

CHAIRMAN'S REPORT

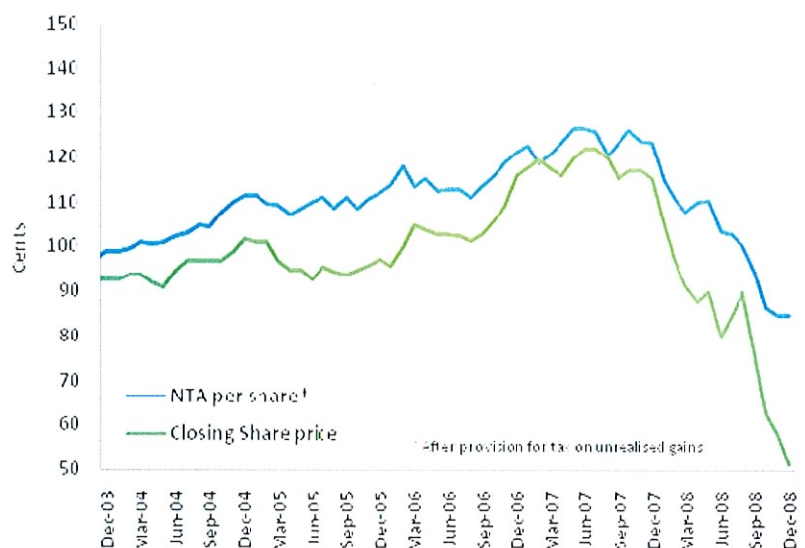
BEAR MARKET REMOVES OPTION TO PAY DIVIDEND

Sharemarkets across the globe continued to tumble in the six months to December 2008 as investors attempted to translate the impact of global recession into stock prices. Share prices have now fallen in 12 of the 15 months since the sharemarket reached its peak in 2007. These falls, coupled with the need to take to account unrealised losses on the portfolio, have left Premium with retained losses. The Company is therefore unable to pay a dividend for the half year ended 31 December 2008. The Board will review dividend payments in respect of the second half of the year once the full year results are known.

While this position is clearly disappointing, shareholders can take some comfort in the relative strength of the Company's share portfolio. The Australian sharemarket fell 27.2% over the six months to December 2008 and overseas sharemarkets (as measured by the MSCI World Index AUD Hedged) fell 31.3%. By comparison Premium's NTA declined by 17.9% after tax, after taking into account the payment of a 4 cent fully franked dividend in September 2008.

The lower volatility of the diversified portfolio has not been reflected in Premium's share price, which has fallen in line with the broader sharemarket. The share price discount to NTA has widened to an unprecedented level over the half.

Investment conditions in 2008 were without doubt extreme. It is in times like these that the Board of Premium recognises the value of the Company's association with Treasury Group, its expertise, its multimanager approach and access to the specialist skills of its boutique fund managers.



Markets are likely to remain volatile throughout 2009, and we would expect the Company's conservative investment approach to deliver relative stability in portfolio value.

Because we understand the importance of giving shareholders the opportunity to hear our corporate strategy and expectations for investment markets first hand, we will continue our shareholder briefing series in this first half of 2009. Briefings will be held in Sydney, Melbourne and Perth. Invitations will be mailed in due course to shareholders in these locations and will also be posted on the Premium website.



APPOINTMENT OF DIRECTOR

I take great pleasure in announcing the appointment of Mr Reub Hayes as Director of Premium Investors Limited. Mr Hayes appointment takes effect today, Tuesday 17 February 2009.

Reub Hayes has over 40 years experience in investment management and stockbroking research. He was a founder and CEO of Ausbil Dexia Limited, a specialist wholesale boutique asset management operation, and in 1984 was a joint founder of Barclays Bank investment operations. Mr Hayes was CEO of Barclays Investment Management in Australia for 12 years until 1996. Prior to 1984 Mr Hayes was a Member of the Australian Stock Exchange and was Research Partner of an institutional specialist stockbroking house for six years. Prior to this he held senior investment roles with AMP and Westpac.

Mr Hayes has been a Director of Treasury Group Limited since 22 February 2007 and was previously a Director of Emerging Leaders Investment Limited. He is a Senior Fellow of the Financial Services Institute of Australia, Fellow of the Australian and New Zealand Institute of Insurance and Finance and a Fellow of the Australian Institute of Company Directors.

SUMMARY FINANCIAL RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2008:

- Revenue from continuing operations including dividend & interest income \$4.787m (2007: \$5.357m)
- Realised losses from investment activities \$39.873m (2007: gain \$23.593)
- Unrealised losses from investment activities \$10.129m (2007: loss \$22.838m)
- Operating expenses including administration and portfolio management \$1.550m (2007: \$1.918m)
- Net Loss after tax \$33.680m (2007: gain \$3.197m)



Tom Collins
Chairman

