

6 August 2009

Australian Stock Exchange
Continuous Disclosure Area

Via: E Lodgement

Update on Buy-Back Program

Please find attached, correspondence that will be forwarded to shareholders early next week providing an update on the Company's Buy-Back Program.

Yours faithfully



Reema Ramswarup
Company Secretary



6 August 2009

Dear Shareholder

Premium Investors Limited - Buy-Back Program Update

As previously announced, Premium Investors Limited (**PRV**) is intending to conduct a buy-back program comprising:

- an immediate off-market buy-back of up to 65 per cent of issued securities (**Off-Market Buy-Back**) at a 1.75 per cent discount to PRV's net tangible asset backing per share (**NTA**); and
- an on-market buy-back of up to 15 per cent of issued securities over the next 12 months (**On-Market Buy-Back**),

(together the **Buy-Back Program**).

The Buy-Back Program forms part of PRV's ongoing capital management strategy and follows on from the capital management initiatives commenced by the Board earlier this year.

You will by now have received a notice of general meeting to be held in Sydney, at 2.00pm on Wednesday 19 August 2009 (**General Meeting**) and an independent expert's report that provides an opinion as to whether the terms of the proposed Off-Market Buy-Back are fair and reasonable. The Board encourages shareholders to consider both of these documents carefully before determining how to vote at the General Meeting.

The current proposed timing for the Off-Market Buy-Back, subject to the approval of shareholders at the General Meeting, is that it will open at 9.00am (Sydney time) on 31 August 2009 and close at 5.00pm (Sydney time) on 30 September 2009. The final buy-back price, the number of securities bought back and any scale back will be announced to the ASX by no later than 9 October 2009. Please note that PRV may change these dates by making an announcement to the ASX.

If shareholders approve the Buy-Back Program at the General Meeting, full details of the Off-Market Buy-Back will be provided in a buy-back booklet that will be mailed to shareholders on or around 28 August 2009.

As disclosed to the ASX on 22 July 2009, the on-market buy-back of up to 8 per cent of issued capital previously announced to shareholders on 6 July 2009 (**Announced Buy-Back**), will now commence on 26 August 2009 (i.e. after the General Meeting). If shareholders approve the On-Market Buy-Back at the General Meeting, the Announced Buy-Back will form part of the On-Market Buy-Back. Please refer to the enclosed Buy-Back Program Update for more information.

Please take the time to consider how you will vote on the resolutions to be put to the General Meeting - your vote is important. A vote in favour of the Buy-Back Program does not mean that you must sell your shares. Selling your shares under the Buy-Back Program is optional.



To assist shareholders in determining how to vote on the resolutions to approve the Buy-Back Program and to update shareholders further to PRV having provided shareholders with the notice of meeting and independent expert's report, **the Board strongly encourages shareholders to consider the Buy-Back Program Update enclosed with this letter.**

If you have any questions about your investment in PRV or the Buy-Back Program, please contact PRV directly on info@premiuiminvestors.com.au or 1800 087 348.

Sincerely

A handwritten signature in black ink, appearing to read 'Tom Collins', with a stylized flourish at the end.

Tom Collins
Chairman

Buy-Back Program Update

1 OFF-MARKET BUY-BACK - KEY DATES

19 August 2009	General Meeting
20 August 2009	Ex-Entitlement Date Securities quoted ex-entitlement to participate in the Off-Market Buy-Back
25 August 2009	PRV Financial Year 2008/2009 results released*
26 August 2009	Record Date Record date to determine entitlements to participate in the Off-Market Buy-Back
28 August 2009	Off-Market Buy-Back booklet sent to shareholders
31 August 2009	Offer period opens (9.00am, Sydney time)
30 September 2009	Offer period closes (5.00pm, Sydney time) NTA calculation date
2 October 2009	Determination of scale-back (if any) and announcement of number of securities bought back
9 October 2009	Announcement of NTA and final buy-back price
9 October 2009	Entry into Off-Market Buy-Back contracts and payment for securities bought back

Note: PRV may change these dates by making an announcement to the ASX.

* PRV expects to be able to release its financial year 2008/2009 results on 25 August 2009. PRV is currently reviewing with its auditors the company's approach to the carrying value of tax losses and will announce any change to that approach by making an announcement to the ASX.

2 ABOUT THE BUY-BACK PROGRAM

2.1 Overview of the Buy-Back Program and relationship with the Announced Buy-Back

- The Buy Back Program will comprise the Off-Market Buy-Back of up to 65 per cent of issued securities in PRV and an On-Market Buy-Back of up to 15 per cent of issued securities in PRV.
- On 6 July 2009, the Board announced that PRV would conduct an on-market buy-back of up to 8 per cent of issued capital (**Announced Buy-Back**). No securities have been bought-back by PRV under the Announced Buy-Back to date and at present, the Board intends to commence the Announced Buy-Back on 26 August 2009 (i.e. after the General Meeting). The Board does not require shareholder approval to conduct the Announced Buy-Back.
- If shareholders approve the On-Market Buy-Back at the General Meeting, PRV will include any securities bought back under the Announced Buy-Back for the purposes of determining the buy-back limit for the On-Market Buy-Back.

- That is, if the total number of securities bought back under the Announced Buy-Back comprise, for example, 8 per cent of issued securities, then PRV will not seek to buy-back more than a further 7 per cent of issued securities on-market in the 12 months following the date that this 8 per cent is bought back without first obtaining shareholder approval to exceed the proposed 15 per cent On-Market Buy-Back limit.
- If shareholders do not approve the Off-Market Buy-Back or the On-Market Buy-Back at the General Meeting, PRV may still continue with the Announced Buy-Back. PRV will advise of any changes to the Announced Buy-Back by an announcement to the ASX.
- While the size of the Buy-Back Program (including the Announced Buy-Back) will be capped as set out above, the number of securities actually bought back will depend on a number of factors including the number of buy-back applications received, the scaling of acceptances (summarised in paragraph 2.3 below) and the Board's assessment of the capital requirements of the PRV business at the time.
- Even if the Buy-Back Program is approved, PRV may determine not to proceed with the Buy-Back Program or the Announced Buy-Back and may amend the terms of the Buy-Back Program or the Announced Buy-Back prior to their completion, by making an announcement to the ASX.
- Subject to shareholder approval and the number of acceptances actually received by PRV from shareholders wishing to participate in the Buy-Back Program and the Announced Buy-Back, PRV may buy-back up to 80 per cent of its issued securities over the next 12 months.
- Shareholders are not required to participate in the Buy-Back Program or the Announced Buy-Back.

2.2 Circumstances in which PRV may scale Off-Market Buy-Back acceptances

- In the event that PRV receives applications to buy-back more than 65% of its issued securities, PRV will scale-back acceptances on a pro-rata basis by the proportion needed to meet the 65% buy-back limit.
- To the extent that shareholders may choose not to sell their full entitlement of securities into the Off-Market Buy-Back, PRV will allow other eligible shareholders to participate to a greater extent than 65% of their shareholding provided that any excess is shared on a pro-rata basis across participating eligible shareholders.
- PRV had previously announced that it would seek approval from ASIC to allow PRV to scale-back acceptances by the proportion needed to ensure that the voting power of any shareholder does not exceed 19.99%. Shareholders are advised that ASIC has refused to grant PRV that approval and therefore, this element of the scaling mechanism described in the notice of meeting dated 20 July 2009 (**Notice of Meeting**) will not be utilised.

2.3 Reasons why PRV is conducting the Buy-Back Program

- The Board considers the Buy-Back Program to be an appropriate step towards restoring value for shareholders.
- As previously announced, PRV's share price does not fully reflect the relative strength of its underlying portfolio of assets and more recently, PRV's share price has tended to follow the direction of the overall Australian share market. This has resulted in PRV's share market price trading at a discount to its NTA which reached up to 44 per cent of NTA during 2009.
- The Board has taken concerted action since the start of the year to address the divergence between PRV's share market price and its NTA. The Buy-Back Program forms part of PRV's continuing capital management strategy.
- Since PRV commenced capital management actions earlier this year, PRV's share market price discount to its NTA has been significantly reduced from 44 per cent (as at 28 February 2009) to a discount of only 13 per cent (as at 30 June 2009).
- PRV is confident that the Buy-Back Program will continue to close this discount gap, create an opportunity to return value to shareholders in the short term and enhance the value of an investment in PRV for both existing and future shareholders in the longer term by providing greater liquidity, transparency and as a result, improved market confidence with regard to an investment in PRV.
- As previously announced in disclosures to the ASX and in the material sent to shareholders on 17 June and 19 June 2009, PRV was requisitioned by a group of 120 PRV shareholders to hold a meeting to consider resolutions for:
 - the removal of all existing PRV directors;
 - the appointment of employees of Dixon Advisory and Superannuation Services Pty Ltd (**Dixon Representatives**) as directors;
 - amendments to the PRV constitution to allow shareholders to direct the Board to undertake a capital reduction, or buy-back or wind-up PRV;
 - the Board to seek shareholder approval for the winding-up of PRV and if that approval was not given, then seek shareholder approval to undertake a significant buy-back of up to 75 per cent of issued securities,(the **Dixon Resolutions**).
- At that time, the Dixon Representatives communicated to the Board that they intended to firstly obtain shareholder approval to wind-up PRV and if that approval was not given, then seek shareholder approval to undertake an equal-access buy-back of up to 75 per cent of issued securities.
- Following discussions with the Dixon Representatives (representing the 120 PRV shareholders) and other major shareholders throughout June and July, the Board concluded that undertaking the Buy-Back Program and implementing a plan for increased shareholder communication would be the best course of action to maximise value for all shareholders and was the better alternative to winding-up.

- The Dixon Resolutions were withdrawn on 8 July 2009 and will not be put to the General Meeting.
- The Buy-Back Program is being put to shareholders because the Board considers it appropriate that all PRV's shareholders be given the opportunity to decide:
 - whether they will create an opportunity for investors to exit their investment at a price that is closer to PRV's NTA; and
 - the extent of their participation in the Buy-Back Program up to 100 per cent of their shareholding,

as opposed to in a winding-up scenario, where all shareholders would be forced to realise their entire investment.

2.4 Interests of PRV's Board in undertaking the Buy-Back Program

- As previously announced, although eligible to, no member of the PRV Board intends to participate in the Buy-Back Program. The shareholding of the PRV Board as at 20 July 2009 was as follows:

Director	Ordinary securities
Tom Collins	71,631
Kenneth Stout	11,136
John Elfverson	10,000
Reub Hayes	Nil

- The current Board consists of four non-executive directors. Tom Collins, Kenneth Stout and John Elfverson are "independent" according to the definitions used by the ASX Principles of Good Corporate Governance and Best Practice Recommendations (**ASX Principles**). Reub Hayes is a director of Treasury Group Limited, the ultimate parent company of PRV's investment manager, Treasury Group Investment Services Limited, and is not considered to be independent for the purposes of the ASX Principles.
- The Board may be considered to have an indirect interest in the Buy-Back Program to the extent to which the announcement of the Buy-Back Program facilitated the withdrawal of the Dixon Resolutions. This is because the withdrawal of the Dixon Resolutions meant that the proposal to remove the existing Board was also withdrawn.
- In particular, if PRV were to be wound-up the Directors would no longer receive directors' fees. In the financial year ending 30 June 2008 total directors' fees were \$154,459. The Directors do not consider that this interest is of such a nature that they cannot provide independent recommendations to PRV's shareholders but, in any event, obtained the independent expert's report to ensure that PRV's shareholders were adequately informed about the proposed Buy-Back Program.

2.5 How PRV will fund the Buy-Back Program

- As previously announced, as at 30 June 2009, PRV had cash reserves of \$32.9 million. The Board intends to fund the Buy-Back Program from available cash reserves (subject to retaining sufficient cash for working capital) and to realise investments if additional cash is required to fund the Buy-Back Program.
- As a fund of funds listed investment company, PRV's assets are comprised of highly liquid investments in funds that have access to Australian and global equities. If required, realisation of PRV's investments would be conducted in accordance with PRV's investment strategy.
- Shareholders should refer to the table on page 13 of the Notice of Meeting for a detailed break-down of the potential impact on PRV's assets.

2.6 How the Buy-Back Program may impact the control of PRV

- Shareholders who do not sell any of their securities will have the same number of securities after any buy-back as before the buy-back. However, for shareholders not participating, the number of securities they hold as a percentage of the total number of securities on issue will increase after the buy-back.
- According to substantial shareholder notices lodged with the ASX, PRV has three substantial shareholders (i.e. shareholders with voting power over 5 per cent). The approximate effect on control of PRV if those shareholders do not participate in the Buy-Back Program or the Announced Buy-Back is shown below:

	current substantial shareholding notified to PRV	50% participation by other shareholders and no participation by substantial shareholders	100% participation by other shareholders and no participation by substantial shareholders
Substantial shareholder	voting power (%)	voting power (%)	voting power (%)
Questor Financial Services Limited ¹	9.54	14.65	43.95
Commonwealth Bank of Australia and 452 Capital Pty Limited ²	8.00	13.24	39.72

Note 1: Questor Financial Services Limited has an interest in PRV securities as the trustee and responsible entity of The Portfolio Service Retirement Fund and The Portfolio Service Personnel Investment Plan.

Note 2: Commonwealth Bank of Australia (CBA) has lodged a substantial shareholder notice with ASX on behalf of its subsidiaries and has an interest in PRV securities through its association with various CBA registered managed investment schemes and related holdings. 452 Capital Pty Limited (452 Capital) has a relevant interest in PRV securities by virtue of its appointment as an external investment manager for CBA. 452 Capital's interest is related to CBA's because these investment management arrangements create an "association" between CBA and 452 Capital for the purposes of the substantial shareholder provisions of the Corporations Act. As a result, 452 Capital's voting power in PRV is derived from the relevant interests and voting power in PRV held by CBA. 452 Capital's voting power in PRV is currently 7.60 per cent and would be 37.74 per cent if all buy-back entitlements are taken up and 12.58 per cent if only half of the buy-back entitlements are taken up under both the Buy-Back Program and the Announced Buy-Back.

2.7 **The Board recommends shareholders vote for the resolutions approving the Buy-Back Program**

PRV's directors have determined that to put the Buy-Back Program to shareholders is in the best interests of all shareholders as it will offer:

- **all shareholders** a choice, allowing them to determine the future of their investment in PRV;
- **exiting shareholders** the opportunity to sell their securities in PRV at a price closer to NTA; and
- **continuing shareholders** the opportunity to remain invested in PRV and to obtain any benefits flowing from an enhancement to the market value of PRV's securities arising from the Buy-Back Program.

This document supplements the information already disclosed to shareholders in relation to the Buy-Back Program and the General Meeting. Shareholders are strongly encouraged to consider the Notice of Meeting, independent expert's report and this Buy-Back Program Update before determining how to vote at the General Meeting.

If you have any questions about your investment in PRV or the Buy-Back Program, please contact PRV directly on info@premiuiminvestors.com.au or 1800 087 348.