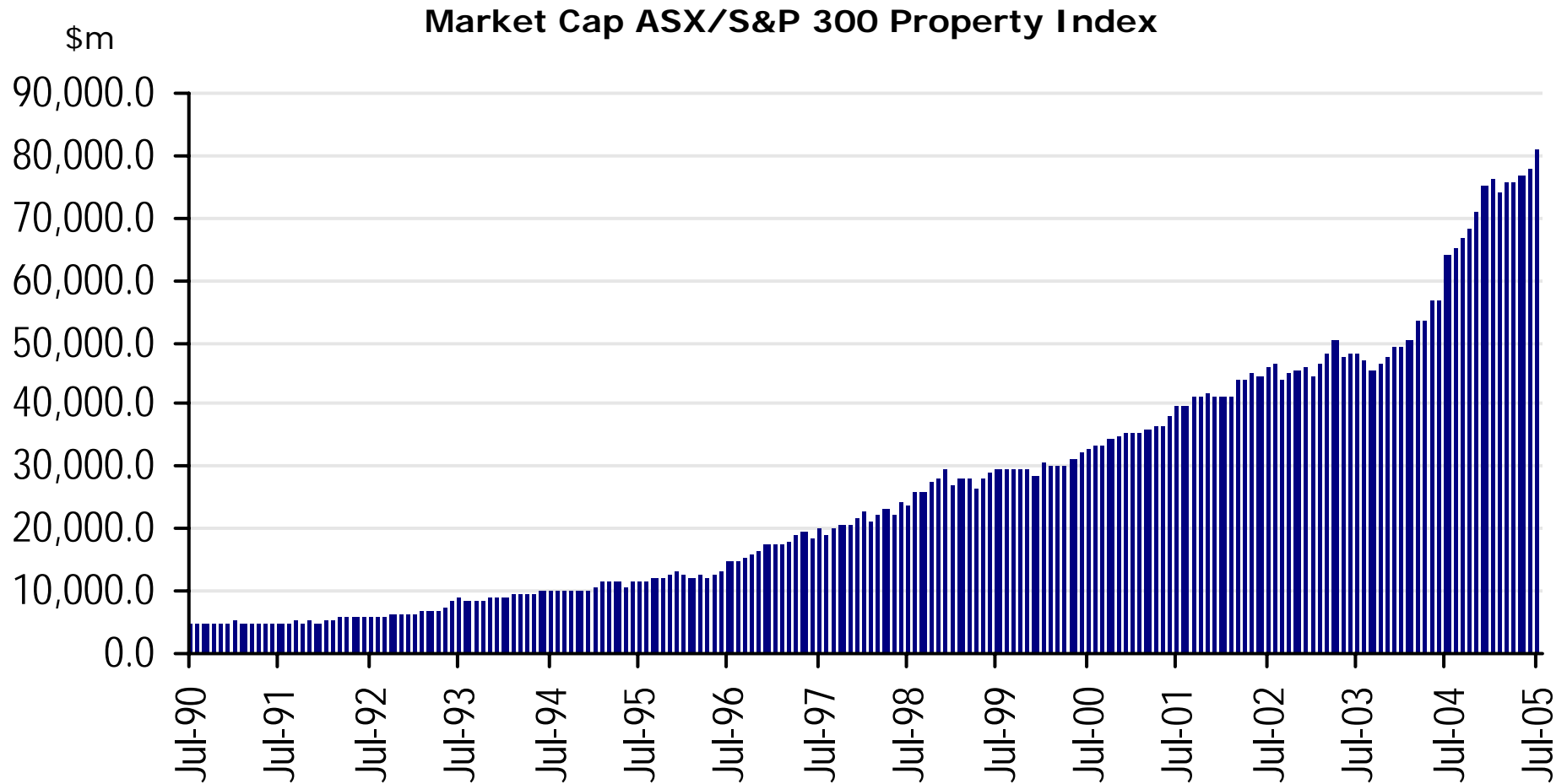
“has been” or “hot property”?

Presented by Simon Hedger

Portfolio Manager for the Principal Property Securities Fund

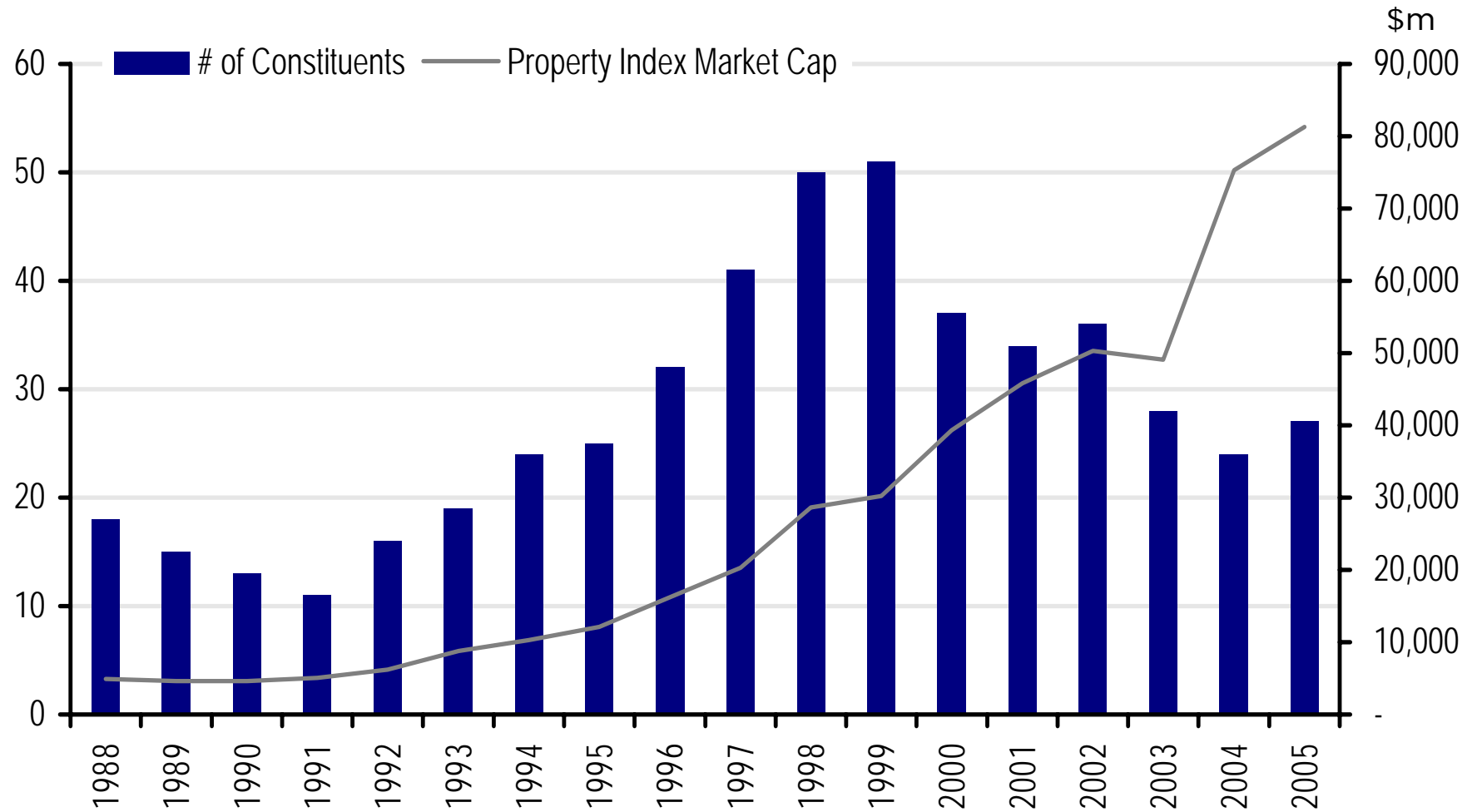
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Evolution of the LPT sector



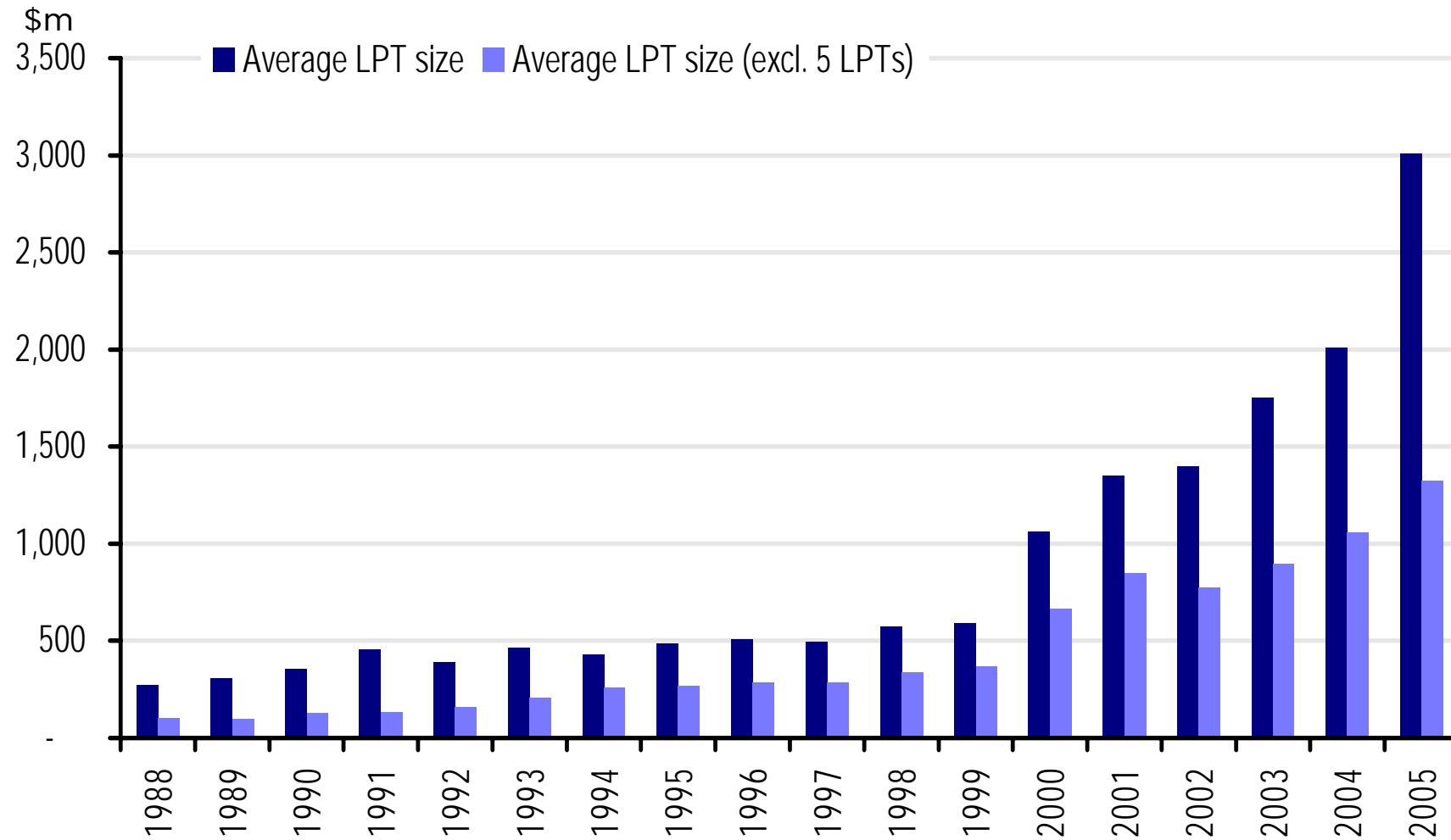
Source: UBS

Number of stocks increasing after recent phase of consolidation



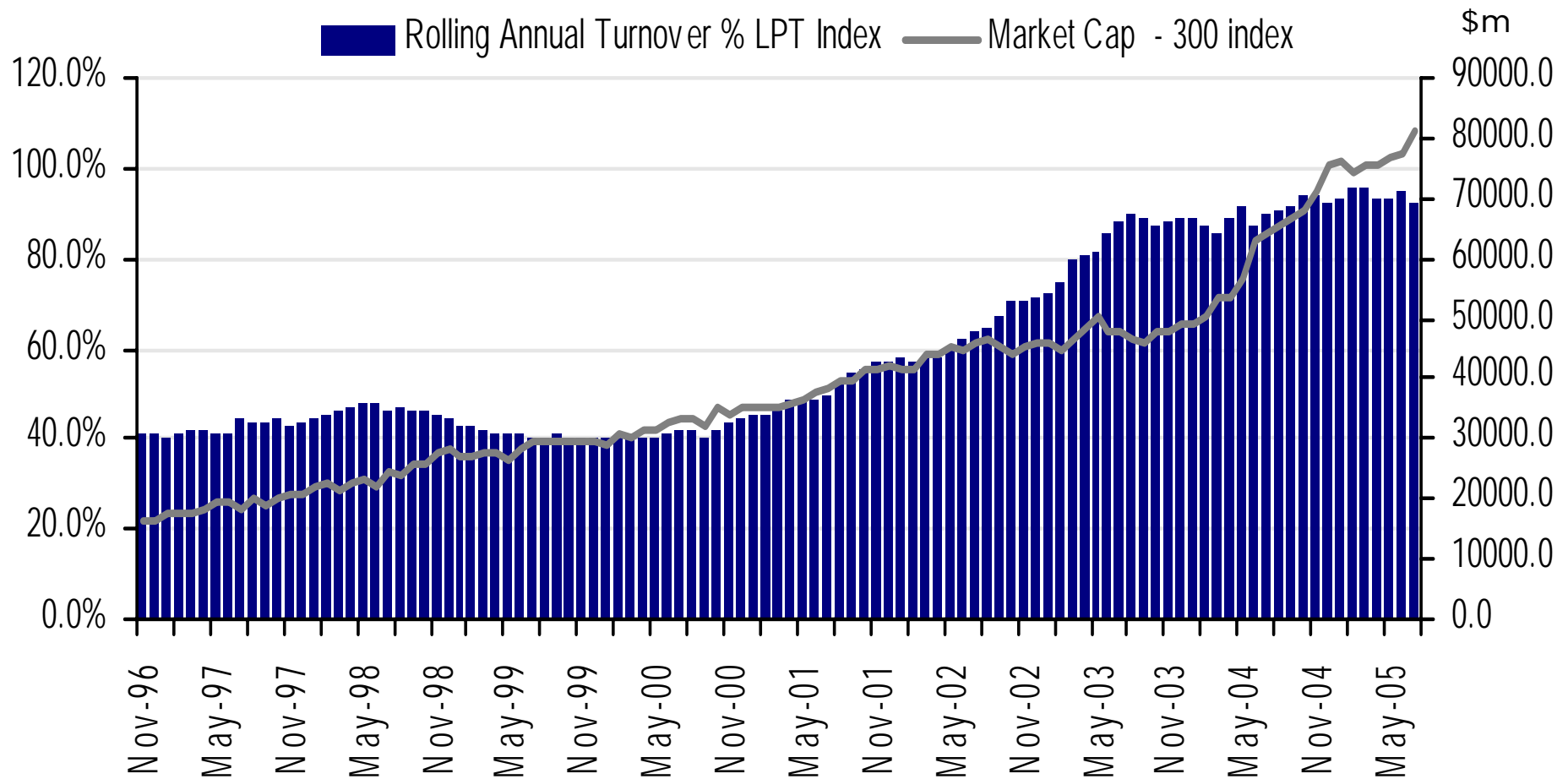
Source: UBS

Trend #1 - Average LPT size increasing



Source: UBS

Trend #2 – Liquidity increasing

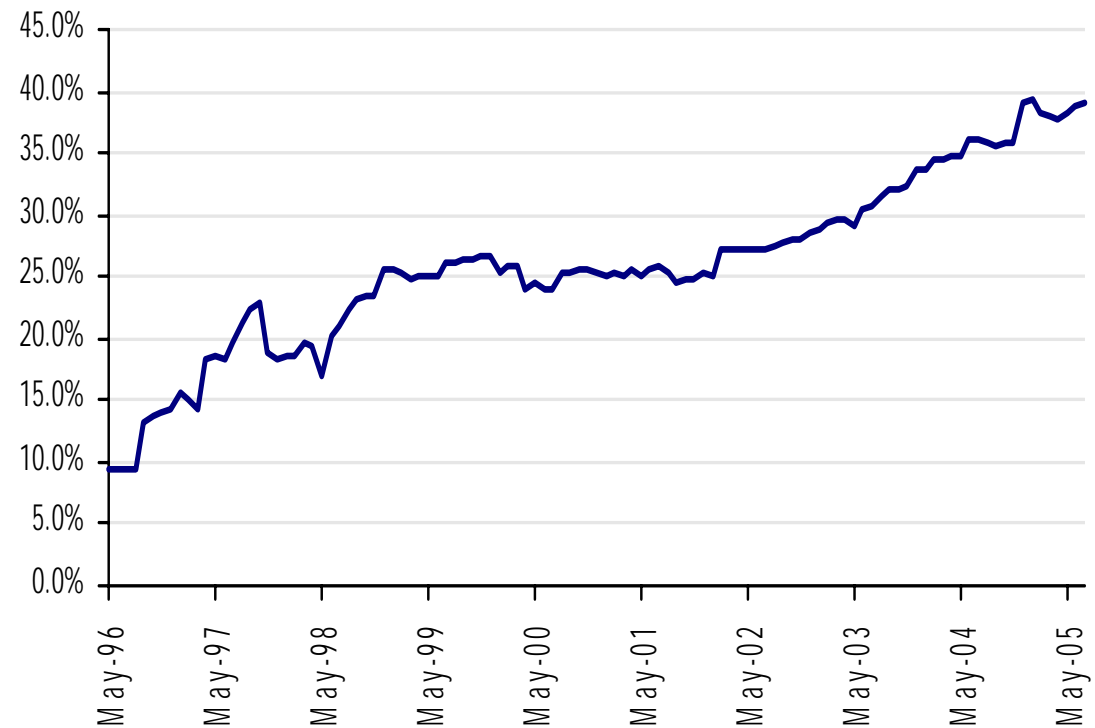


Annual liquidity increased to 90% currently, compared to 40% five year ago.

Source: UBS

Trend #3 - Gearing increased

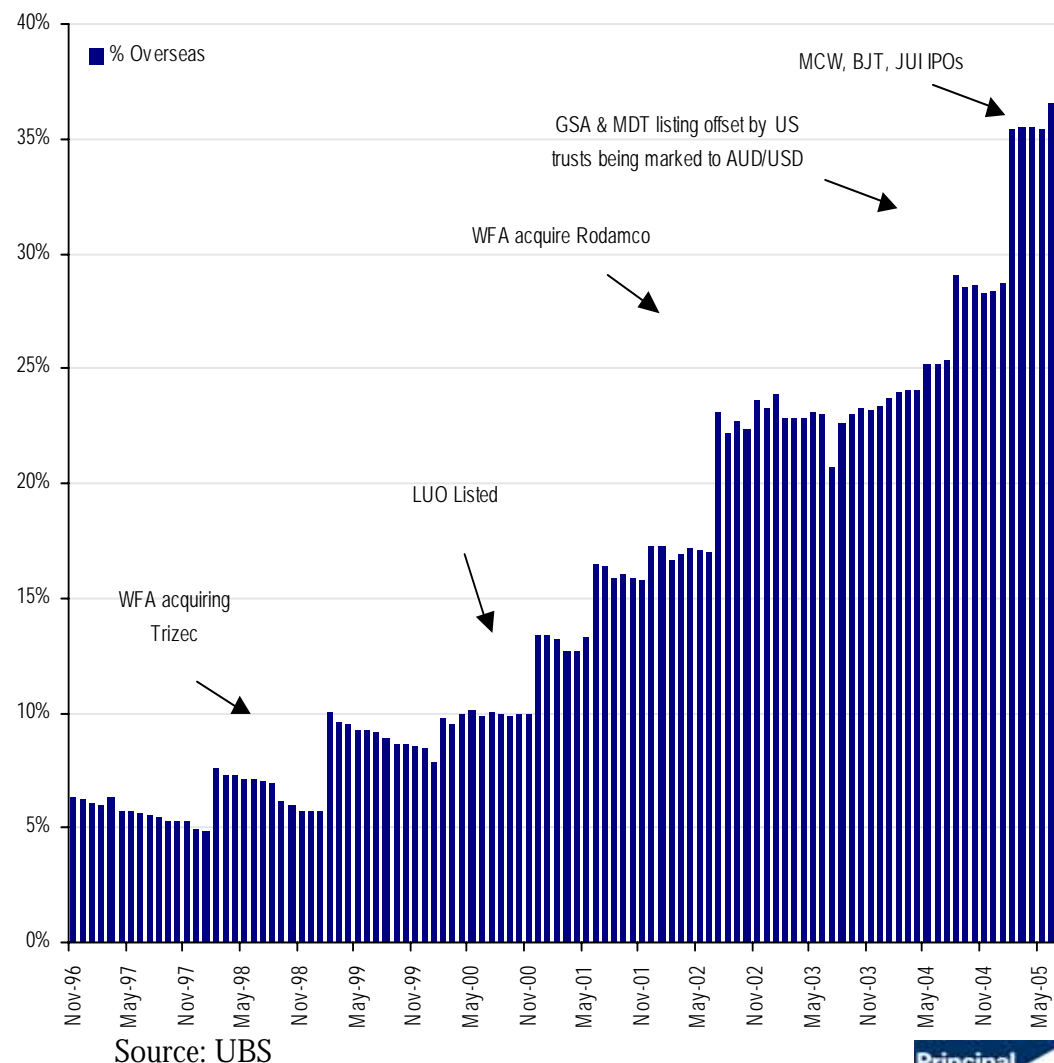
- Gearing has increased to 38%
- However:
 - Property has characteristic of high level of earnings certainty, with long leases on enforceable contracts.
 - Important thing is how additional gearing is used relative to what stage we are at with the economic cycle.
 - Therefore increased gearing not necessarily irresponsible.



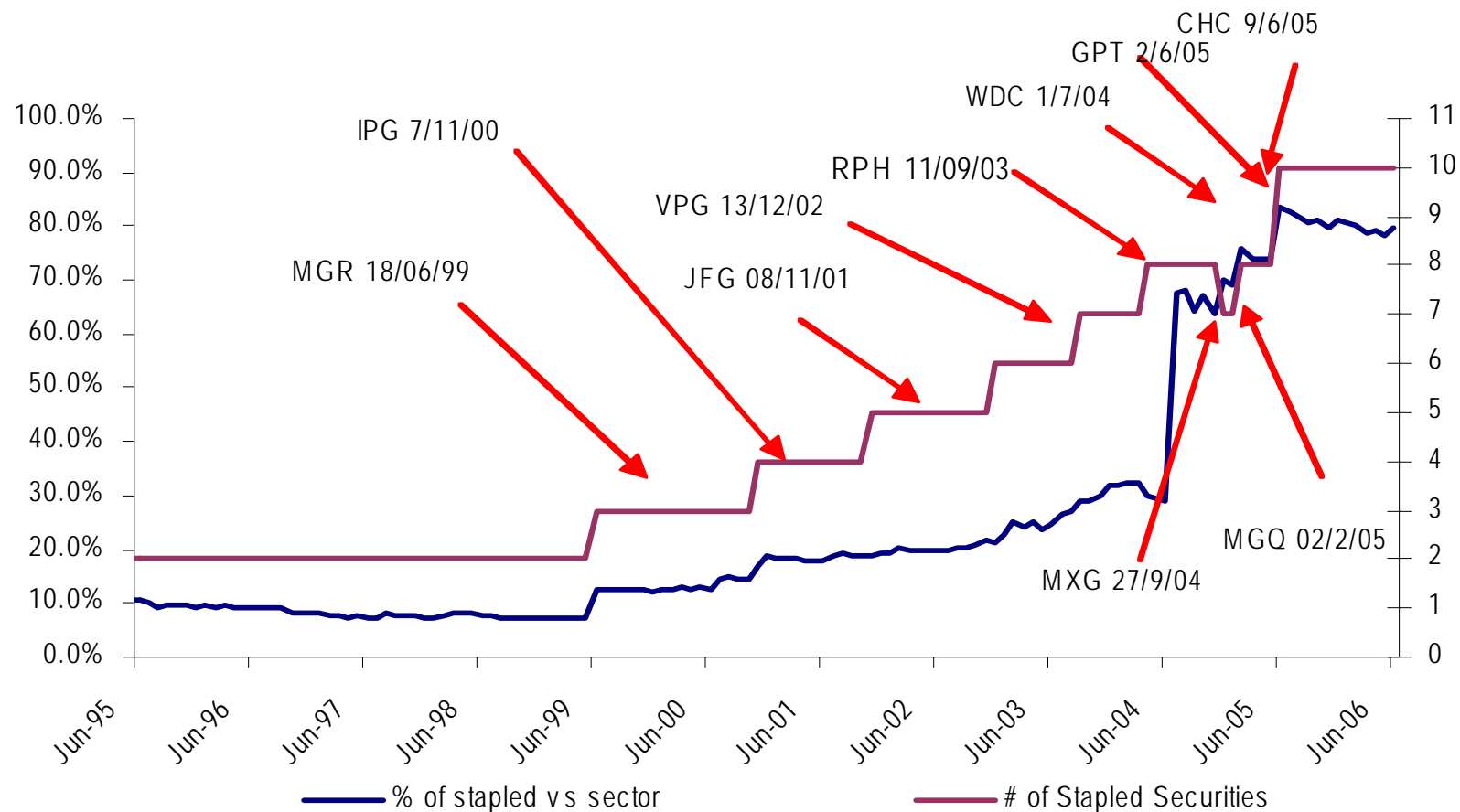
Source: UBS

Trend #4 - Investment in overseas assets increasing

- Weighted average exposure to overseas assets now at 37%.
- Ability to source international assets at higher yields. Focus now switching from US to Asia, Europe.
- Sensible approach as generally achieved through JV's with international partners for on the ground management expertise.
- Borrowings generally sourced in country of origin. Therefore cheaper debt than domestically.
- Currency typically hedged for 5 years on a rolling basis.



Trend #5 – Migration to stapled format



Source: JPMorgan

Earnings variance increasing

Stock	FY04 Eps Growth	FY05 Eps Growth
Macquarie Leisure Trust	+42.0%	+43.0%
Stockland	+12.9%	+5.3%
Macquarie Office Trust	-6.8%	+4.9%
GPT	+4.1%	+4.6%
Centro	+11.3%	+3.2%
Commonwealth Property Office	+3.6%	-6.3%
Mirvac	+5.2%	-18.6%
Multiplex	n/a	-66.0%

Market performance history – where is the LPT market headed?

Listed Property has outperformed the direct property market and equities

As at August 2005	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)
S&P/ASX 300 Property Accumulation Index	17.6%	15.7%	13.9%
PCA Direct Composite Property Index*	12.0%	11.3%	10.5%
ASX All Ords Accumulation Index	17.5%	10.4%	11.8%

* As at June 2005

Source: PCA, S&P & UBS

Case for LPT's

- LPTs have provided very good relative performance.
- Demand for securitised property is increasing globally.
- Ageing population will ensure demand for tax effective yield style products continues.
- Listed property remains predominantly underpinned by stable, annuity-style revenue sourced from long-dated lease agreements.
- Despite consolidation, there are still a large number of very liquid stocks in which to invest.

Case for active management by specialists

- Sector has seen significant change
- Increased earnings volatility as a result
- Stocks like Westfield, GPT can't be seen as 'proxies' for the sector as a whole.
- Opportunity now exists to invest both outside the sector in Australia and in overseas REITs
 - Diversification of stock market risk
 - Diversification of interest rate risk
 - Diversification of property risk
 - Diversification of earnings risk
- REIT investment thus becoming increasingly specialised – requiring specialist funds management expertise.

At A Glance - Principal Property Securities Fund

Performance Objective:

The Fund aims to provide investors with performance of 1.5% p.a. in excess of the S&P/ASX 300 Property Accumulation Index over rolling three year periods, before fees.

Investment Guidelines:

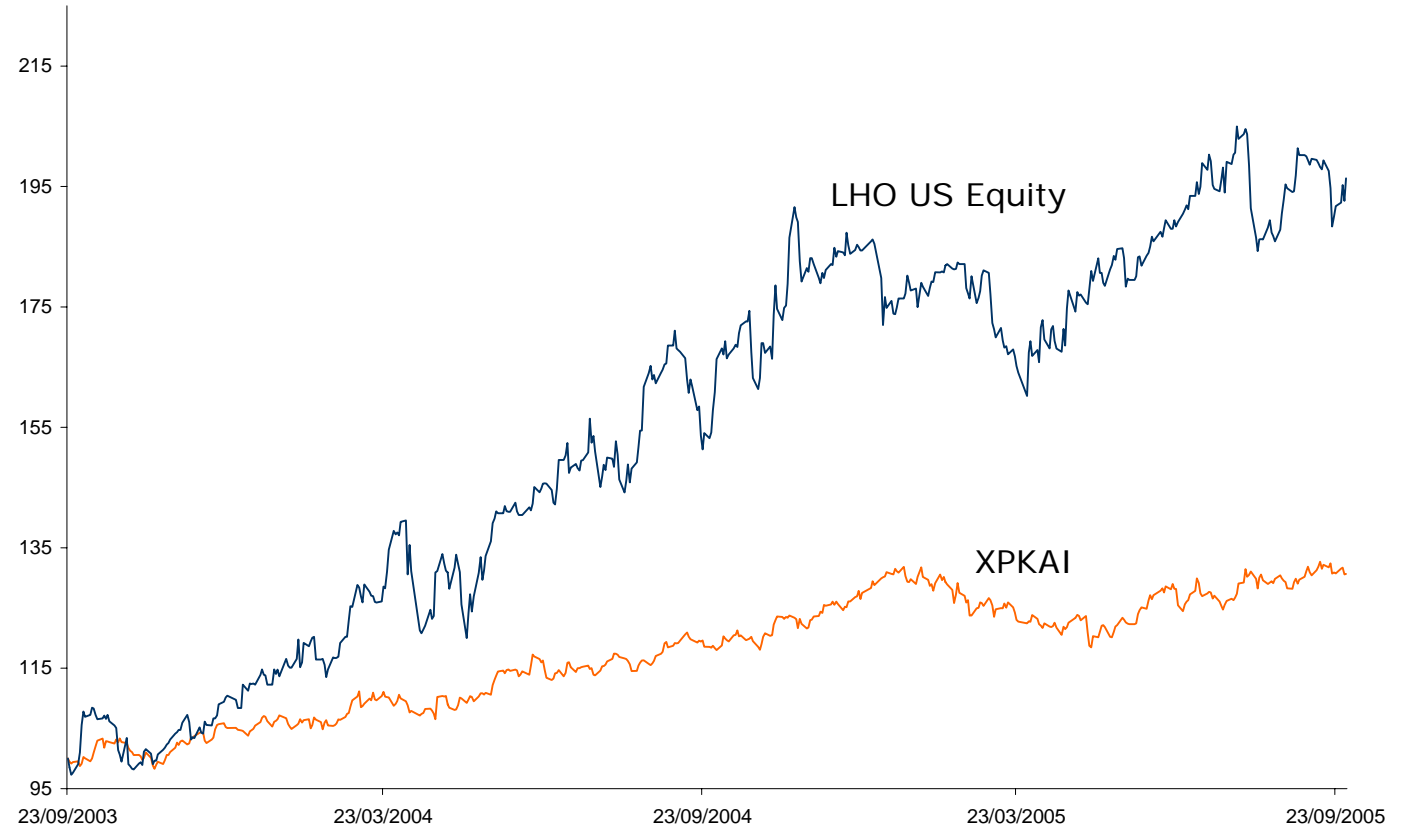
Ex-Ante Tracking Error Max 5%

Allocation to non-index securities Max 20%
eg developers, property service providers, infrastructure related stocks

Allocation to securities outside Aust/NZ Max 10%
eg US, Europe, Asia & Japan

Overseas stock – La Salle Hotel Properties

- Top down approach indicated that hotel markets were recovering post Sept 2001
- Growing demand due to increasing business and domestic leisure travel
- Negative new supply due to conversion of hotel properties to condominiums
- Average room rate (ARR) and occupancy growing strongly

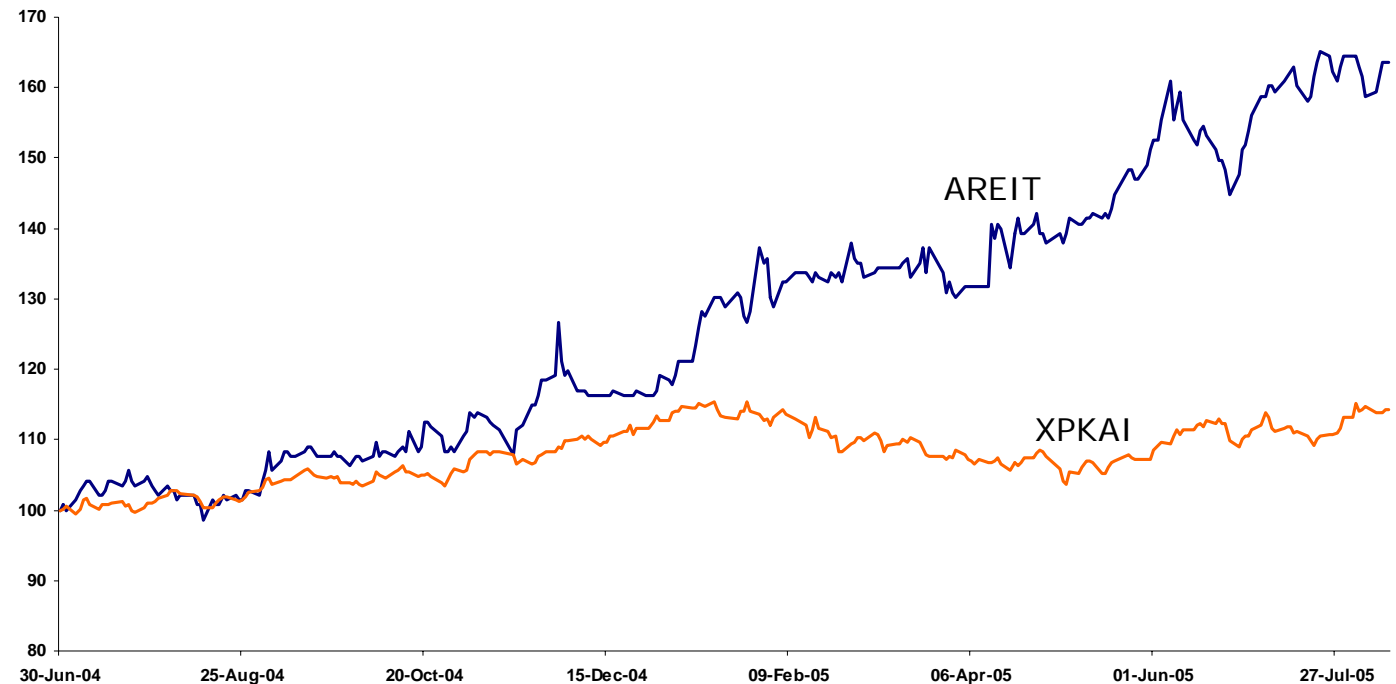


LHO US Equity = La Salle Hotel Properties, US

XPKAI = S&P 300 Property Acc. Index

Overseas stock - Ascendas REIT, Singapore

- First Industrial REIT in Singaporean market—first mover advantage
- Providing a significant diversification benefit for the Fund.
- Proven management ability.
- Exploiting a capital structure opportunity.
- CY04 DPU growth of 13% for a passive trust structure.

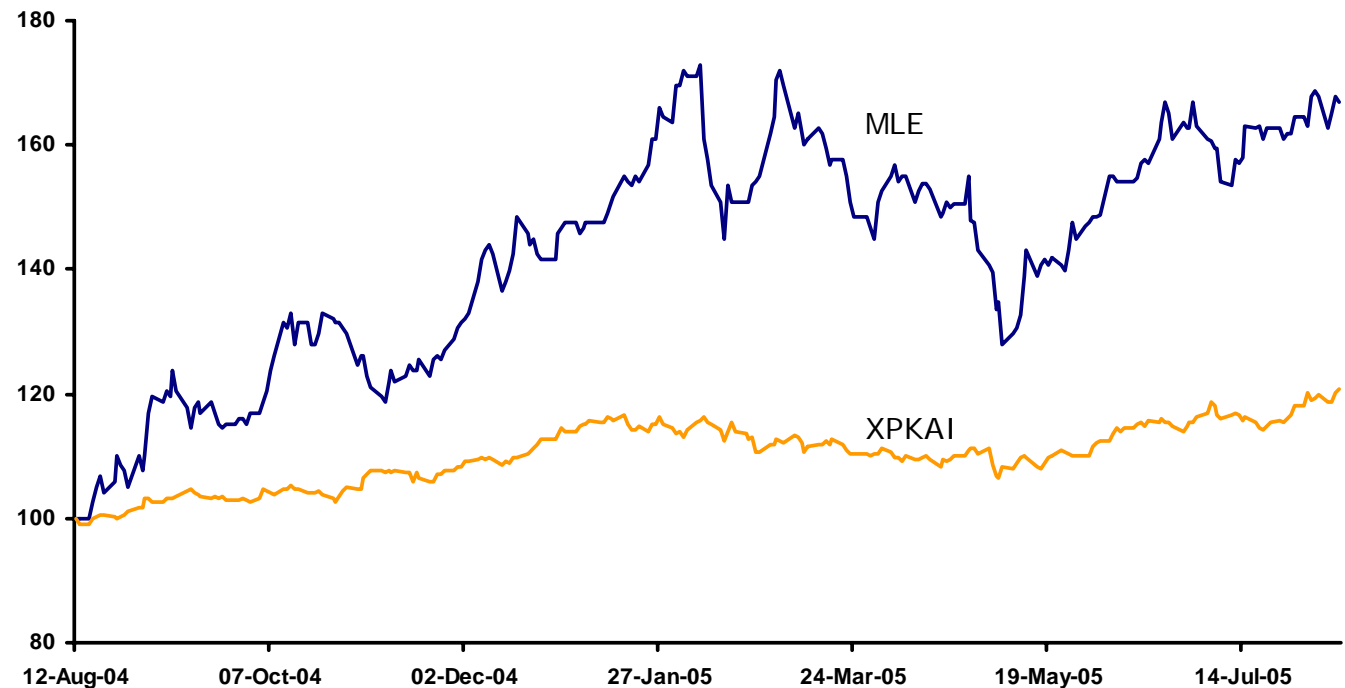


AREIT = Ascendas REIT, Singapore

XPKAI = S&P 300 Property Acc. Index

Local index stock – Macquarie Leisure Trust Group

- Proven management capability in operation of tourism-related assets.
- EPU growth of 40%.
- Diversification into new business streams to reduce risk/ provide new growth drivers.
- Limited competition in securing new assets, due to specialisation.
- Total return of 96% for MLE in FY2005.



MLE = Macquarie Leisure Trust Group

XPKAI = S&P 300 Property Acc. Index

Performance – Principal Property Securities Fund

Total Returns as at 31 July 2006	6 Months	1 Year	2 Years	3 Years	Since Inception
Principal Property Securities Fund*	8.7%	20.5%	21.2%	20.9%	20.2%
S&P/ASX 300 Property Acc. Index	10.4%	18.5%	18.1%	18.8%	18.0%
Excess return	-1.7%	2.0%	3.0%	2.1%	2.2%

*Performance quoted is before fees and taxes.

Source: JPMorgan Chase Bank; Composite inception: 1 April 2003

Data provided as supplemental information only and complements the composite presentation which can be found in the notes to performance section. Performance results reflect time-weighted total returns gross of management fees. Returns for periods over one year are annualized. Please refer to the accompanying "Notes to Performance Data" for additional disclosures and important information. Returns are in AUD dollars. Past performance is not indicative of future results.

Performance – The Competitor universe

Competitor analytics as at 30 June 2006	3 Mths	1 Year	3 Years (p.a.)	5 Years (p.a.)
Principal Property Securities Fund*	5.1%	22.4%	20.2%	19.5%
Upper Quartile	4.7%	19.2%	18.8%	17.2%
Median	4.4%	18.6%	18.2%	17.0%
Lower Quartile	4.2%	18.0%	18.0%	16.5%

Data provided as supplemental information only and complements the composite presentation which can be found in the notes to performance section. Performance results reflect time-weighted total returns gross of management fees. Returns for periods over one year are annualized. Please refer to the accompanying "Notes to Performance Data" for additional disclosures and important information. Returns are in AUD dollars. Past performance is not indicative of future results.

*Performance quoted is before fees and taxes.

Source: Mercer Investment Consulting, June 2006

Highly regarded - Principal Property Securities Fund

- Principal Global Investors:
 - US\$168.8 billion in assets under management
 - Fourth largest manager of real estate
 - 390 investment professionals
- Principal Property Securities Fund Ratings:
 - Recommended** rating from **Zenith**
 - 6-Star Exceptional Buy** rating from **InvestorWeb**
 - 4-Star Strong** rating from **Assirt**
- Principal Global Investors (Australia) awarded:



Notes To Performance Data

1. Returns from all securities, including cash reserves and equivalents are included in performance calculations. Financial leverage has not been employed within portfolios included in the composites.
2. No selective periods of performance have been utilized. No alterations of composites as presented here have occurred because of changes in personnel or other reasons at any time. Monthly and quarterly composite calculations have been appropriately weighted by the size of each portfolio based on beginning market values. Annual and multiyear cumulative annualized composite returns are obtained by linking monthly composite results.
3. Performance results stated to be “gross” do not reflect the deduction of investment advisory fees. Results earned on behalf of clients will be reduced by advisory fees. A fee schedule is available upon request and is described in Part II of the Firm’s ADV.
4. Performance results reflect total returns including income and market value changes. Accrued Accounting is used for securities that accrue income. Performance results are time-weighted rates of return, net of commissions and transaction costs.
5. The Firm, Principal Global Investors, is a registered investment advisor and member of the Principal Financial Group®. Certain members of the Firm previously operated as Principal Capital Management, Principal Capital Income Investors, Principal Capital Real Estate Investors, Invista Capital Management, BT Funds Management, and the investment department of Principal Life Insurance Company.
6. The index benchmarks are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the portfolios included in the composites. More detailed descriptions of each index benchmark is available upon request.
7. The information included in this document has been prepared for distribution only to select sophisticated investors on a one-on-one basis and should not be construed as advertising, investment advice or a recommendation for the purchase or sale of any security.
8. The enclosed information has been developed internally and/or obtained from sources the Firm believes to be reliable; however, the Principal Global Investors does not guarantee the accuracy, adequacy or completeness of such information.
9. The following table illustrates the hypothetical investment advisory fees that a client would incur on a \$1,000,000 investment over various periods. The example assumes that (a) the Account provides a return of 8% a year and (b) the annual investment advisory fee is .40%.

1 Year	3 Years	5 Years	10 Years
\$4,320	\$15,056	\$29,152	\$84,819

This is an example only and should not be considered to represent actual investment advisory fees or performance from the past or for the future, which may be higher or lower than those shown. In addition, the actual investment advisory fees incurred by the client will vary according to the asset classes in the account and the size of the account.

10. A full presentation in compliance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR-PPS) is available upon request. AIMR has not been involved with the preparation or review of this report.
11. Past performance is not an indication or assurance of future results. The value of investments and the income from them may fall as well as rise.
12. All performance is stated in A\$, unless otherwise noted.

Notes To Performance Data (cont.)

This material contains general information only on investment matters; it should not be considered as a comprehensive statement on any matter and should not be relied upon as such. The information it contains does not take account of any investor's investment objectives, particular needs or financial situation.

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Real Estate Investment Trust Composite Annual Disclosure Presentation

Principal Real Estate Investors, LLC

Australian Real Estate Investment Trust Composite contains fully discretionary listed property accounts and for comparison purposes is measured against the ASX/S&P Property 300 Accumulation Index.

Principal Global Investors, LLC has prepared and presented this report in compliance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR-PPS®), the U.S. and Canadian version of the Global Investment Performance Standards (GIPS®). AIMR has not been involved with the preparation or review of this report.

Principal Global Investors, LLC is a registered investment adviser. Prior to October 1, 2002, the firm was defined as Principal Capital. The firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Non-fee-paying accounts are not included in this composite. As of April 1, 2003, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of 33% of portfolio assets. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite the month after the cash flow. Additional information regarding the treatment of significant cash flows is available upon request. Past performance is not indicative of future results.

Year End	Total Firm Assets (millions)	Composite Assets			Annual Performance Results		
		U.S. Dollars (millions)	% of Firm Assets	Number of Accounts	Composite	Morgan Stanley REIT	Composite Dispersion
2004	178,084	40	<1%	<=5	34.4	20.0	N.A.
2003	157,222	27	<1%	<=5	8.8	8.8	N.A.
2002	167,650	227	<1%	<=5	6.4	5.5	N.A.
2001	162,441	155	<1%	<=5	7.0	5.6	N.A.
2000	146,149	111	<1%	<=5	6.2	6.7	N.A.
1999	122,096	116	<1%	<=5	-1.7	-1.1	N.A.
1998	123,789	171	<1%	<=5	12.0	4.1	N.A.
1997	104,584	233	<1%	<=5	-4.4	1.1	N.A.
1996	79,317	90	<1%	<=5	4.8	4.4	N.A.

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

The Australian Dollar is the currency used to express performance. Returns are presented gross of management fees and include the reinvestment of all income. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. A fee schedule is an integral part of a complete presentation and is described in Part II of the firm's ADV, which is available upon request. Fees are collected quarterly, which produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) \$1,000,000 investment, (b) portfolio return of 8% a year, and (c) .70% annual investment advisory fee would be \$7,560 in the first year, and cumulative effects of \$50,712 over five years and \$146,452 over ten years. Actual investment advisory fees incurred by clients may vary.

Balanced portfolio segments are not included in this composite. Leverage is not used in this composite.

The Australian Real Estate Investment Trust composite was created June 30, 1995. Performance shown prior to October 1, 2002 reflects that of BT Funds Management, a former member of Principal Capital Management, LLC (now known as Principal Global Investors, LLC). Compliance with the AIMR-PPS has been verified firmwide by Ashland Partners & Company LLP from January 1, 1990 through December 31, 2003.

Gizmo time

Which session are you in?

1. PIMCO
2. Principal Global Investors
3. Colonial First State
4. Deutsche Asset Management
5. Challenger Financial Services

Gizmo time

Please rate the overall quality of this session...

1. awful
2. Poor
3. Mediocre
4. Good
5. Very good
6. Great!



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