

Principal Global Investors (Australia) Limited

Manager Profile



Company overview

Principal Global Investors (Australia) Limited (Principal) offers Australian investors investment management capabilities across a broad array of global asset classes including equity, fixed income, currency and real estate.

The Principal global property securities team has significant experience in the management of both property securities portfolios and physical property markets. Principal serve a number of clients across many industries, sectors, countries and continents and manage portfolios for many leading investors around the world, spanning more than 45 countries and including 10 of the 25 largest pension funds in the world¹.

Within the US, Principal Real Estate Investors employs over 100 investment professionals responsible for managing approximately USD\$35 billion in non-public real estate assets. Global coverage of the market is broken down into three regions: Europe, the Americas and Asia Pacific.

Investment process

Principal's research process channels the use of both fundamental and quantitative analysis to evaluate a broad universe of investment opportunities on a consistent and timely basis.

Each region and country uses a unique quantitative model to analyse and evaluate stocks. Companies will be considered for purchase if they have sustainable business fundamentals, rising investor expectations and have attractive relative valuations. Securities which are viewed to be attractive by the analyst and the research model will receive the largest active weightings.

Further fundamental research is conducted by each member of the real estate securities team to understand the company profile (such as business strategy, assets, management, tenant mix, geographic exposure, capital structure, earnings and corporate governance) and the catalyst judged to drive future stock price performance. This also relies on the professional judgement of experienced portfolio managers and analysts to provide deep forward-looking perspectives.

Investment philosophy and style

Principal believes markets are inefficient, due to inconsistent fundamental information flow and investor behavioural biases resulting in gaps between sharemarket prices and long-term economic worth. Principal also recognises the behavioural biases of certain market participants.

¹Pension & Investments/Watson Wyatt, World's 300: The Largest Retirement Funds, September 2010

Principal's stock selection seeks the most reliable and repeatable source of outperformance (alpha generation), and disciplined portfolio construction is the key to consistency over time (alpha preservation). Principal believes integrated quantitative and qualitative fundamental research is a key driver to superior stock selection.

Principal tends to favour companies with above average earnings growth but isn't bound by any particular investment style. The Principal team tends to invest opportunistically.

Reasons we selected Principal Global Investors

We selected Principal due to the manager's significant experience in the management of both property securities portfolios and physical property markets, its rigorous investment process, which combines in-depth research with disciplined portfolio construction and risk controls, and the strength of its integrated global team and flexibility given to regional portfolio managers. Additionally, we viewed its smaller size, and ability to tactically enter emerging markets as a positive. We also view Principal's access to global research and the incorporation of this research into the real estate security analysis and portfolio construction as a strength.



What to do next

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