

CHAIRMAN'S ADDRESS

Annual General Meeting 29 October 2009

Welcome to the 6th Annual General Meeting of Premium Investors Limited. I am Tom Collins and I have been Chairman of Premium Investors Limited since November 2007.

Capital management

As you know the Company has been conducting a series of buy-backs through 2009. Your Board has been in regular contact with shareholders through this process and so you will also be aware of the motivators for the buy-back program. The most significant buy-back was the offer to purchase off-market up to 65% of the Company's shares. This buy-back was concluded earlier this month with 60% of the Company's shares being cancelled.

Post the buy-back Premium continues to have a significant shareholder base of over 4,000, the vast majority of whom are individuals or retail size investors. Our individual investors have historically invested in Premium for the medium to long-term advantages delivered through strong diversification and expert management. Institutional shareholders have almost without exception, left the register.

The result of this buy back is both a clear confirmation and endorsement to the PRV Board of the shareholder demand for the PRV investment proposition, and a rationalization of the share register, with highly consistent constituents (being retail shareholders) remaining. This will clearly drive the company's communication style and initiatives going forward.

As at last Friday, Premium was capitalized at \$68.4m. Based on the market capitalization of all listed investment companies at the end of September 2009, and taking the buy back into account, Premium would have been middle of the pack when ranked by size. At \$68.4m, Premium can continue to deliver valuable diversification and strong investment returns for shareholders, at a competitive cost.

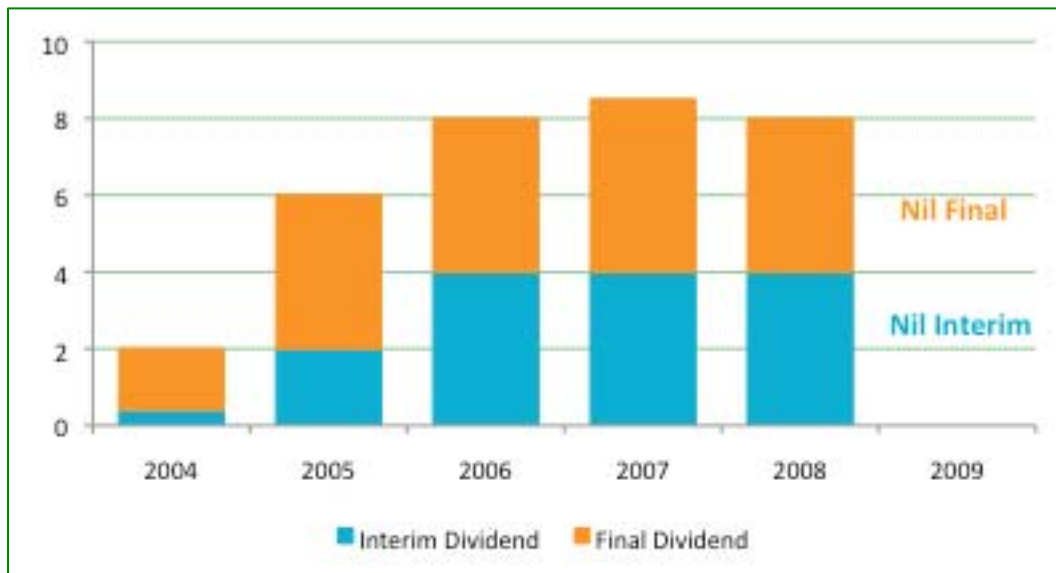
Your Directors are always mindful of management and administration costs and have demonstrated over the life of the Company a focus on cost minimization. The single largest cost of operating Premium is the investment management fee. As this is charged as a percentage of funds under management, the fee will reduce proportionately with the reduction in the size of the Company. Our fixed costs relate primarily to accounting, corporate governance and shareholder communication. Your Board will continue to make prudent decisions with respect to the expenses incurred in operating of the Company.

Financial performance and dividends

As an equity investor, Premium’s financial performance and hence ability to pay dividends is subject to the vagaries of the sharemarket in the short term, and is reliant on the skill and experience of our fund managers in the longer term. Costs overall will always play a relatively small role in the overall results of your Company and its ability to pay a dividend.

For the year ended 30 June 2009 your Company recorded a loss of \$39.4 million. This result was primarily due to realized losses on the Company’s share portfolio of just over \$50 million for the period. The losses incurred through 2008/09 resulted in the Company carrying retained losses of \$35.5 million, and so your Board was unable to declare a dividend for the 2008/09 financial year.

Dividend History



While the sharemarket was extremely negative in both sentiment and performance through the first three quarters of 2008/09, optimism returned to investment markets in March of this year and Premium’s portfolio has since made solid gains. As a result, Premium recorded a profit of \$13m for the September quarter of 2009 and your Directors have declared an interim dividend of 3.5cents per share.

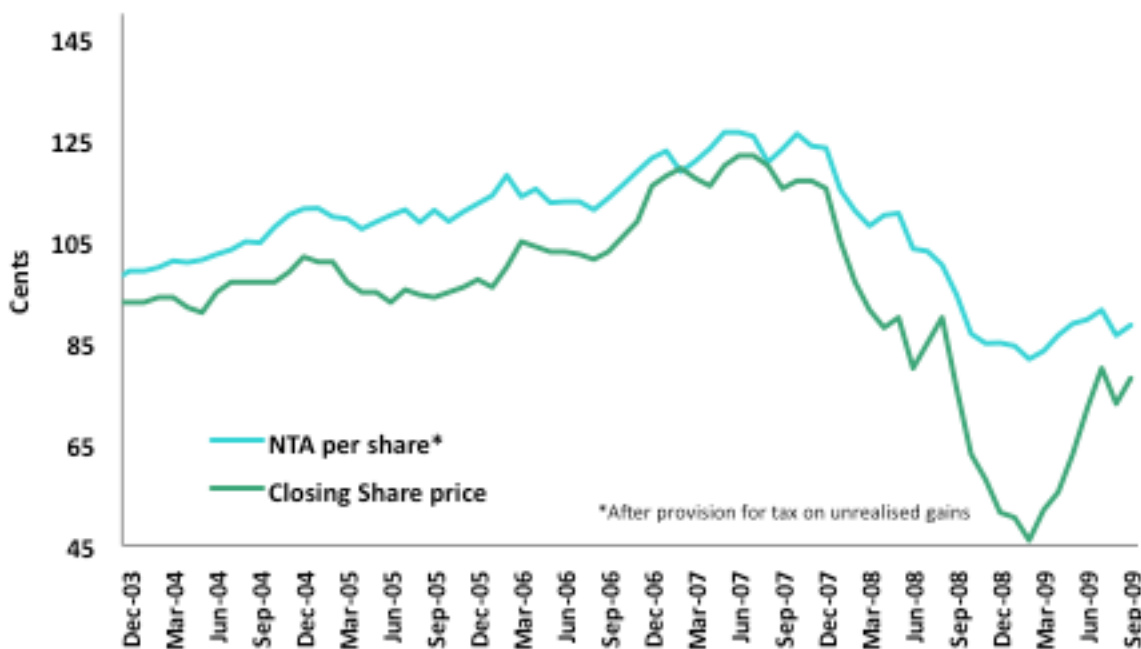
This dividend will be paid to shareholders during January 2010 and PRV will again offer shareholders the opportunity to participate in both the share purchase plan (SPP) and dividend reinvestment plan (DRP).

This interim dividend will take the total dividends paid by Premium since listing in November 2003 to 36 cents per share.

It is the Company’s policy to pay out the majority of realized investment earnings after tax and expenses to shareholders as dividends over the extended market cycle, and the Board seeks to set the dividend at a level it believes to be sustainable. Future dividends will therefore be dependent on market conditions, as well as accounting rules and corporate regulations.

Proactive capital management

The disconnect between the share price and the Company’s net asset value that allowed some investors to take opportunistic positions and prompted the rollout of a rigorous capital management program has for now, dissipated. Without the overhang of shareholders with shorter term objectives, we would hope for a share price performance that more closely relates to the performance of the Company’s NTA. Nevertheless the Company will continue to be active in its capital management and has the ability under the buy-back plan approved in August of this year, to buy (and cancel) shares on-market until August 2010.



We will also continue with our longer-term approach to capital management - which is to maintain frequent and open communications with existing and prospective shareholders and their advisers. We will continue to conduct our six monthly shareholder briefings and will continue to liaise with investment advisers and stockbrokers. Our next round of shareholder briefings and adviser meetings will take place in the first two weeks of November 2009, in Sydney, Melbourne and Perth.

Communication plays a vital role in influencing the long-term relationship between the Company’s shareholder base, its share price and hence its share price to NTA.

Premium is still a unique investment vehicle

I know I am speaking to the converted when I state the benefits of Premium in this forum. However I strongly believe we must continue to promote the unique opportunities that Premium offers its investors.

Premium's message is simple:

It delivers the benefits of diversification – the portfolio includes quality companies selected by 6 different fund managers, from a range of industry sectors and from every corner of the globe. Meaningful diversification delivers competitive returns with reduced volatility.

It is expertly managed – through its investment manager, Treasury Group Limited, Premium accesses the expertise of boutique fund managers with experience and skills specific to their chosen markets. Treasury Group offers Premium shareholders the benefits of a strong track record built up over many years of successful selection and investment in boutique investment management operations.

It is liquid and easy to manage – the simplicity of a listed, diversified investment can be taken for granted by seasoned share investors, but it is a message worth sharing with managed fund and property investors who are less familiar with the benefits of liquidity, franking credits and simple tax statements.

I am confident in our Company's appeal as a unique investment for retail investors and in Treasury Group's ability to extract value for Premium shareholders from global sharemarkets.



Tom Collins

Chairman