

**Presenting
debate on
contemporary
and emerging
portfolio
construction
issues**



portfolio
construction

CONFERENCE

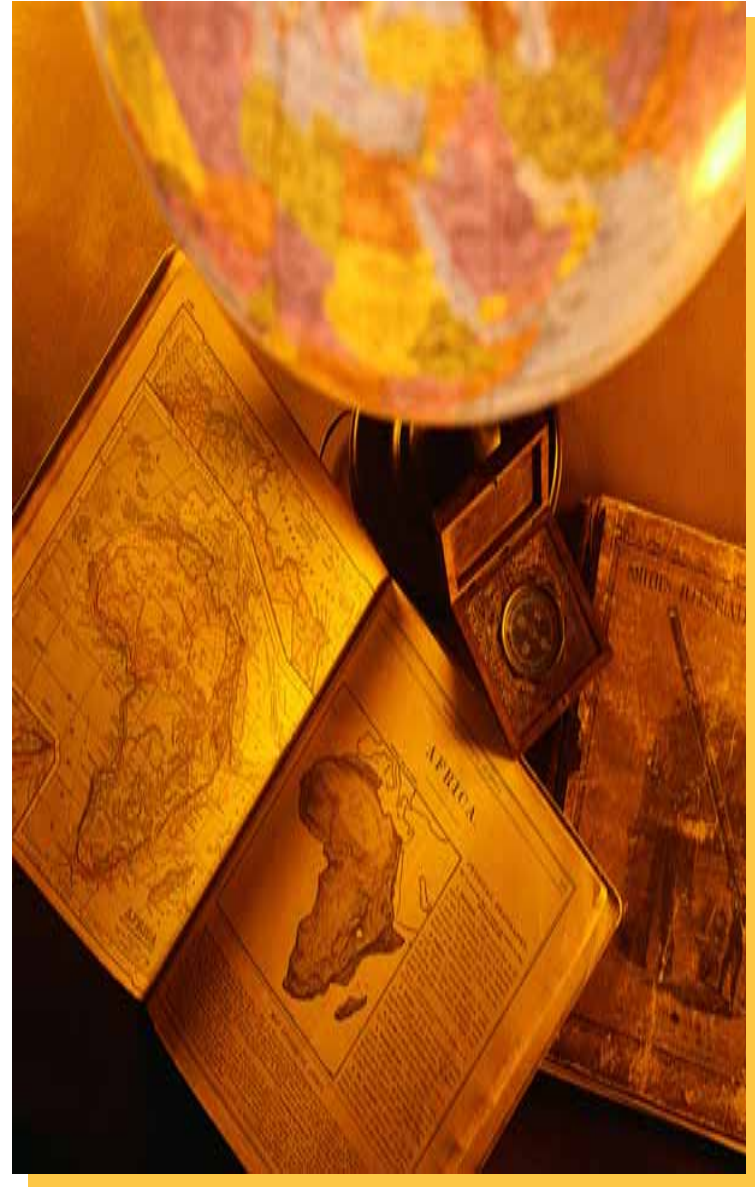
15 & 16 August 2007 | AJC Convention Centre, Randwick, Sydney

Principal Global Investors

“Property securities –
Dead end or Global
beginning”

August 2007

Chris Lepherd
Director, Portfolio Management



Agenda

- LPT Performance track record
- Recent structural change in the sector
- Bond yield tail winds and other factors
- Development in valuation methodology
- Drivers of future growth

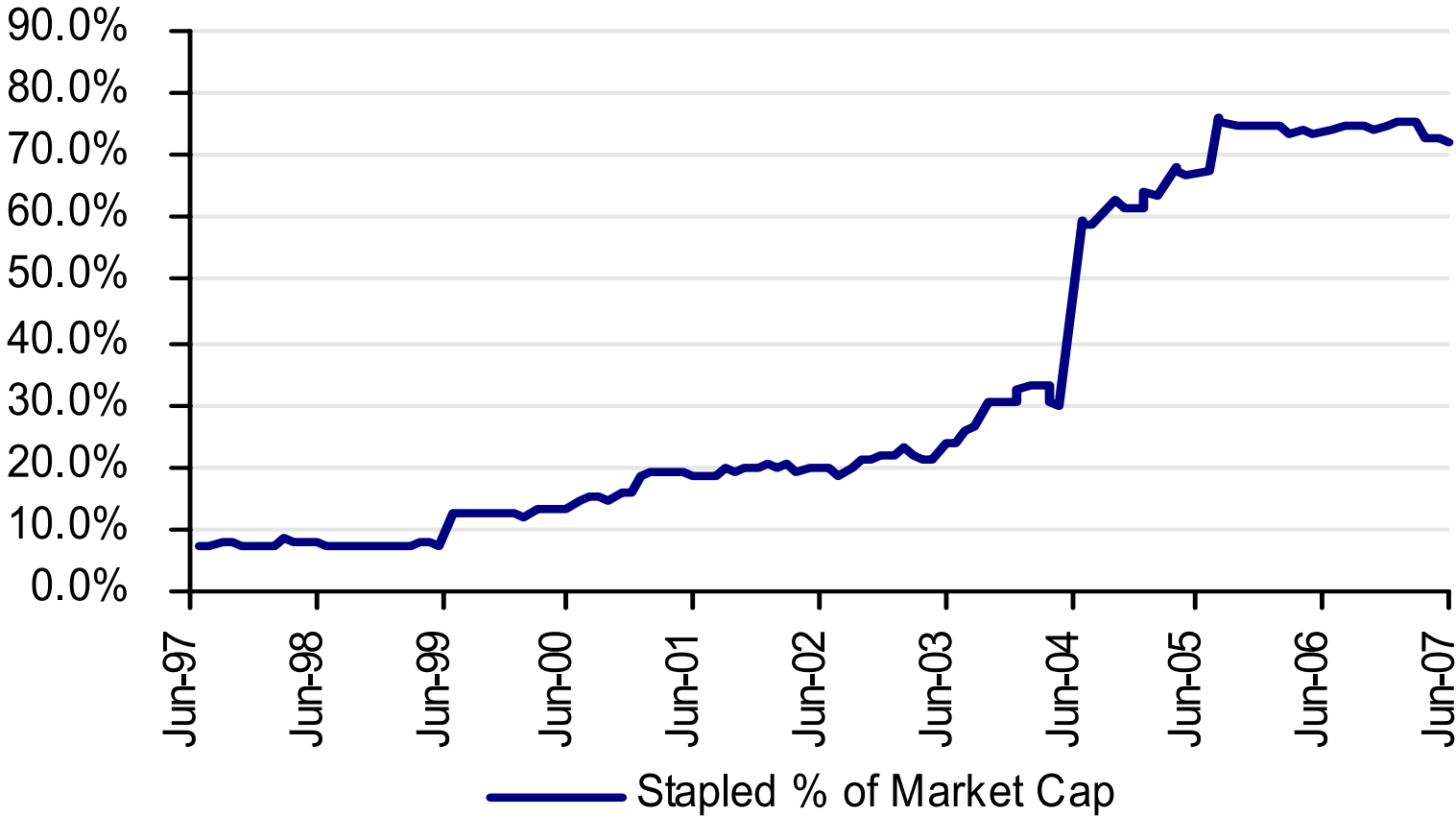
Total Returns (As at 31 March 07)

	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)
S&P/ASX 300 Property Accumulation Index	22.0%	18.7%	15.8%
PCA Direct Composite Property Index*	14.7%	13.1%	11.7%
ASX All Ords Accumulation Index	25.5%	16.9%	13.8%

Evolution from traditional trust to integrated property group

- Internally managed
- Focus on ROE and a new management style
- Creation of new businesses: development and funds management
- A clear focus on cost of capital

Percentage stapled



Source: UBS estimates

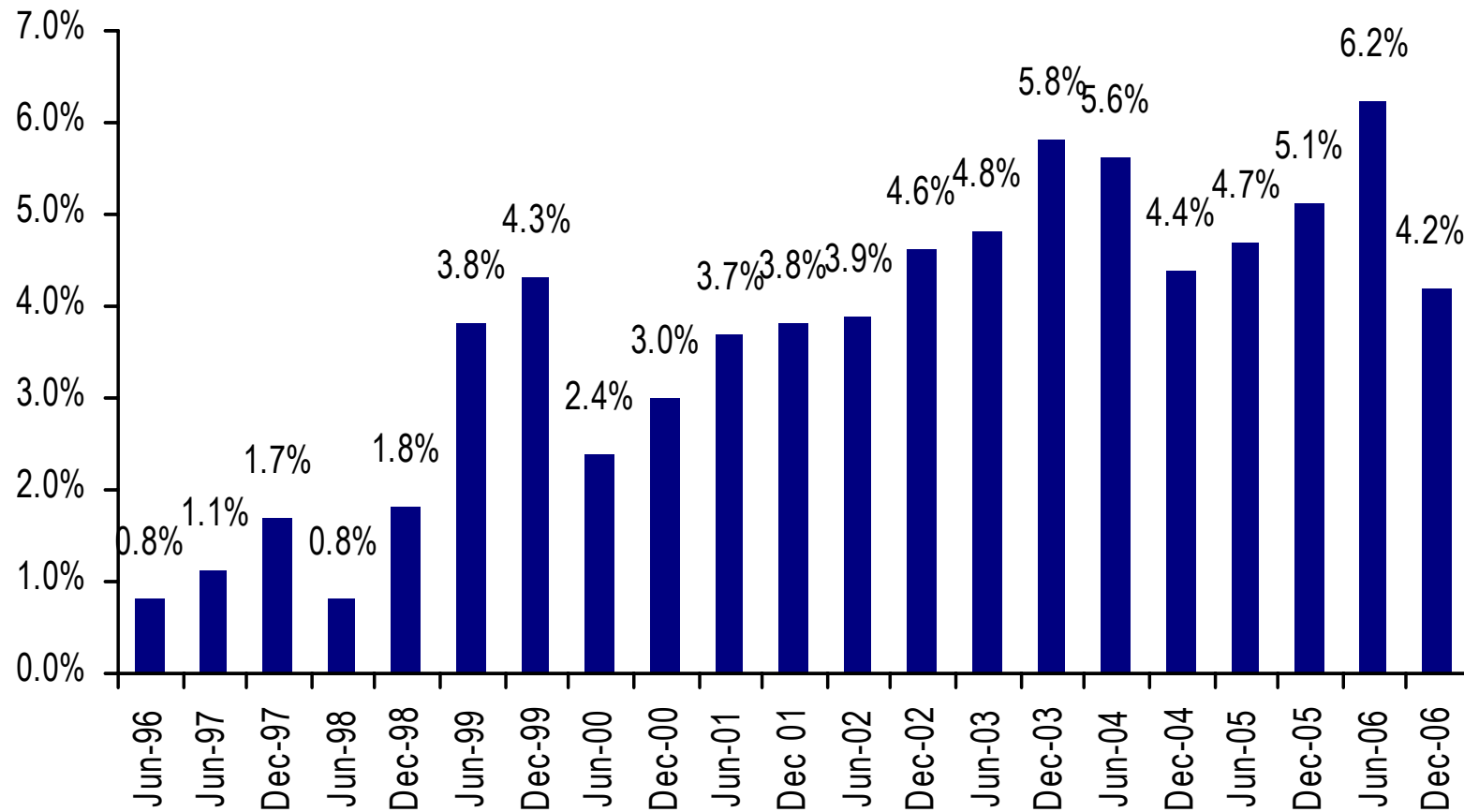
Total returns (3 years to June 07)

Stock	3 yr return
Stapled security	
Stockland	23.5%
Centro Group	44.3%
Macquarie Goodman	39.4%
Traditional Trust	
Commonwealth Property Office	21.7%
ING Industrial	17.0%
Macquarie Countrywide	15.5%

Return catalysts

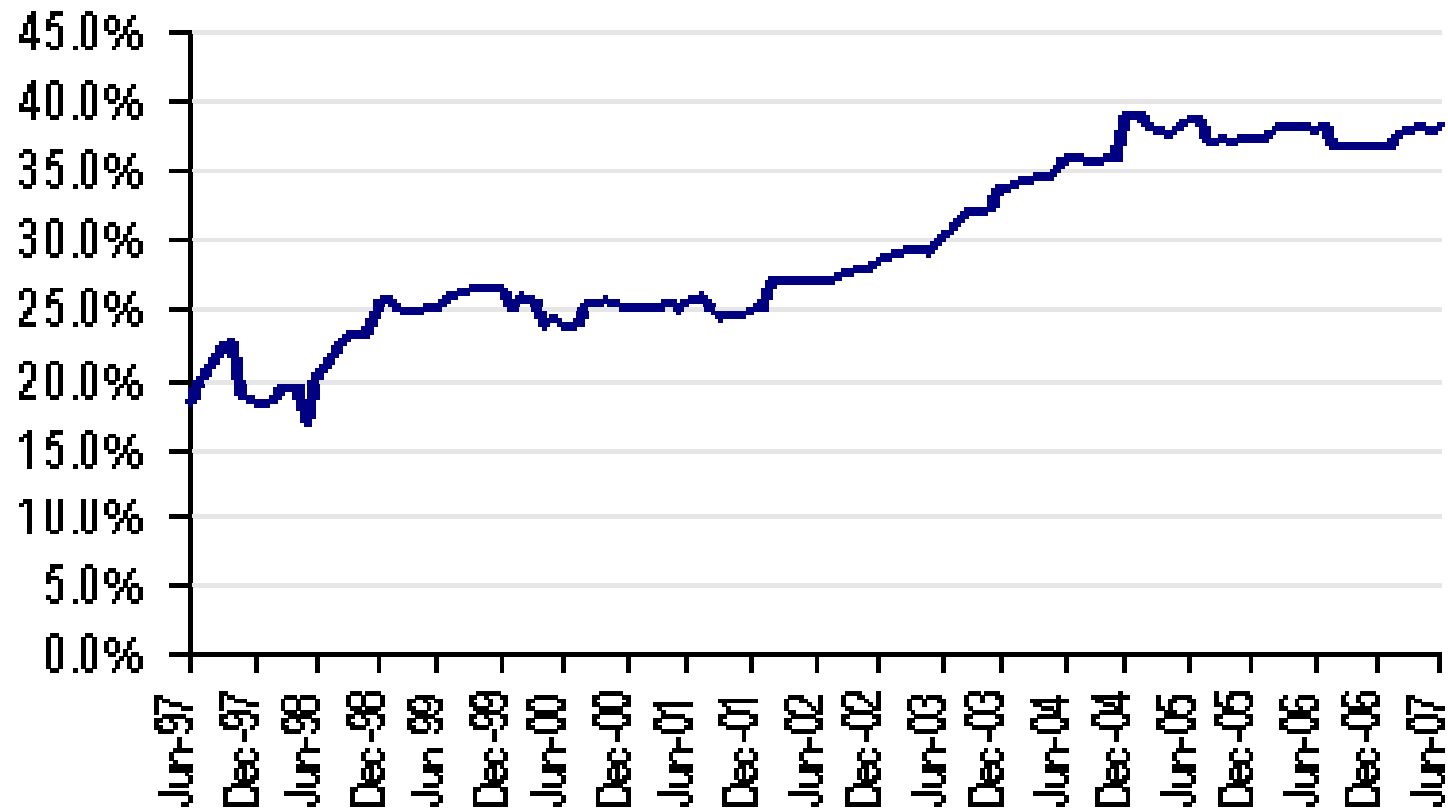
- Progressively lower bond yields
- Increased financial leverage
- Increased operating leverage
- Strong direct property fundamentals
- A new management style
- Increased appetite for tax effective yield securities

LPT sector reported DPS growth



Source: UBS

LPT sector gearing

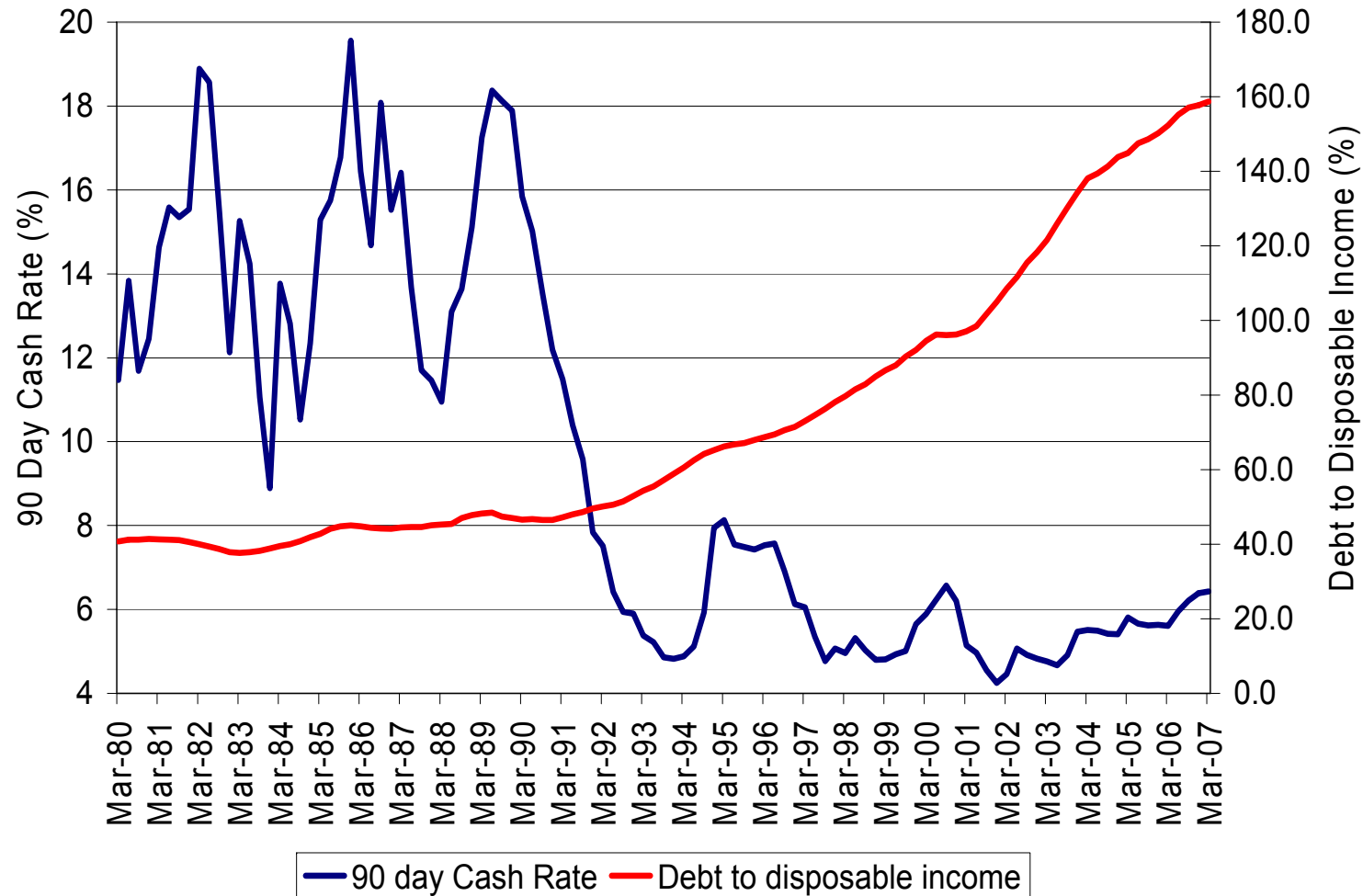


Source: UBS estimate

Long term bond yields

- Increased household gearing level
- Increased sensitivity to interest rates
- Less resilient to economic shocks
- Possibility of Japan style interest rates

Cash Rate vs Debt to Disposable Income

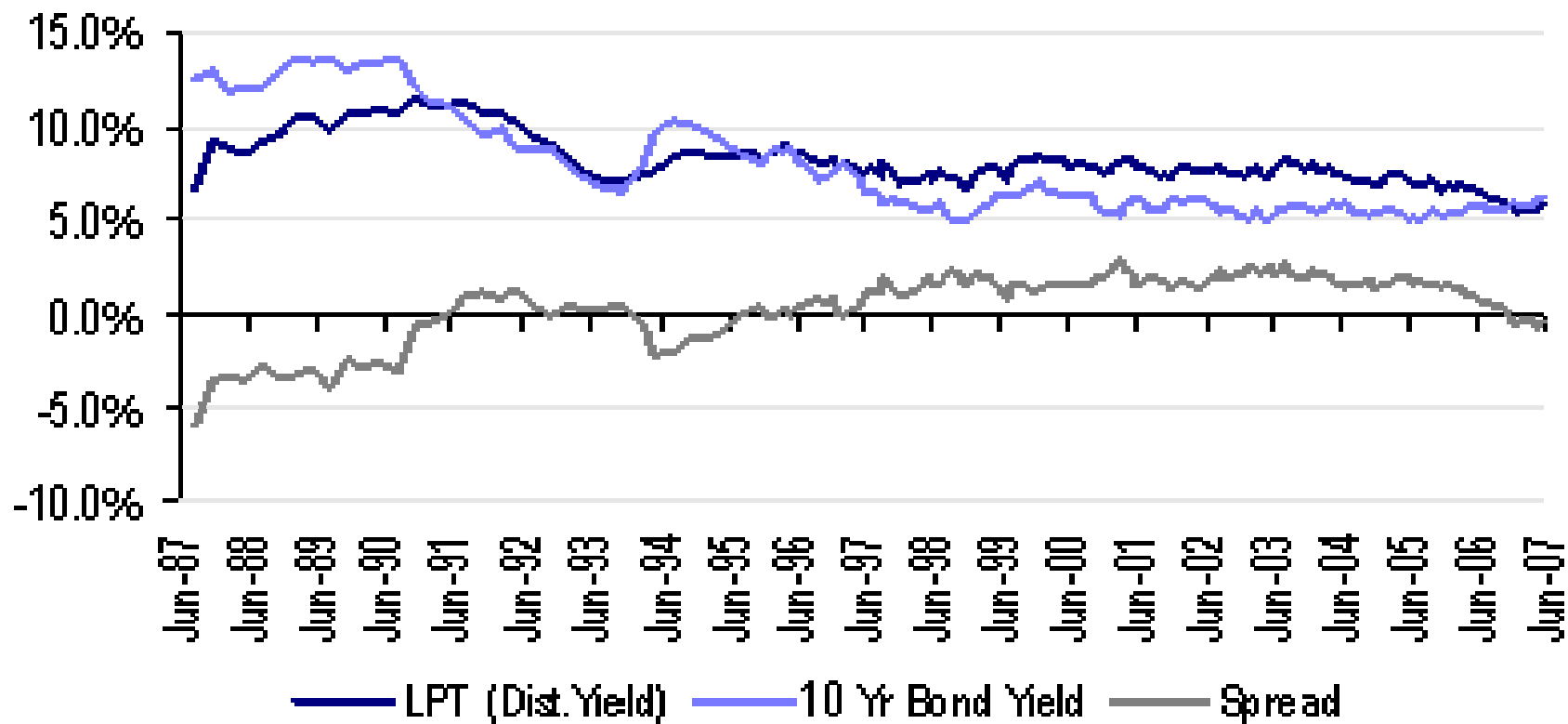


Source: RBA

Valuation development

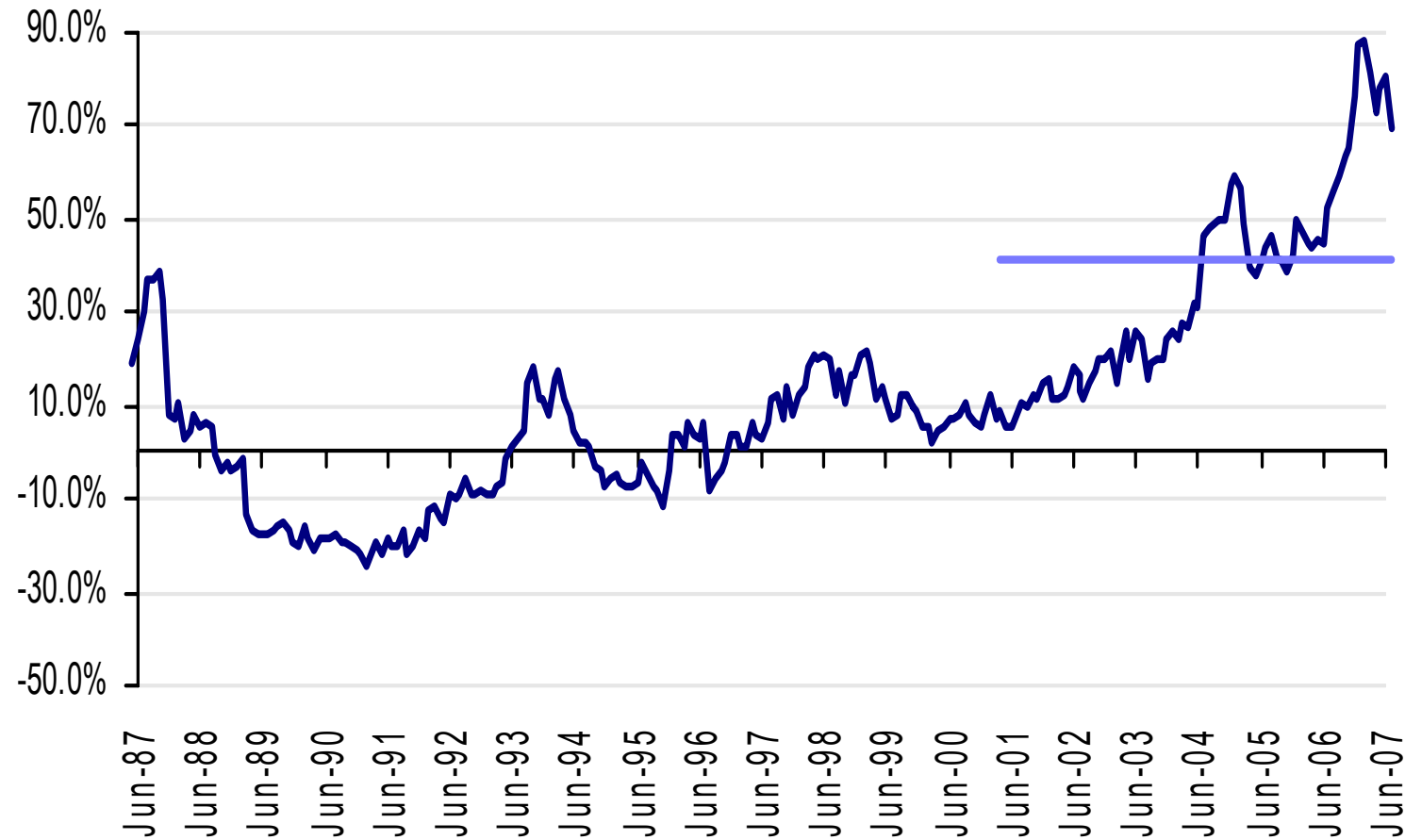
- Headline distribution yield and NTA
- DCF
- Sum of the parts (trust + company)
- Earnings yield and PE ratio
- PE/eps-g ratio

Yield spread - LPTs to 10-year bonds



Source: UBS estimate

Discount/Premium to NTA (LPT sector)



Source: UBS, IRESS

Earnings variance

Stock	FY04 Eps Growth	FY05 Eps Growth	FY06 Eps Growth
Macquarie Leisure Trust	+42.0%	+43.0%	20.0%
Stockland	+12.9%	+5.3%	6.6%
Macquarie Office Trust	-6.8%	+4.9%	4.1%
GPT	+4.1%	+4.6%	10.8%
Centro	+11.3%	+3.2%	9.5%
Commonwealth Property Office	+3.6%	-6.3%	3.6%
Mirvac	+5.2%	-18.6%	3.3%
Multiplex	n/a	-66.0%	-173.1%

The Case for Property Securities

Diversification

Diversification benefits allow for a more efficient portfolio

Large Opportunity Set

High total return potential due to a large and rapidly growing investment opportunity set

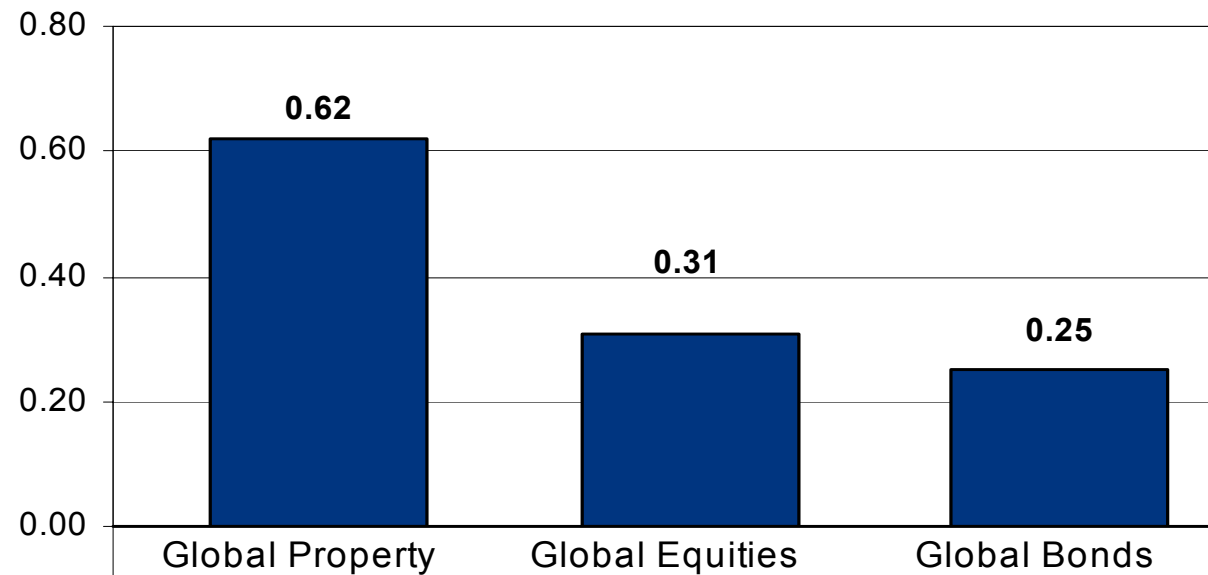
Liquidity

More liquid and efficient method to invest in real estate compared to direct property investments

Risk-Adjusted Performance

1 January 1997 – 31 December 2006

Sharpe Ratio

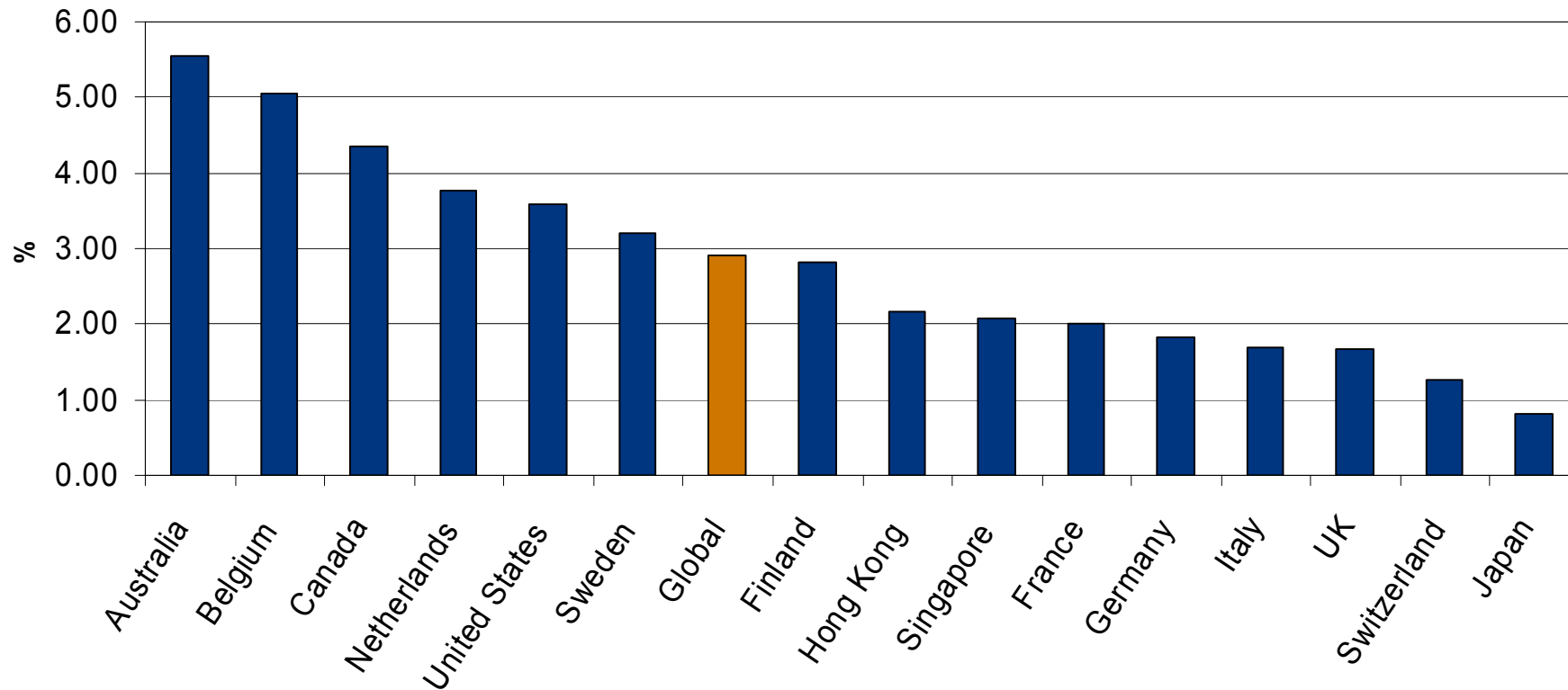


Annualized Compound Return	12.76%	8.08%	5.32%
Standard Deviation	14.62%	14.41%	6.55%
Sharpe Ratio	0.62	0.31	0.25

Source: Principal Global Investors; FTSE EPRA/NAREIT Global Index, MSCI World Equity Index, JP Morgan Global Bond Index. Returns in USD.

Gross Dividend Yield by Country

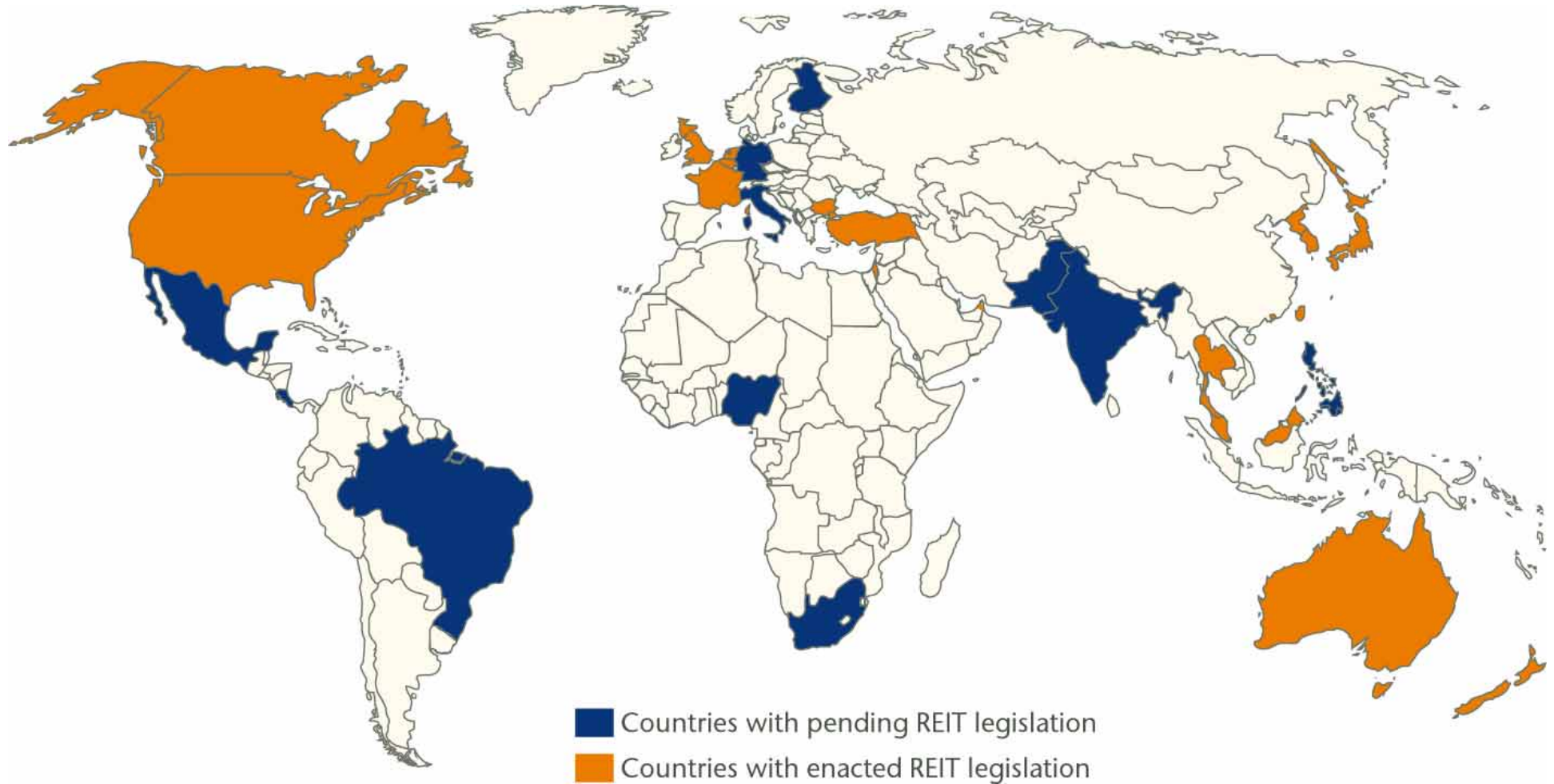
as of 31 March 2007



Source: Factset

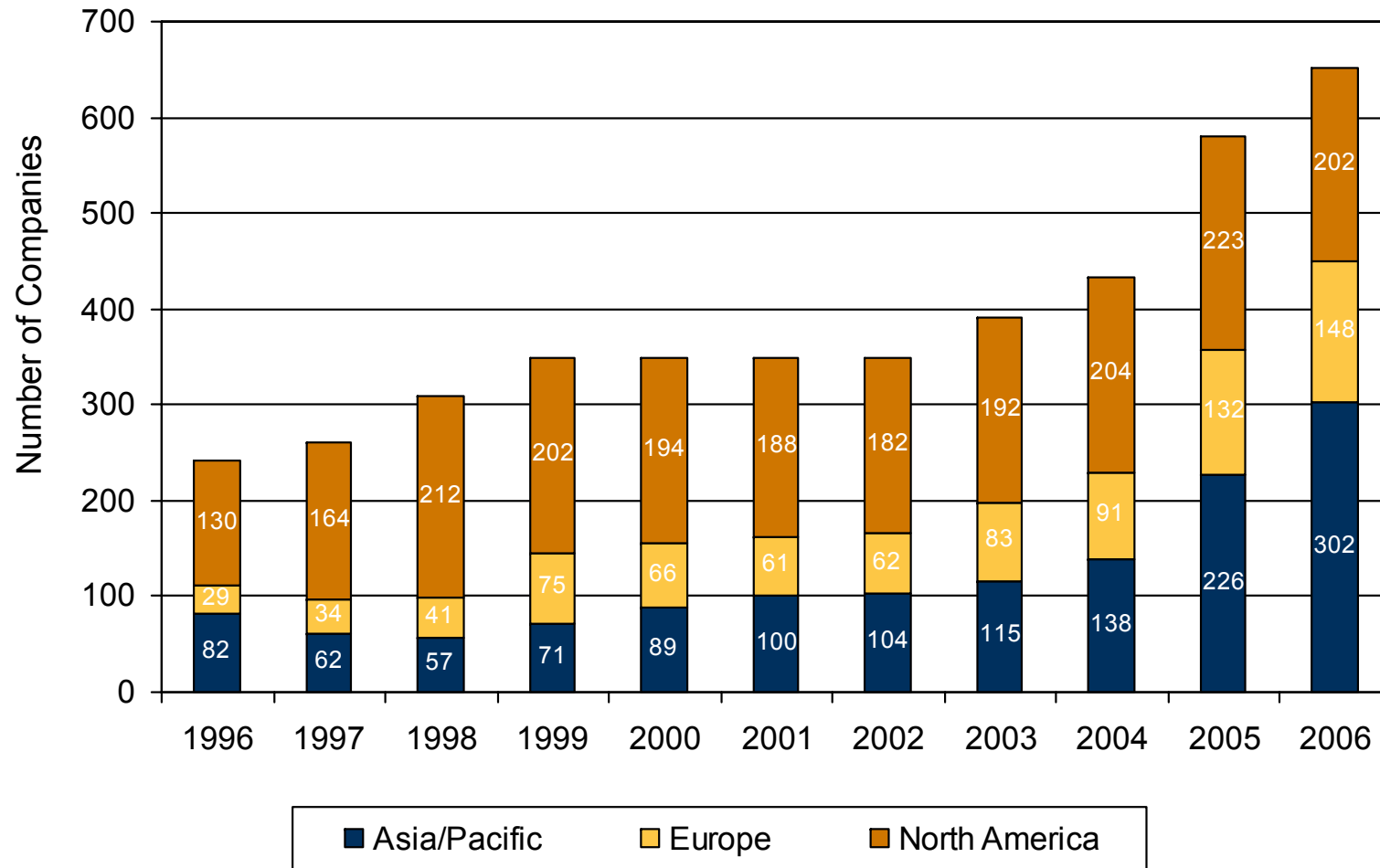
Increasing Opportunity Set

As of January 2007



Source: UBS Investment Research Global Real Estate Handbook

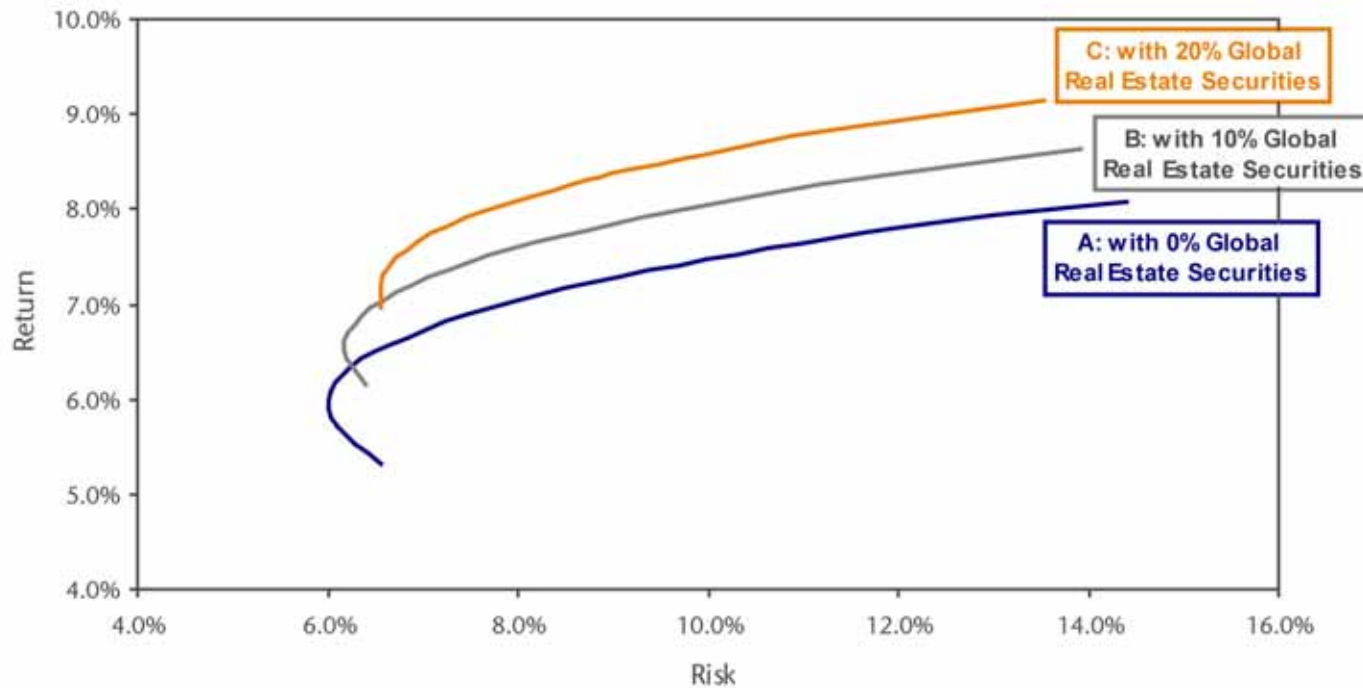
Growth of Investment Universe



Source: Principal Global Investors

A More Efficient Portfolio

Risk-Return Tradeoff Curve Global Equities, Bonds & Property Securities



Portfolio A	0% Global Property Securities, 55% Global Equities, 45% Bonds
Portfolio B	10% Global Property Securities, 50% Global Equities, 40% Bonds
Portfolio C	20% Global Property Securities, 45% Global Equities, 35% Bonds

Source: Principal Global Investors; FTSE EPRA/NAREIT Global Index, MSCI World Equity Index, JP Morgan Global Bond Index; monthly returns in USD. Dec 1996-Dec 2006

Performance Principal Property Securities Fund

Total Returns – as at 31st July 2007

	1 Year	2 Years	3 Years	Since Inception
Principal Property Securities Fund*	21.0%	20.8%	21.1%	20.4%
S&P/ASX 300 Property Acc. Index	17.4%	18.0%	17.9%	17.8%
Excess return	3.6%	2.8%	3.2%	2.6%

*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 2007

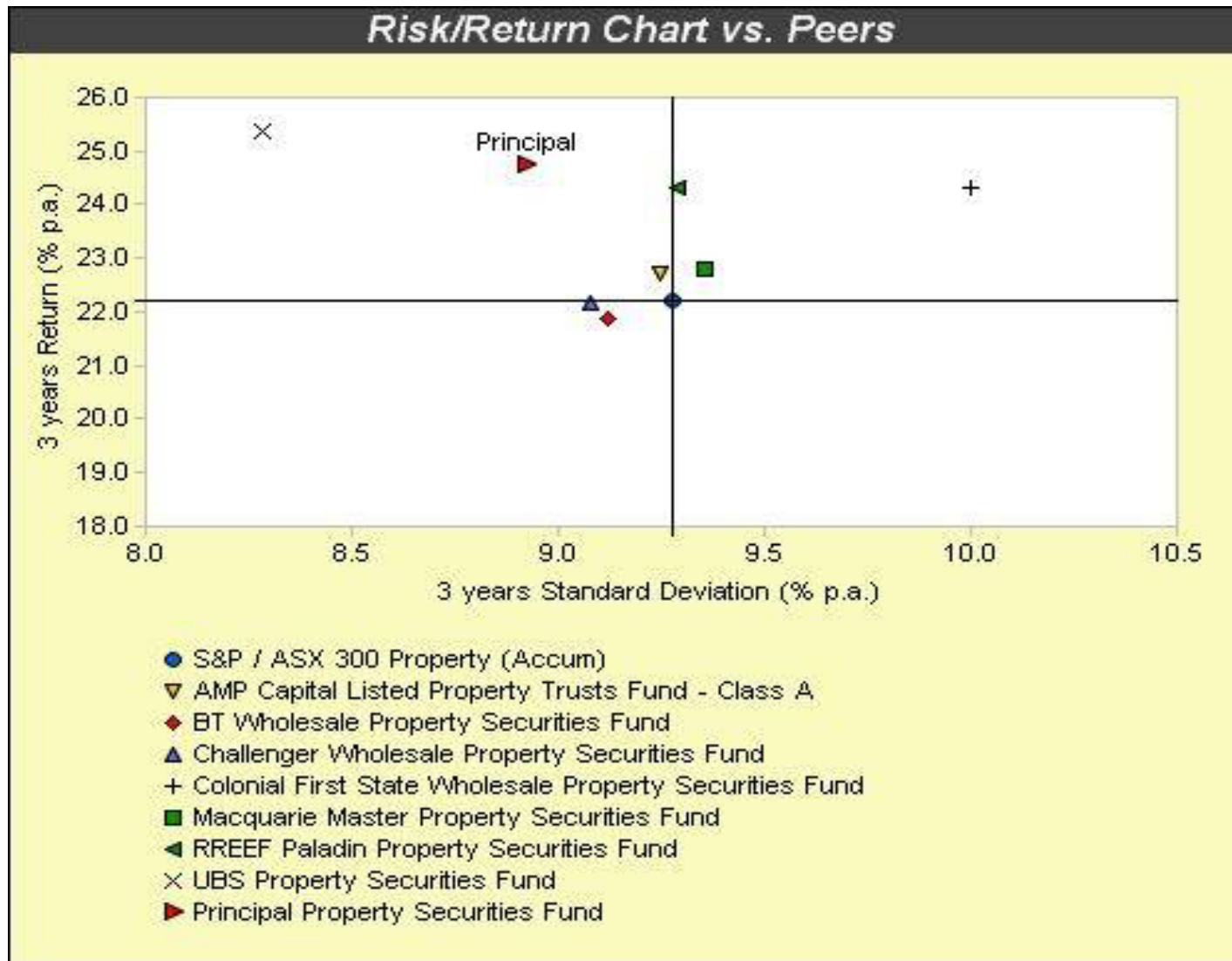
	3 Mths	1 Year	3 Years (p.a.)	Since inception
Principal Property Securities Fund*	5.1%	22.4%	20.2%	19.5%
Upper Quartile	4.7%	19.2%	18.8%	17.2%
Median	4.4%	18.6%	18.2%	17.0%
Lower Quartile	4.2%	18.0%	18.0%	16.5%

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

Risk & Return



Source: Zenith Investment Partners Pty Ltd

As at 31 March 2007

PGI Australia

- Principal Property Securities Fund Ratings*:
 - Quality rating from MIA, endorsed by van Eyk
 - 4-Star Buy rating from InvestorWeb
 - 4-Star Strong rating from Standard & Poor's
 - Recommended rating from Zenith
- Principal Global Property Securities Fund Ratings;
 - 3-Star Strong rating from Standard & Poor's
 - Investment grade rating from Zenith
- Principal Global Investors (Australia) awarded:



* Please see External Party Disclaimers at back

Why Principal Global Investors for Property Securities

- Experienced, specialist property securities team
- No capacity constraints
- Ability to add value through selectively investing in Australian non-index and global securities
- Local team has access to the insights of a global real estate team
- Investment process combines detailed original research and disciplined portfolio construction

Summary

- Structural changes in the sector
- Several developments in valuation methodology
- Enormous drivers of growth
- Value in active management

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.

This material is given in good faith and has been derived from sources believed to be accurate as at March 2005. Subject to any contrary provisions of applicable law, no company in the Principal Financial Group nor any of their employees or directors gives any warranty of reliability or accuracy nor accepts any responsibility arising in any other way (including by reason of negligence) for errors or omissions herein.

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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 firm wide by Ashland Partners & Company LLP from January 1, 1990 through December 31, 2003.

