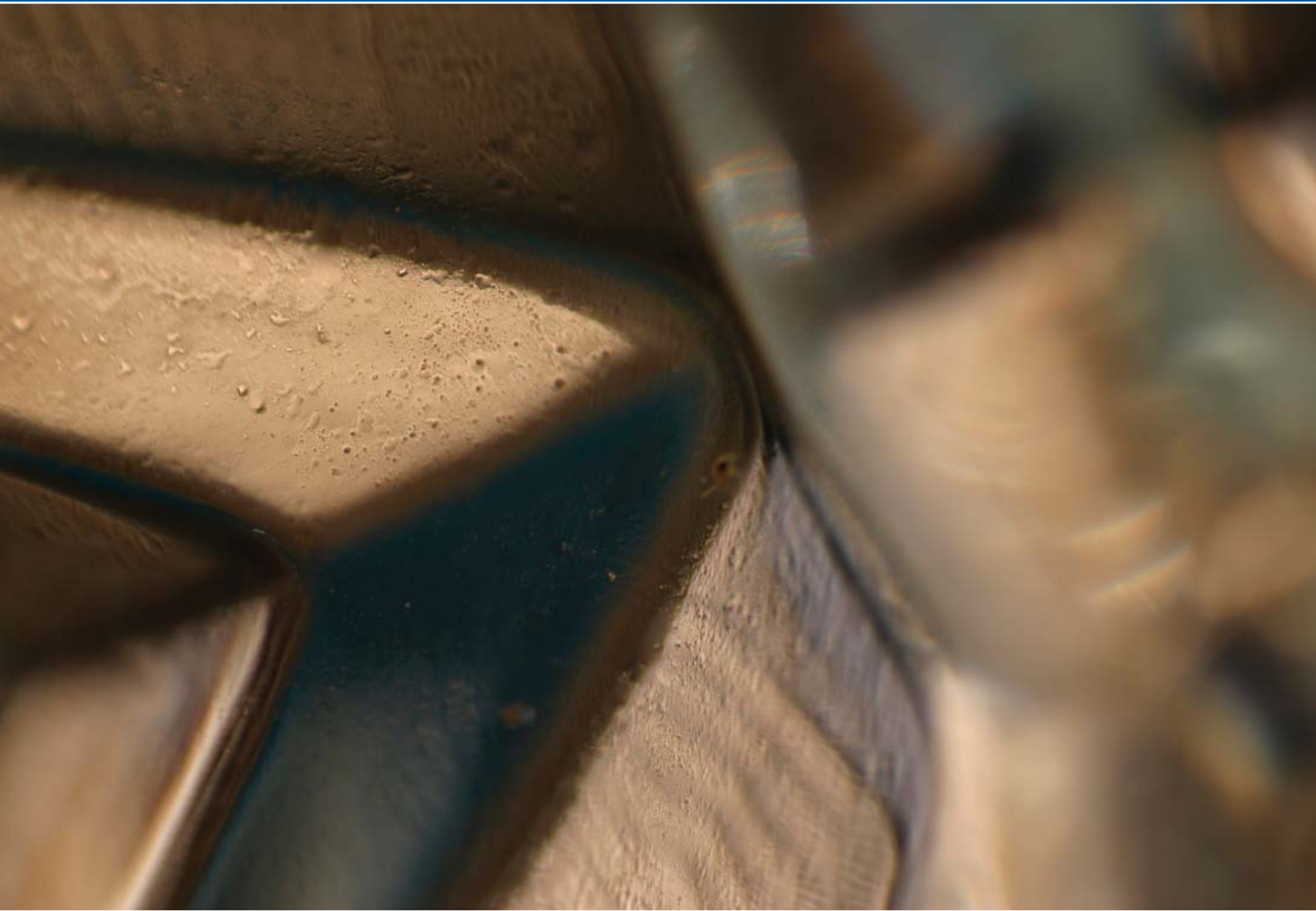


Product Disclosure Statement

# Principal Global Property Securities Fund



1 July 2010 | ARSN 122 853 758

# Important Information

This Product Disclosure Statement (“PDS”) is issued by Principal Global Investors (Australia) Limited (ABN 45 102 488 068, AFSL 225385), Level 43, AMP Centre, 50 Bridge Street, Sydney NSW 2000. Throughout this PDS the “Manager”, “responsible entity”, “we”, “us” and “our” mean Principal Global Investors (Australia) Limited. Reference to “the Fund” is a reference to the Principal Global Property Securities Fund ARSN 122 853 758.

Direct investments in the Fund are only available to wholesale clients. Other investors may invest through an investor directed portfolio service (“IDPS”) or a similar service (commonly a master trust or wrap account). If you wish to access the Fund through an IDPS or similar service, you may use this PDS to direct the operator of that service to invest in the Fund but you will not become a unitholder in the Fund nor acquire the rights of an investor. Instead, the operator of that service acquires those rights and can exercise them, or decline to exercise them, on your behalf. For information about your investment, you should contact your IDPS provider.

Information in this PDS is general information only and does not take into account your individual objectives, financial situation or needs. You should consider whether an investment in the Fund is appropriate for you in light of your objectives and circumstances and we recommend that you get professional advice from a licensed financial adviser before making an investment decision.

Neither the Manager nor any company in the Principal Financial Group® promises that you will earn any return on your investment or that your investment will gain or retain its value. Your investment does not represent deposits in or other liabilities of the Manager, the Principal Financial Group® or any member of the Principal Financial Group®. Your investment is subject to risks, including possible delays in repayment and loss of income and principal invested. The Principal Financial Group® does not in any way guarantee the capital value and/or performance of the Fund.

The offer to which this PDS relates is available only to persons receiving this PDS in Australia. This PDS is not an offer or invitation in relation to the Fund in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. The distribution of this PDS in jurisdictions outside of Australia may be restricted by law and persons who come into possession of this PDS should seek their own advice on, and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This PDS has not been lodged with the Australian Securities and Investments Commission (“ASIC”) and is not required to be lodged with ASIC. ASIC takes no responsibility for the contents of this PDS.

Unless otherwise stated, all monetary amounts in this PDS are expressed in Australian dollars.

*Please note that information in this PDS that is not materially adverse information is subject to change from time to time. We may update this information and make it available to investors via our website [www.principalglobal.com.au](http://www.principalglobal.com.au), where permitted by law. A paper copy of any updated information is available free of charge upon request.*

*Where a change is materially adverse to investors, we may issue a replacement or a supplementary PDS and give investors notice as required by law.*

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# About the Manager

The responsible entity of the Fund, Principal Global Investors (Australia) Limited (“Manager”), is part of Principal Global Investors, the investment management business of the Principal Financial Group®.

Principal Global Investors is a diversified asset management organisation with operations in the United States, Europe, Asia and Australia. Globally, Principal Global Investors manages US\$222.0 billion in assets primarily for retirement plans and other institutional clients, and draws from the expertise of approximately 419 investment professionals\*.

Principal Global Investors’ investment capabilities encompass an extensive range of real estate, fixed income and equity investments, as well as specialised overlay and advisory services.

The Manager offers Australian clients access to a wide range of the local and global investment management capabilities of Principal Global Investors, including:

- Australian and global property securities
- Australian and global fixed income
- Currency
- Global and emerging markets equity

The global reach of Principal Global Investors provides an information advantage in researching and managing investment portfolios. At the same time, we serve clients on a personalised basis and tailor our capabilities to specific client objectives and investment goals.

The Manager has appointed its affiliate Principal Real Estate Investors, LLC as the principal investment advisor to the Fund; its specialist property securities team manages the Fund’s investments. This team is part of Principal Real Estate Investors’ worldwide real estate team whose experience in real estate spans private and public equity as well as debt investment alternatives. This worldwide real estate team has 167 investment professionals and manages or sub-advises approximately \$US33.7 billion in assets\*. Global coverage of the market is broken down into three regions; Europe, the Americas and Asia Pacific (including Australia).

\*As of March 31, 2010, Funds under management will change from time to time. The latest figure can be obtained from our website or from your IDPS provider.

Principal Global Investors is the asset management arm of the Principal Financial Group® (The Principal®)<sup>1</sup> and includes the asset management operations of the following subsidiaries of The Principal: Principal Global Investors, LLC; Principal Real Estate Investors, LLC; Spectrum Asset Management, Inc.; Post Advisory Group, LLC; Columbus Circle Investors; Edge Asset Management, Inc.; Morley Financial Services Inc.; Principal Global Investors (Europe) Limited; Principal Global Investors (Singapore) Ltd.; Principal Global Investors (Australia) Ltd.; Principal Global Investors (Japan) Ltd.; Principal Global Investors (Hong Kong) Ltd.; CIMB – Principal Islamic Asset Management Sdn. Bhd.; and the majority owned affiliates of Principal International, Inc.

<sup>1</sup>“The Principal Financial Group” and “The Principal” are registered trademarks of the Principal Financial Services, Inc., a member of the Principal Financial Group.

# Key Features of the Principal Global Property Securities Fund

## Fund Overview

The Fund is designed to provide Australian investors with access to a portfolio of global property securities.

The performance of the Fund is measured against the FTSE EPRA/NAREIT Developed Index<sup>2</sup> (“Index”), hedged to Australian dollars. The Fund is actively managed, which means that the Fund invests with the objective of earning a higher return than the Index before fees, over the medium term (i.e. three to five years). However, this is not a forecast and there is no guarantee that the Fund will achieve this return.

The Fund will primarily invest in a global (or international) portfolio of listed securities that are engaged in the real estate industry.

## Suggested Investment Timeframe

Depending on individual circumstances, the suggested minimum period of investment in the Fund is at least three to five years.

## Key Benefits of Investing in the Fund

- The Fund is actively managed which provides an opportunity for returns to exceed those of the Index over the medium term.
- The Fund is managed by a specialist property securities team, which has significant experience in the management of both property securities portfolios and physical property markets.
- A rigorous investment process is used, which combines in-depth original research with disciplined portfolio construction and risk controls.
- Investing overseas enhances the investment universe and opportunity set.

## Investment and Other Risks

All investment involves a certain degree of risk. In an investment context, risk is generally regarded as being the variability in returns and the possibility that the value of your investment may fall.

The value of your investment in the Fund may be affected by a number of factors. The key risks of an investment in the Fund include:

- Market risk
- Individual investment risk
- Investment manager risk
- Interest rate risk

For more information on these and other risks, please refer to the “Risks and How They are Managed” section.

<sup>2</sup>The FTSE EPRA/NAREIT Developed Index is an index designed to track the performance of listed real estate companies and real estate investment trusts (REITs) worldwide. The Index is calculated by the Financial Times Stock Exchange Group (FTSE) through the information provided by the European Public Real Estate Association (EPRA) and the National Association of Real Estate Investment Trusts (NAREIT).

## Investment Strategy

The Fund will be managed through a combination of regional teams and a disciplined overall fund management process. The Fund will operate a bottom-up, fundamental investment process to identify entities with the following characteristics:

- Improving and sustainable business fundamentals
- Catalysts leading to rising investor expectations
- Attractive relative valuations

## What Assets Does the Fund Invest In?

The term “global property securities” includes publicly-traded securities of real estate investment trusts and companies principally engaged in the real estate industry. In relation to the Fund, the Manager defines this to be a real estate investment trust or company that has at least 50% of its assets, income or profits derived from products or services related to the real estate industry.

The investment universe is comprised of Real Estate Investment Trusts (REITs) or real estate operating companies (REOCs) in the United States, and REOC and REIT-like structures in other areas of the world.

Within this broader universe of listed property securities, we primarily focus on those entities engaged in the ownership, management, or development of income-producing real estate assets.

Our focus is further intensified on those companies of a certain minimum size and offering an acceptable level of liquidity.

The Fund may invest in long positions in common and preferred equity securities, debt securities, convertible securities, Exchange Traded Funds (ETFs), American Depository Receipts (ADRs), and related securities.



## Performance

For current portfolio size and performance information please visit the Manager's website at [www.principalglobal.com.au](http://www.principalglobal.com.au).

## Geographic Allocation

For updated information on geographic allocation please visit the Manager's website at [www.principalglobal.com.au](http://www.principalglobal.com.au).

## Sector Allocation

For updated information on sector allocation please visit the Manager's website at [www.principalglobal.com.au](http://www.principalglobal.com.au).

# Risks and How They are Managed

## Investment and Other Risks

All investment involves a certain degree of risk. In an investment context, risk is generally regarded as being the variability in returns and the possibility that the value of your investment may fall.

Investments that typically produce higher long-term average returns tend to have higher volatility in the short-term than those investments that produce lower long-term returns.

The value of your investment in the Fund may be affected by any or all of the following factors:

- **Market risk:** The value of your investments may decline over a given period of time simply because of economic changes or other events which impact large portions of the market.
- **Individual investment risk:** The risk that the value of an investment of the Fund may fall. This may mean that the Fund's investment return is lower than expected or that the Fund incurs a capital loss on disposal of the investment.
- **Investment manager risk:** This is the risk the investment managers responsible for the Fund will not achieve the investment objectives of the Fund and may underperform the benchmark or may underperform other investment managers.
- **Interest rate risk:** The performance of the Fund will be sensitive to domestic and international interest rates as changes in interest rates can influence the value and returns of investments in the Fund.
- **Legal and country risk:** It may be more difficult to enforce legal obligations or to invest securely on behalf of the Fund in some overseas countries.
- **Derivative risk:** Includes where there is potential illiquidity of a derivative or where the Fund or a counterparty to a derivative contract is not able to meet payment obligations. See "Use of Derivatives" section for further information.
- **Distribution risk:** It is not guaranteed that distributions of income from the Fund will be made on a regular basis. Investors should not rely on distributions from the Fund to service other obligations.
- **Currency risk:** As the majority of the Fund's investments are denominated in foreign currencies, there is a risk that a change in the value of other currencies against the Australian dollar may cause losses to the Fund. We aim to manage this risk through being as close as possible to a position of fully hedging the Fund's currency exposure. However, hedging also carries risk. If a currency hedging position is realized at a loss while the corresponding currency gains on the Fund's portfolio remain unrealised, this may place a strain on the Fund's cash resources and liquidity. Furthermore, it may not be possible to remain fully (i.e. 100%) hedged at all times, which means there may be minor residual foreign currency exposures in the Fund from time to time .

As a result of these and other factors, it is not possible to predict the returns that the Fund will achieve. Therefore income distributions may be lower than expected (and can be zero – see "How to Invest" section under "Distributions" and "Distribution History of the Fund") and the value of your investment may go down significantly as well as up.

## Managing Risks

The aim of the risk management process is to manage the risk in the portfolio so that it is commensurate with the expected return, both at a portfolio level and in respect to the various individual securities that make up the portfolio.

One of the most effective ways of managing risk is through diversification. This involves spreading investments across different assets so that if a specific investment is performing poorly, another investment may help offset this by performing well.

The Fund aims to reduce investment risk through diversification by spreading investments across countries, property sectors and securities. As the universe of global property securities grows, the number and regional distribution of holdings in the Fund may change.

The Manager sets limits on how the Fund is invested to ensure that it is well diversified. The key relevant limits are:

- Maximum/minimum stock positions relative to the Index: +/- 5%<sup>3</sup>. This means that if a particular security represents 3% of the Index, this security will represent between 0% and 8% of the value of the Fund.
- The Fund will not have any restrictions with respect to its total or collective allocation to securities which are not represented in the Index ("non-Index securities"). The Fund will, however, be limited to a 5%<sup>3</sup> weight to any individual non-Index security.
- A maximum of 25%<sup>3</sup> of the value of the Fund may be held in cash.

Investors should note that the actions by the Manager described above to manage investment risks (including currency risks) do not mean that those risks are removed from investment in the Fund.

## Use of Derivatives

Derivatives (such as swaps, futures and options) may be used for hedging purposes and for the efficient portfolio management of the Fund. Principal Global Investors does not intend to use derivatives to gear (leverage) the Fund.

<sup>3</sup>If market movements, cash flows or changes in the nature of an investment cause the Fund to exceed any of the investment ranges or limits set in this document, this will be rectified by the Manager as soon as reasonably practicable after becoming aware of it and the Manager will have no obligation or liability in relation to those circumstances.

## Consumer Advisory Warning

The warning below is required by law. The fees and other costs associated with investing in the Fund are described in this section.

### Did You Know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and managements costs where applicable. Ask the fund or your financial adviser.

### To Find Out More

If you would like to find out more, or see the impact of fees based on your own circumstances, the **Australian Securities and Investments Commission (“ASIC”)** website ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund as a whole. Information about taxes is set out in another part of this document. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of Fee or Cost	Amount	How and When Paid
<b>Fees when your money moves in or out of the Fund</b>		
Establishment fee: The fee to open your investment	Nil	Not applicable.
Contribution fee: The fee on each amount contributed to your investment	Nil	Currently not charged but see "Additional Explanation of Fees and Costs" section in relation to Transaction Costs.
Withdrawal fee: The fee on each amount you take out of your investment	Nil	Not applicable but see "Additional Explanation of Fees and Costs" section in relation to Transaction Costs.
Termination fee: The fee to close your investment	Nil	Not applicable.
<b>Management Costs</b>		
Management costs: The fees and costs for managing your investment	1.00% <sup>4</sup> per annum of the Fund's net assets.	Fees and charges are calculated daily and are paid monthly. The amount of this fee can be negotiated. Refer to "Additional Explanation of Fees and Costs" section in relation to Fee Rebates and Commissions.
<b>Service Fees</b>		
Investment switching fee: The fee for changing investment options	Nil	Not applicable.

<sup>4</sup>This amount includes the net effect of GST and the benefits of Reduced Input Tax Credits (RITC).

## Example of annual fees and costs for the Fund

This table gives an example of how the fees and costs for the Fund can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Example	Amount	Balance of \$50,000 with a contribution of \$5,000 during year
Contribution Fees	0%	For every additional \$5,000 you put in, you will be charged \$0.
PLUS Management Costs	1.00% <sup>5</sup>	And for every \$50,000 you have in the Fund you will be charged \$500 each year.
EQUALS Cost of the Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you will be charged fees of \$500.  What it costs you will depend on the fees you negotiate with your advisor or, if you are a wholesale investor, with the Manager.

Please note that this is just an example. In practice, the actual investment balance of an investor will vary daily and the actual fees and expenses we charge are based on the value of the Fund, which fluctuates daily.

<sup>5</sup>This amount includes the net effect of GST and the benefits of RITC.

# Additional Explanation of Fees and Costs

## Management Costs

Management costs represent the total ongoing management fees and other costs, for which the Manager is entitled to be paid or reimbursed from the Fund.

The constitution of the Fund (“Constitution”) allows the Manager to charge an ongoing management fee of up to 3% per annum of the value of the Fund’s assets plus GST, calculated daily and payable monthly.

The Constitution also allows the Manager to be reimbursed out of the Fund’s assets for all expenses incurred by the Manager in properly performing its duties. These expenses include custodial and insurance costs and compliance committee costs.

The Manager may recover from the Fund any normal and ongoing expenses incurred in its administration, for example statement production. These expenses, which may fluctuate from time to time, form part of the management costs. A measure of the management costs charged by the Manager is the Indirect Cost Ratio (ICR). For further information refer to the “What is the Indirect Cost Ratio?” section.

## Contribution Fee

The Constitution allows the Manager to charge a contribution fee of up to 2% on the initial and every subsequent investment you make to the Fund. This fee is not currently charged.

## Transaction Costs or the Buy/Sell Spread

In addition to the fees and other costs outlined, transaction costs, such as brokerage and stamp duty, are incurred when buying and selling the underlying assets of the Fund to either invest the money or provide cash for a withdrawal. Transaction costs may also be referred to as “buy/sell spread”. The buy/sell spread is the difference between the Fund’s entry price and exit price and is a cost incurred by investors when they invest or redeem funds. The buy/sell spread is retained within the Fund and is not a fee paid to the Manager. The buy/sell spread seeks to allocate the transaction costs incurred as a result of an investor entering or leaving the Fund to the investor, and not to the other unitholders.

The transaction costs applied are based on an estimate of the transaction costs incurred by the Fund. As at the date of this PDS the buy spread for applications is 0.30%, and the sell spread for withdrawals is 0.25%. The buy/sell spread for the Fund will be influenced by our experience of the costs involved in trading the Fund’s assets or the costs actually paid by the Fund. The buy/sell spread will be reviewed whenever necessary and can change from time to time without prior notice. The latest buy/sell spread is available from the Manager upon request.

## Fee Rebates and Commissions

The Manager may rebate different levels of management fees to investors who are wholesale clients, on the basis of negotiation with the investor.

The Manager may also provide remuneration to master trust and wrap account operators (“Platforms”), dealer groups and other licensees for offering the Fund on their investment menus or for the provision of services. These types of payments made will generally be in the form of Fund Manager Payments or Product Access Payments. As at the date of this PDS these payments may be an amount up to \$12,500 per annum and/or 0.40% (exclusive of GST) of the funds invested. These amounts may be rebated or retained by the Platform, dealer group or licensee. Your Platform or adviser should provide further details in its financial services guide and/or statement of advice.

The amounts of these payments may change during the life of this PDS. These amounts are paid by the Manager out of its own resources and they are not an additional cost to you.

## Other

The Manager may recover from the Fund certain extraordinary expenses such as those in relation to unitholders meetings.

The Constitution also allows for User Pays Fees. These are fees that the Manager is able to charge an investor to indemnify itself against any liability for tax or any cost in relation to certain payments or acts which the Manager considers should be borne by the investor. These fees are not charged at present.

## What is the Indirect Cost Ratio?

The Indirect Cost Ratio (“ICR”) is a general measure of the fees paid and some expenses that an investor would incur as a result of investing in the Fund rather than directly in the underlying assets. The ICR is the ratio of the Fund’s management costs that are not deducted directly from an investor’s account, to the Fund’s average net assets.

The ICR does not include any contribution fee (where applicable), buy or sell spreads or certain transaction costs recovered from the Fund such as brokerage, settlement costs, custody costs on settlement and borrowing costs.

## Increases or Changes to Costs

The costs described are current at the date of this PDS and include the effect of GST net of RITCs. The Manager reserves the right to waive or increase costs up to the maximum amounts provided in the Constitution. Factors which may lead the Manager to vary the costs of this product include legal, economic, policy and procedural changes. The right to vary is at the Manager’s discretion and this is not an exhaustive list of the circumstances which would lead the Manager to vary the cost of the Fund. The Manager will not increase the current cost structure unless it gives investors written notice as may be required by law.

To the extent there are ceilings to which the Manager could increase its costs; details are set out above in this “Additional Explanation of Fees and Costs” section.

## Goods and Services Tax

If the Manager is required to pay Goods and Services Tax (“GST”) on any goods or services supplied in connection with the Fund, the Manager is entitled to be paid or reimbursed that amount from the assets of the Fund.

Taxes and other payments are separate from the fees and charges. Further information about taxes is set out in the “Taxation” section.

This PDS is for persons investing through an investor directed portfolio service (“IDPS”) or similar service (commonly a master trust or wrap account). Throughout this PDS, we refer to this party as an “IDPS provider”. Your IDPS provider will advise you about how to invest including the minimum investment amount and how your cheque is to be made.

**If you are an institutional investor and are not investing through an IDPS or similar investment service, please contact the Manager for an application form and further information on how to invest.**

## Additional Investments

Your IDPS provider will advise you about how to make additional investments, including the minimum amount involved.

## Redemptions

Your IDPS provider will advise you about how to make redemptions, including any minimum amount involved.

Note that under the Corporations Act and the Constitution, if the Fund has less than 80% liquid assets (cash and marketable securities) it will be taken to be illiquid and redemptions at the request of investors will not be permitted in the absence of a formal offer of withdrawal which the Manager may choose to make. If the Fund becomes illiquid and redemption requests have been received but not paid, those redemption requests may only be processed on a pro rata basis in accordance with the Corporations Act requirements for illiquid schemes, not at the price that would have applied at the time the request was received.

If there is an interruption to regular trading in the market for assets of the Fund, or the Manager does not consider that it is in the best interests of the unitholders taken as a whole, to realise sufficient assets to satisfy a redemption request, there may be delays in processing redemption requests. In such circumstances, the Constitution allows the specified period for satisfaction of a redemption request (i.e. 30 days) to be extended by the number of days during which the circumstances apply.

## Unit Prices

Unit prices are usually calculated and released daily based on the net asset value of the Fund at the close of the previous business day, divided by the number of units on issue and then adjusted for transaction costs<sup>6</sup>. Applications and redemptions are usually processed at the respective application or redemption price released on the day after receipt from the IDPS provider.

In exceptional circumstances, including interruption of regular trading in the market for assets of the Fund or lack of liquidity in the markets in which the Fund invests, the calculation of the unit price may be delayed and may occur less frequently than daily. We reserve the right to change our practice so that the Fund is valued less frequently than daily. If we do so, we will notify you.

Further information regarding unit pricing can be found in the Manager’s unit pricing policy, a copy of which is available free of charge by contacting the Manager.


## Distributions

The amount of distributable income will vary from period to period, and where there is insufficient distributable income, a distribution may not be made. Distributions may include income such as interest, dividends and net capital gains. Distributable income is normally calculated half yearly.

In order to minimise risk, the Fund has the objective of hedging its currency exposure. However, differences in the maturity of the hedging contracts and the investments of the Fund may have the effect of crystallising profits or losses in the Fund, which at times could enhance or restrict the Fund’s ability to distribute income, as reflected in the Fund’s history of paying half yearly distributions (see section below – “Distribution History of the Fund”).

The Fund’s Constitution also allows the Manager to distribute an amount (whether capital or income) at any time and such distribution may be made in cash or by way of additional units.

<sup>6</sup>Transaction costs are not a fee paid to the Manager but cover the costs incurred by the Fund in acquiring or selling investments. Please see the “Additional Explanation of Fees and Costs” section in relation to Transaction Costs.



When a distribution is to be made, this is reinvested unless your IDPS provider has requested otherwise. The reinvestment occurs at the next unit price calculated after the end of the distribution period. Where there has been a request to pay distributions they are generally payable to your IDPS provider within 12 business days after the end of the half year.

## Distribution History of the Fund

The Fund made half-yearly distributions to its investors for each financial year from the inception of the Fund until and including the financial year ended 30 June 2008.

However, the Fund incurred revenue losses during the financial year ended 30 June 2009 from the foreign currency hedging. These resulted from the sharp depreciation of the Australian dollar. These losses offset the income received from the Fund's investments. Capital losses were also realized during this period.

As a result the Fund did not have any "distributable income" as calculated under the provisions of the Fund's Constitution and accordingly, no distributions were paid for the 2009 financial year and for the half year period ended 31 December, 2009.

Due to the "carry forward" nature of these losses, there may be no "distributable income" and therefore no half-yearly distributions paid to investors for some time.

Information about distributions from the Fund since inception can be obtained from your IDPS provider or by contacting the Manager.

Investors should seek specialist tax advice specific to their circumstances prior to investing. However, the following summarises some of the Australian taxation considerations based on the Australian tax laws as at the date of this PDS. The Australian tax laws are subject to continual change, and as the tax treatment applicable to particular investors may differ, it is recommended that all investors seek their own professional advice on the taxation implications before investing in the Fund.

## Tax on Distributions

On the basis that unitholders will be presently entitled to all of the distributable income of the Fund, unitholders will be assessable on the net income of the Fund in proportion to their entitlement to the distributable income of the Fund. Tax is payable in the unitholder's hands, for every year distributions are made. This is the case, even if the distribution is reinvested.

The Fund may be in receipt of dividends or equity like distributions ("equity like distributions") and such amounts form part of the net income distribution to a unitholder. The Australian tax rules apply an "imputation system." Under this system, there are "imputation credits" (or "franking credits"), representing the underlying tax paid by the dividend paying entity on pre-tax profits out of which dividends or equity like distributions were paid. In this way, the unitholder of the Fund receives and uses the tax already paid by the paying entity. Subject to various eligibility criteria, including the 45 day holding period rule, the franking credits can be offset against the amount of tax that would normally be payable on the dividend or equity like distribution income component in the unitholder's hands.

Investors must declare and utilise any available franking credits in their annual income tax return. In some cases unitholders may be entitled to a refund of credits in excess of any tax normally payable on dividends or equity like distribution income.

If income includes foreign sourced income, Australian resident unitholders may be able to claim an offset. This offset is for any foreign tax already paid on that component of foreign sourced income. Again, unitholders must declare and utilise any available foreign tax income offsets in their annual income tax return. In determining the foreign income tax offset entitlement to be included in your tax return, you should refer to the Australian Tax Office's ("ATO") publication "How to claim a foreign tax offset."

Your IDPS provider should report to you each year after the Fund's accounts are audited on the type of your

distributions and any credits or rebates you may have received through the Fund, so that you will know what to include in your tax return.

## Tax Losses of the Fund

Any tax loss made by the Fund in any income year will not flow through to unitholders, but may be carried forward by the Fund and used to offset the Fund's taxable income in future years, subject to the trust loss rules. Unitholders should be aware that the trust loss rules restrict the circumstances in which a trust may claim an allowable deduction for prior and current year tax losses. Broadly, the Fund will need to show a greater than 50% continuity of underlying ownership from the start of the income year in which a loss is incurred to the end of the income year in which the loss is recouped in order to utilise tax losses. The trust loss rules apply to revenue losses but do not apply to capital losses.

## Capital Gains on Redeeming Units from the Fund

Normally, units in the Fund are assets for tax purposes. These assets are subject to "the capital gains tax" (CGT) rules. This means that any realised gains or losses will be taxed under those rules. Alternatively, when those units are acquired by a unitholder who is a trader or carries on a business of investing for profit, then the normal income tax rules may apply to treat the gain as ordinary income and a realised loss as an allowable deduction.

If a gain is subject to the CGT rules, a capital gain is calculated as the net proceeds on disposal less the cost base of the units, and a capital loss is calculated as the net proceeds on disposal less the reduced cost base of the units. In calculating the taxable amount of capital gains, a discount (after offsetting capital losses against gross discount capital gains) may be available to particular unitholders if certain criteria are met. For example, an individual or a complying superannuation fund may be entitled to a reduction in the amount of gains subject to CGT (only when held by investors for at least 12 months). A unitholder will need to declare and utilise such concessions in their annual income tax return.

## Foreign Investment Funds

The Fund may invest in foreign companies or trusts that are "foreign investment funds" ("FIF") for Australian tax purposes. Under the FIF rules, the net income distributed to you may include unrealised income or gains accumulating from these investments. However, the combination of available exemptions from the FIF rules and our investment strategy is expected to minimise the impact of the FIF regime on the Fund.

Significant changes to the FIF regime were foreshadowed in the 2009-2010 Australian Federal Budget. The Australian government released exposure draft legislation on 18 December 2009 that provides for the repeal of the current FIF regime in its entirety. The exposure draft does not contain information regarding which income year the proposed amendments will apply from. The FIF regime will be replaced by a narrower anti-deferral regime.

### Taxation of Financing Arrangements (“TOFA”)

The Tax Laws Amendment (TOFA) Act 2009 may apply new rules to certain “financial arrangements”. Subject to transitional rules, the TOFA rules apply only to arrangements entered into within the income year commencing on 1 July 2010. The impact of the TOFA regime may change the taxation consequences of income derived by the Fund. The Manager of the Fund is working closely with the administrator for the Fund in relation to the impact on the Fund of the TOFA regime.

### Deemed Capital Gains Tax (“CGT”) Election

Legislation has been released into Parliament to allow eligible managed investment trusts (“MIT”) to make an irrevocable election to apply a deemed capital account treatment for gains and losses on disposal of certain investments (including equities and units in other unit trusts, but excluding derivatives and foreign exchange contracts). Subject to meeting the eligibility requirements to be a MIT for the deemed capital account treatment, the Fund intends to make the election to be on capital account.

### Ongoing Tax Reform

It should be noted that the Australian tax system is in a continuing state of reform. Any reform of a tax system creates a degree of uncertainty, whether it be uncertainty as to the full extent of announced reforms, or uncertainty as to the meaning of new law that is enacted pending interpretation through the judicial process. Current reforms in progress include the deemed capital gains tax election for MIT, a new tax regime for MIT, the Henry review of the taxation system and the Cooper and Ripoll reviews which may have taxation implications. The Manager of the Fund will continue to monitor the progress of these reforms and their impact on the Fund. However, given these reforms may impact on the tax position of the Fund and its investors, it is strongly recommended that investors seek their own professional advice in relation to the potential impact of these reforms on their tax position.

### Non-Resident Investors

“Withholding tax” applies on any component that is part of the Australian sourced portion of the income distribution (except franked dividends and conduit foreign income) where the unitholder is a non-resident. The withholding tax rate will depend on the type of that component of income. Withholding tax is collected and paid to the ATO by the Fund on behalf of a non-resident unitholder.

If you are a non-resident wishing to invest in the Fund, we recommend that you seek independent professional tax advice. Currently, amounts are withheld on account of tax at the prescribed rates from so much of your income entitlement which comprises Australian sourced income and certain Australian sourced gains.

Non-resident investors should not be subject to Australian capital gains tax on the sale, redemption or disposal of units in a Fund unless:

- a) the units were capital assets held by the investor in carrying on a business through a permanent establishment in Australia; or
- b) both of the following conditions are satisfied:
  - i) you, together with associates held, or had an option or right to hold, a direct participation interest of 10% or more of the units in the Fund at the time of the disposal or throughout a 12 month period that begins no earlier than 2 years before the disposal; and
  - ii) more than 50% (by market value) of the Fund’s assets are comprised (directly or indirectly) of interests in taxable Australian real property. The Manager expects that the Fund will not have such interests in taxable Australian real property.

It is strongly recommended that non resident investors obtain their own tax advice.

### Provision of Tax File Number

Investors are not obliged to provide their IDPS provider with their Tax File Number (“TFN”) or their Australian Business Number (“ABN”). If Australian unitholders choose not to do so, the IDPS provider may be required to withhold tax at the highest marginal rate plus Medicare levy from the distribution entitlement.

## Fund Constitution

The Fund is governed by a Constitution, which, together with the Corporations Act and other laws, such as case law and legislation governing the duties of responsible entities and trustees, sets out the conditions under which the Fund operates and the rights, responsibilities and duties of the Manager and the unitholders.

The main provisions of the Constitution relate to:

- The Manager's rights and liabilities as responsible entity of the Fund (including our rights to limit our liability and to be indemnified).
- The rights and liabilities of unitholders.
- The nature of the units - identical rights attach to each class of units.
- Investment and redemption procedures while the Fund is liquid (including circumstances in which a redemption may be delayed or redemption proceeds paid in assets rather than cash).
- Withdrawal offers if the Fund were to become illiquid.
- Calculation and timing of unit pricing and distributions.
- Fees and reimbursable expenses.
- Compliance Committee arrangements.
- Termination of the Fund.
- The process by which complaints are dealt with.

A copy of the Constitution is available free of charge on request. Please contact your IDPS provider if you would like a copy.

## Compliance Plan

The compliance plan of the Fund describes procedures that the Manager applies in operating the Fund to ensure compliance with the Corporations Act and the Constitution. A compliance committee, with a majority of independent members, oversees the Manager's procedures for complying with the compliance plan, the Constitution and the Corporations Act.

## Unitholder Liability

The Constitution of the Fund limits a unitholder's liability to the value of their investment in the Fund so that a unitholder will not, by reason of being a unitholder alone, be personally liable to indemnify the Manager and/or any creditor in the event that the liabilities of the Fund exceed the assets of the Fund. However, we cannot give an

absolute assurance about such liability because the issue has not been finally determined by the superior courts. A unitholder may be separately liable for User Pays Fees (see "Other" section under "Additional Explanation of Fees and Costs").

## Application Money Held in Trust

In certain circumstances we may be obliged to hold application moneys received in a trust account. Interest will not be paid on amounts held in trust.

## Reporting

Reporting will be provided by your IDPS provider. To assist in this, we provide the following to your IDPS provider:

- Monthly and quarterly statements showing the balance of their account and all transactions processed throughout the period
- Monthly and quarterly performance updates
- A tax statement

## Annual Financial Reports

An annual financial report for the Fund will be made available on our website [www.principalglobal.com.au/realestate/globalproperty.aspx](http://www.principalglobal.com.au/realestate/globalproperty.aspx) by 30 September each year. If you would prefer to receive a paper copy or have one emailed to you, please contact us.

## Outsourced Services

The Manager has outsourced custodial services, unit registry, unit pricing and financial accounting to State Street Australia Limited ("Custodian"). Under our contract with the Custodian, the Custodian must act in accordance with our directions. Whilst the Custodian's fees are part of the Fund's expenses and are able to be reimbursed out of the Fund, the Manager currently pays these fees out of its own funds.

The Custodian has not independently verified the information contained in this PDS, and accordingly, accepts no responsibility for the accuracy or completeness of this PDS. The Custodian does not guarantee the success or the performance of any of the funds nor the repayment of any capital or any particular rate of capital or income return.

The Manager has also appointed State Street Bank and Trust Company as the specialist provider of passive currency hedging for the Fund.

The Manager reserves the right to outsource any or all of its investment management functions, including to related parties. Investors will be notified of changes as required by law.

## Termination

The Fund terminates 80 years from its settlement date, being 21 November 2006 although we can terminate it earlier by notice to investors. On termination, assets will be realised and each investor's share of the net proceeds will be paid to that investor.

## Complaints

If you have a complaint, please contact your IDPS provider who is able to contact the Manager's Complaints Officer where necessary. We will work with your IDPS provider to resolve complaints relating to the Fund, and we are required to respond to your IDPS provider with a determination, remedy or information within 45 days of being notified of the complaint. If a complaint is not resolved to your satisfaction, your IDPS provider may pursue your complaint with the Financial Ombudsman Service ("FOS"). The responsible entity as Manager is a member of FOS.

If you are seeking information about your investment, you should contact your IDPS provider first, as they are best placed to assist you.

## Disclosure of Interests

The directors of the Manager may receive a salary as employees of Principal Financial Group®. From time to time, the directors may hold interests in shares in the Principal Financial Group®, securities held by the Fund or securities to which the Fund has exposure.

When we invest for the Fund we deal with professional organisations (including in relation to the execution of transactions), which may include the Principal Financial Group® or its associated companies. These professional organisations may also receive commissions or fees at prevailing market rates in relation to advisory, broker and other services provided. In dealing with the Fund, the Principal Financial Group® may be dealing as principal or on behalf of other portfolios that are under the management of the Principal Financial Group®. All transactions are conducted on arm's length terms.

## Register of Alternative Forms of Remuneration

The Manager maintains a register of the material alternative forms of remuneration that it pays to some distributors of its financial products ("Register"). The Register is publicly available and you may obtain a copy free of charge by contacting the Manager.

## Labour standards and environmental, social or ethical considerations

Given the Fund's investment guidelines, we do not specifically take into account labour standards, environmental, social or ethical considerations for the purposes of selection, retention or realization of investments. The primary consideration in relation to selection and retention of investments is financial viability. However, any or all of the above factors may affect our assessment of the financial viability of an investment, and therefore may impact our investment decisions. All investments are assessed on a case by case basis as and when such factors arise.

## Cooling Off

Under the Corporations Act, wholesale clients including institutional investors have no cooling off rights. If you have invested in the Fund through an IDPS or a similar service you should consult your IDPS provider about any cooling off rights you may have.

## The Rights and Obligations as Manager

The role of the Manager is to make investment decisions and to operate the Fund. Powers to invest, borrow and generally manage the Fund are basically unrestricted. The Manager must comply with the Fund's Constitution and the Corporations Act and this PDS, which together define the parameters within which the Fund must operate.

## Issuer Information

The Manager is the responsible entity of the Fund and also the issuer of this PDS and of units in the Fund. The Fund may become a disclosing entity. Once the Fund becomes a disclosing entity, it will be subject to regular reporting and disclosing requirements under the Corporations Act.

Copies of documents that will be required to be lodged with ASIC in relation to the Fund will be able to be obtained from any ASIC office (see [www.asic.gov.au](http://www.asic.gov.au) for further details). Once the Fund becomes a disclosing

entity, you also have a right to obtain a copy of the annual financial report most recently lodged with ASIC for the Fund, any half yearly financial reports lodged with ASIC and any continuous disclosure notice given for the Fund after the lodgment of the annual financial report and before the date of this PDS.

## Anti-money laundering and counter-terrorism financing

By directing your IDPS provider to invest in the Fund for you, you warrant that:

- you are not investing under an assumed name;
- any money used by you to invest in the units is not derived from or related to any criminal activities;
- any proceeds of your investment will not be used in relation to any criminal activities;
- if we ask, you will provide us with additional information we reasonably require for the purposes of anti-money laundering and counter-terrorism financing laws and regulations (“AML/CTF Laws”) (including information about any beneficial interest in the units, or the source of funds used to invest);
- we may obtain information about you or any beneficial owner of a unit from third parties if we believe this is necessary to comply with AML/CTF Law; and
- in order to comply with AML/CTF Laws we may be required to take action, including:
  - delaying or refusing the processing of any application or redemption, or
  - disclosing information that we hold about you or any beneficial owner of the units to our related bodies corporate or service providers, or relevant regulators of AML/CTF Laws (whether in or outside of Australia).

## Privacy

We may collect personal information from you and hold and use such information in order to process applications, administer the investments and provide related services. We may also disclose your personal information to the companies within the Principal Financial Group®, related entities, agents, external service providers (who supply administrative, financial or other services), financial advisers, and potential acquirers of the Principal Financial Group®, on the basis that they deal with such information in accordance with the privacy policy of the Principal Financial Group®.

We may also use your personal information to tell you about other products and services offered by us or other members of the Principal Financial Group®. Please contact us if you prefer not to receive this ongoing information.

The Manager may disclose your personal information to fulfill legal obligations and to a regulatory agency in compliance or purported compliance with regulatory obligations.

Under the Privacy Act 1988 (Cwlth) (as amended), you can gain access to the personal information that we hold about you, subject to certain exemptions under law. You can gain access to your personal information by telephoning or writing to the Manager’s Privacy Officer as follows:

Privacy Officer  
Principal Global Investors  
GPO Box 4169  
Sydney NSW 2001

Phone: +61 2 8226 9000

You can obtain a copy of the Manager’s Privacy Policy by visiting the website at [www.principalglobal.com.au](http://www.principalglobal.com.au).

If you believe that the personal information we retain about you is inaccurate, incomplete or out of date, please contact us and we will take steps to correct it.

**ABN** – Australian Business Number

**ADR** – American Depository Receipt

**AML/CTF Laws** – Anti-money laundering and counter-terrorism financing laws and regulations

**AFSL** – Australian Financial Services Licence granted pursuant to section 911A of the Corporations Act

**ARSN** – Australian Registered Scheme Number

**ASIC** – Australian Securities and Investments Commission

**ATO** – Australian Taxation Office

**CGT** – Capital Gains Tax

**Constitution** – The constitution of the Fund as amended from time to time.

**Corporations Act** – Corporations Act 2001 (Cth)

**Custodian** – State Street Australia Limited

**EPRA** – European Public Real Estate Association

**ETF** – Exchange Traded Fund

**FIF** – Foreign Investment Funds

**FOS** – Financial Ombudsman Service

**FTSE** – Financial Times Stock Exchange Group

**Fund** – Principal Global Property Securities Fund (ARSN: 122 853 758)

**Fund Manager Payments** – As defined in IFSA/FPA Industry Guide on Rebates and Related Payments in the Wealth Management Industry November 2004

**GST** – Goods and Services Tax

**Index** – FTSE EPRA/NAREIT Developed Index

**ICR** – Indirect Cost Ratio

**IDPS** – Investor Directed Portfolio Service

**Manager** – Principal Global Investors (Australia) Limited (ABN: 45 102 488 068, AFSL: 225385)

**MIT** – Managed Investment Trusts

**NAREIT** – National Association of Real Estate Investment Trusts

**PDS** – Product Disclosure Statement

**Platform** – Master trust or wrap account operator

**Product Access Payments** – As defined in IFSA/FPA Industry Guide on Rebates and Related Payments in the Wealth Management Industry November 2004

**Register** – Register of Alternative Forms of Remuneration

**REIT** – Real Estate Investment Trust

**RITC** – Reduced Input Tax Credits

**REOC** – Real Estate Operating Company

**TOFA** – Taxation of Financing Arrangements

**TFN** – Tax File Number



Fund Name	ARSN	Inception Date
Principal Property Securities Fund	104 037 425	1 Apr 2003
Principal Global Strategic Income Fund	108 685 927	31 May 2004
Principal Global Property Securities Fund	122 853 758	1 Feb 2007
Principal Emerging Markets Equity Fund	129 179 335	28 Dec 2007
Principal Global Equity Growth Fund	129 179 237	28 Dec 2007

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## Contact Details

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