

CHAIRMAN'S ADDRESS 27 OCTOBER 2010

Good morning ladies and gentlemen. It gives me pleasure to welcome you to the 7th Annual General Meeting of Premium Investors Limited and the 3rd Annual General meeting for me as Chairman of the Company.

It has been a turbulent few years for Premium with the Global Financial Crisis, an attempted board spill, an extensive capital management program and regulatory changes relating to the Company's ability to pay dividends. And yet, as I have said often in recent communications, Premium is in excellent shape.

Premium has a strong balance sheet, is without debt and operates with a competitive cost base. Premium also enjoys access to the expertise and resources of Treasury Group, who with over \$15bn in funds under management is one of Australia's largest conglomerates of investment professionals. Importantly for shareholders, Premium in the last financial year paid dividends equating to a 12% dividend yield, and since inception has delivered dividends equating to an 8% yield on recent share prices. Despite all this, the market continues to attach an undeserved discount to Premium's share price.

Your Board and Investment Manager have undertaken many steps to maintain the Company's competitiveness. Our long standing shareholders will be aware that despite the noise of the past few years, the Board has demonstrated commitment to Premium's stated objectives and has not wavered in its approach to investment management, capital management or dividend policy. A few months ago the Board appointed an independent advisory firm to strategically review Premium's business operating model and strategic direction. The result of the review was essentially validation that Premium is a well-run listed investment company that offers unique diversification opportunities for retail investors. In particular, the review confirmed that our cost structure is well within industry ranges.

Let me outline the Board's key actions and intentions.

Capital management

The final phase of the 2009/10 capital management program was the on-market share buy back that concluded in August 2010. It is not our intention to undertake further on-market buy backs in the short term. As explained in the Board's recently published strategy paper, our objective is to grow Premium's asset base to serve the best interests of our predominantly retail shareholder base. This objective is not consistent with the conduct of more aggressive buy backs.

The Share Purchase Plan is consistent with the desire to grow the asset base and as you know we offered shareholders the opportunity to participate in the SPP in September this year. We had a strong response to the offer, with 14 % of shareholders participating.

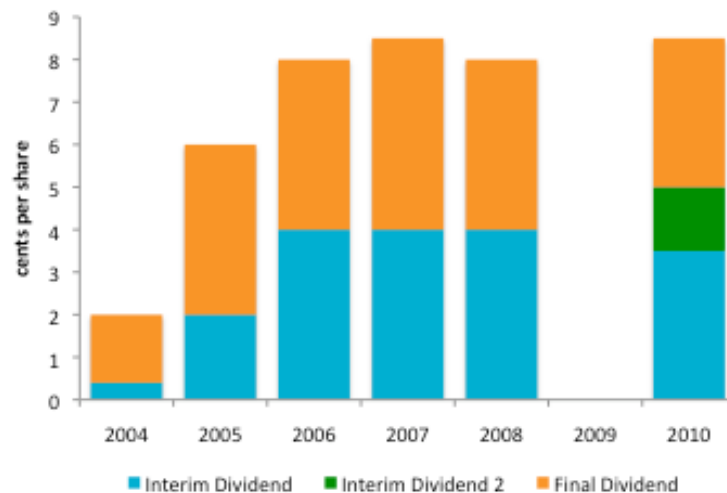
Your Board believes DRPs/SPPs are the most equitable way to allow existing shareholders to increase their investment in Premium. It is sometimes said that these offers disadvantage shareholders who choose not to participate. I can confirm that this is not the case, as the recent SPP had little effect on either the NTA or share price. Further, between the SPP and the DRP, we raised more cash than we paid out in dividends. Our DRP and SPP have enabled us to pay fully franked dividends without reducing the size of the company.

Cost base

With the assistance of Treasury Investment Services Limited, your Board took a number of steps to ensure the cost base was reduced in line with the reduction in Premium’s asset base. For example, by moving Premium’s funds held with each investment manager from individual mandates to pooled fund options, we have been able to achieve diversification with a smaller asset base, at a reduced cost. We’ve also made changes to service provider contracts and other fixed costs and are reducing the size and hence the cost of the Board.

Financial performance and dividends

Due to costs associated with the corporate raid and the buy back, shareholders are yet to enjoy the full impact of these cost reductions. Nevertheless, Premium was able to report a solid profit in the financial year ended 30 June 2010 and importantly was able to pay dividends totaling 8.5 cents for the year, taking total dividends paid since inception to 39 cents per share, fully franked.



The changes to the Corporations Act during 2010 have removed the regulatory impediments to the payment of dividends particularly for Listed Investment Companies and will allow us more discretion with future dividends. Your Board is committed to paying regular and sustainable dividends and believes that Premium can pay dividends in the range of 6 to 7.5 cents per share per annum in the short term.

Investment management

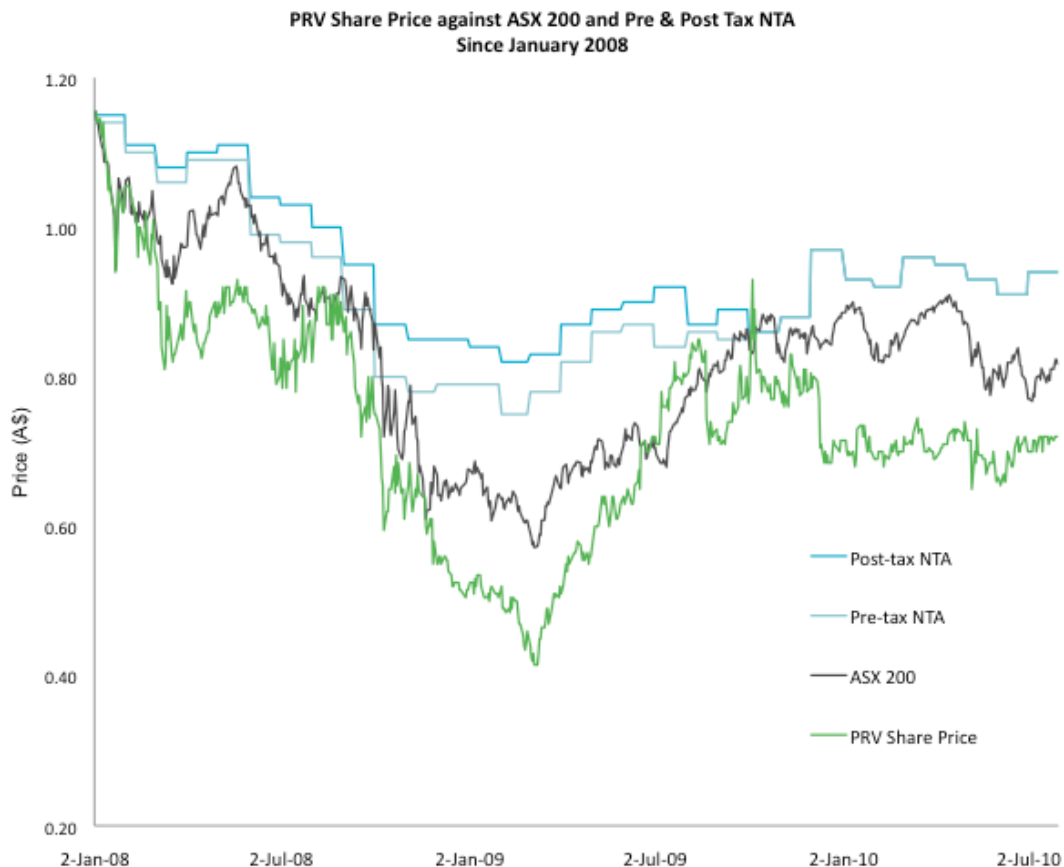
The competitive performance of the Company’s share portfolio made an important contribution to the reinstatement of dividends. Treasury Group’s stable of managers delivered strong returns for Premium’s shareholders during the year under challenging market and operating conditions.

Treasury believes investment markets will continue to be challenging in the foreseeable future and so the Investment Advisory Group has been established to provide macro economic views and deliver the framework within which Treasury Group Investment Services will make asset allocation decisions for the Premium portfolio. This has been done at no additional cost to Premium.

Share price performance

Premium’s investment manager delivered growth in the Net Tangible Asset Backing of 10.5% over the 2009/10 financial year, after the payment of dividends totaling 5 cents per share. The share price did not keep pace with the growth in NTA, with the gap between the share price and NTA per share in fact widening.

Like most second generation Listed Investment Companies, Premium has always traded at a discount to NTA. Traditionally the share price has broadly traced the movement in the Company’s NTA per share, but during the Global Financial Crisis the relationship broke down and the share price followed the severe downward movement of the All Ordinaries Index. Since the GFC the share price has once again begun to trace the movement in the value of Premium’s share portfolio, but has not closed the gap.



Despite what is often said by certain market commentators and interested parties, buy backs are not the panacea for discounts to NTAs. Premium’s share buy back was for the purpose of releasing shareholders with contra objectives from the Premium share register while minimizing the impact on long term shareholders. As we have done that, and as we now intend to grow the Company, we do not intend to conduct further buy backs in the short term.

Premium's advantages

Premium offers outstanding benefits for retail investors and self managed super funds. Your Board and Treasury Group Limited promote Premium's benefits through: regular reporting through the ASX and Premium's own detailed website; through the financial adviser network using the resources of Treasury's retail managers; through the strategic and tactical use of a public relations firm; and through other one off and regular opportunities such as the upcoming Morningstar roadshow, where we'll be spruiking the benefits of listed investment companies and highlighting the advantages of Premium.

As I said last year, Premium's message is simple:

Premium delivers the benefits of diversification – Premium is the only listed vehicle with a multi-manager portfolio and with a strategic asset allocation of 50% Australian and 50% international shares, it offers diversification across a range of industry sectors from every corner of the globe. Meaningful diversification delivers competitive returns with reduced volatility.

Premium is expertly managed – through Treasury Group Limited Premium not only has access to the expertise of boutique fund managers, but draws on the resources of a conglomerate with over \$15 bn in funds under management.

Premium 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. (Of course the flip side to liquidity is that the share price does not have to reflect the true value of the company.)

Premium offers a competitive dividend yield – which I am pleased to say is once again a key benefit of investing in our company.

These are benefits worth promoting and the Board will continue to be well supported by Treasury in its efforts to promote Premium as an investment vehicle that offers unique diversification and a competitive yield, for retail investors and self managed super funds.



Tom Collins

Chairman