

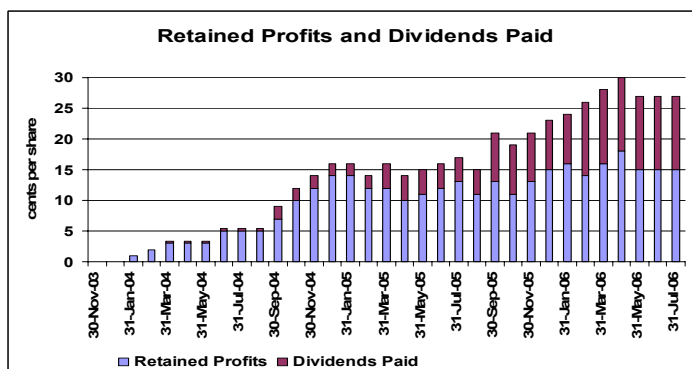
Premium Investors has released its full year results for the year ending 30th June 2006 and was pleased to announce earnings per share after tax (including provision for taxes on unrealised gains) of 11.17 cents. Dividends paid for the full financial year were 8 cents per share, leaving just over 3 cents to support future dividend payments in what might be less buoyant market conditions.

Key Dates:

DRP Closes: 29th August 2006

SPP Closes: 27th September 2006

AGM: 1st November 2006



Since inception, Premium Investors has set aside just over 15 cents per share in earnings to help ensure that the Company can maintain its current level of dividends in the future. The distribution of earnings between dividends and retained profits is shown in our chart.

Under the new accounting standards (AIFRS) which apply to the Premium Investors accounts, profits include both realised and unrealised capital gains. Any downturn in markets can reduce the funds available to pay dividends. A conservative absolute return investment strategy,

aimed at reducing the impact of downturns in the market, together with a good level of retained profits underpins your Board's confidence in future dividends.

Premium Investors introduced a Dividend Reinvestment Plan (DRP) for the interim dividend paid in March 2005 which allows shareholders to reinvest their dividends at a discount to the market price. Your Board has resolved to continue the DRP for the current dividend at a discount of 2.5% to the weighted average share price over the five days commencing on the day the shares commence trading on an ex dividend basis (29th August 2006). Shareholders who are not already participating in the plan and who wish to join will need to complete an application form and return it to Computershare by 4th September 2006. These forms are available on our website.

Your Directors have also resolved to introduce a Share Purchase Plan under which Australian resident shareholders can invest up to \$2,500 in additional shares in the Company at the price determined based on a discount of 2.5% to the weighted average share price over the five trading days ending 27th September 2006. Eligible shareholders who wish to participate in this offer will need to complete the attached Application Form and return it to Computershare by 27th September 2006.

Shareholders in Premium Investors are drawn from all parts of Australia and to allow the maximum number of shareholders to meet the Directors, your Board has moved the venue for the Annual General Meeting from state to state. This year our Annual General Meeting will be held at the Royal Hotel in Brisbane on 1st November at 10:30 am. Full details will be sent to shareholders with the formal Notice of Meeting.

We continue to receive valuable feedback from investors. Should you have any questions about Premium, you can contact me by e-mail on info@premiuminvestors.com.au or by telephone on 1800 087 348.

John Elfverson
Managing Director

Investment Allocation

Premium Investors, through our Investment Portfolio Manager, Treasury Group Investment Services and the specialist investment managers it appoints, invests largely in listed securities. Protection against market volatility is sought by spreading the investments throughout global markets and different investment styles in the knowledge that no one style or market will outperform all of the time. Over the past twelve months, Premium Investors

Manager		Strategy
Investors Mutual	20%	Fundamental value, Australian equities
Orion	20%	Growth orientation, Australian equities
Confluence	8.5%	Smaller companies
Armytage	8.5%	Buy write strategy over leaders
Global Value Investors	20%	Fundamental value, major markets, hedged to Australian dollars
Treasury Asia	14.5%	Asia excluding Japan
RARE	8.5%	Global infrastructure

has been increasing its exposure to international markets in recognition of the strong outperformance of the Australian market over the past few years and the more attractive investment fundamentals available offshore. Our latest diversification is a mandate for a specialist global infrastructure fund.

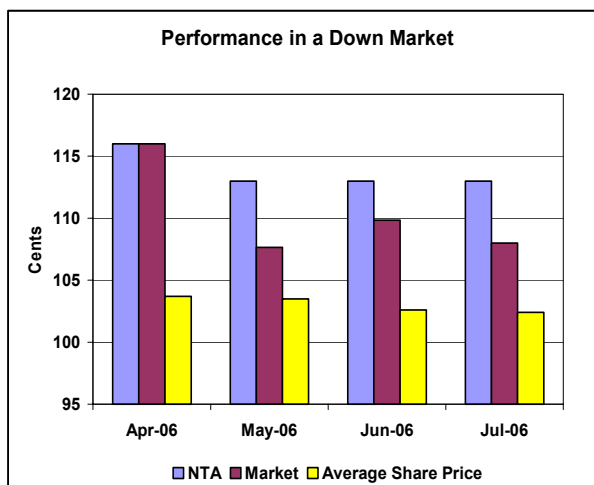
Why Global Infrastructure

Whilst Australia certainly did not invent infrastructure, its investment community are world leaders in the recognition of these investments as a distinct class of assets with highly attractive investments characteristics.

Infrastructure investments are businesses underpinned by secure cashflows which are not overly dependent on the economic cycle and are often the result of a government monopoly. Listed global infrastructure assets are capitalised at around three times the value of the Australian stockmarket and with governments throughout the world seeking private partnerships and funding to meet the infrastructure requirements of their populace and the sector is likely to become an increasingly important part of the equity environment.

Infrastructure provides a broad gamut of investment opportunities ranging from utilities with no borrowings that have been in business well over 100 years to financially engineered start ups which have yet to demonstrate a sustainable long term cash flow. Choosing investments in this environment requires experience and RARE has a substantial team with extensive experience in global infrastructure. We are confident in their ability to evaluate and select the appropriate assets for Premium Investors' style of portfolio.

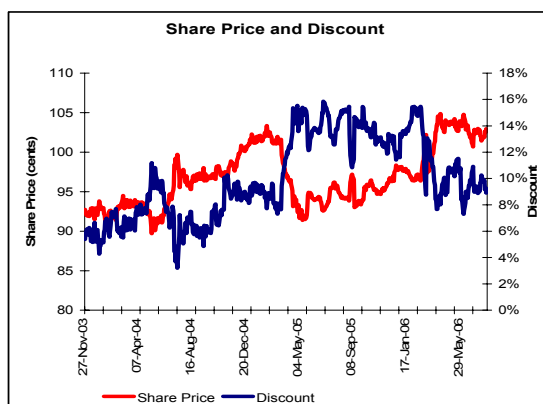
A Conservative Strategy



Investment markets have been buoyant since Premium Investors listed in November 2003 and the benefits of a conservative investment strategy have not been overly apparent. The past few months have seen the return of volatility to Australian and global markets and these investment conditions have provided an opportunity for Premium Investors to demonstrate the performance of its portfolio in a market downturn. In our chart, we have used the S&P/ASX 300 Accumulation Index as a proxy for the market. The chart shows that the Premium Investors portfolio fell less than the market and the share price was also relatively stable.

Share Price Discount

Your Board noted its concern at shares in Premium Investors trading at a substantial discount to the Net Tangible



Asset backing per share at last year's Annual General Meeting. At 30th June 2005, Premium Investors shares were trading at 93 cents with a net tangible asset backing of 110 cents after provision for all taxes. The 17 cent difference largely represented investment earnings that investors could not access by selling their shares. We are pleased to report solid progress in reducing this discount over the past year, through our strategy to position Premium Investors as a high yielding investment with a moderate risk profile.

Our chart shows both share price and the discount to Net Tangible Assets since Premium Investors first listed in November 2003. The discount is currently in the 5% to 10% range.

A Globally Diversified Portfolio

The Premium Investors approach is based on providing Investment Managers with the freedom to make investment decisions on their merits within their individual investment styles and chosen from the markets in which they specialise. The distinct investment processes of each manager results in an overall portfolio with limited stock overlap between managers and which produces the reliable earnings stream needed to support a strong dividend.

Investment is increasingly a global business and Australian companies have to compete with foreign companies operating in the same business for the investment dollar. A decision to invest in airports is just as likely to be implemented in Austria as it is in Australia. Our diversification is seeking "best of breed" and the table sets out some of the companies the Investment Managers find attractive.

Some Significant Positions Held As at 30 th June 2006	
Energy	Straits Resources Limited, Bergesen Worldwide Gas ASA, Sedgeman Limited, Chevron Corporation
Materials	Amcor, BHP Billiton, Newcrest Mining Limited
Industrials	Transurban Group, Toll Holdings Limited, Boom Logistics, Flughafen Wien Ag
Consumer Discretionary	Tabcorp Holdings Limited, Sky City Limited, Publishing + Broad Limited, Eniro AB, Kingfisher plc
Consumer Staples	Goodman Fielder Limited, Coca-Cola Amatil, Kraft Foods Inc, Nestle SA
Healthcare	Pfizer, Mayne Pharma Limited, Sigma Pharmaceuticals Limited
Financials ex Property	ANZ, Commonwealth Bank, Westpac, Cathay Financial Holding Company, United Oversea Bank
Property	Macquarie Leisure, Chinese Estates Holdings Limited, Westfield Group
Information Technology	Samsung Electronic, Taiwan Semiconductor, Computershare Limited
Telecommunications	Telstra, Telecom NZ, Swisscom, Telenor
Utilities	Babcock And Brown Infrastructure Group, Gaz De France, Enagas, Fortum Corporation

About the Share Purchase Plan

Under the Corporations Law, listed companies would normally need to provide a Product Disclosure Statement (PDS) to invite further investment from its shareholders. Dividend Reinvestment Plans are an exception to this rule.

The Australian Securities and Insurance Commission (ASIC) has provided companies with relief from the requirement to produce a PDS in respect of investments by existing shareholders who are residents of Australia. The relief allows eligible investors to invest up to \$5,000 per year at a price determined by the Directors.

Your Directors have decided that the best way to make this concession available to shareholders is to allow all eligible shareholders to invest up to \$2,500 at the time of the interim and final dividends. Shareholders will need to have purchased their shares before 30th August 2006 to be registered by close of business on 4th September 2006 and thus be eligible to participate in this offer.

The price at which the shares are offered is the same price as will be determined as the weighted average price over the five trading days ending on 27th September 2006.

Share Purchase Plans provide no documentation other than the Application Form and an explanatory brochure which accompany this newsletter.

If you are eligible and wish to participate, you will need to return the Application form together with your cheque to Computershare by the closing date of 27th September 2006. The offer opens on 8th September 2006.

Your Directors are aware that some shareholders are unable to participate in a share purchase plan because of the structure through which they hold their investments. Premium Investors will use its best endeavours to ensure that these investors gain a similar benefit.

A New Class of Shares

Your Board has been considering ways in which the Company can grow in the future for the benefit of all shareholders. One idea is to offer investors a choice between the current highly diversified investment with a strong focus on absolute returns and portfolios targeted at specific markets which might benchmark against a market index.

There are particular advantages in allowing investors in one class of shares to switch into another class of shares rather than having to sell one class of shares on market and buy another. The switching between classes of shares should be allowed to take place to maintain the net tangible asset backing of the investor's portfolio at a constant level.

The Constitution of Premium Investors does not provide for the conversion of one class of shares into another. Your Board proposes two amendments to the Constitution to be considered by shareholders at the forthcoming Annual General Meeting. The first will allow switching between different classes of shares and the second will enhance the protection of shareholders by ensuring that the terms attaching to any class of shares can only be changed with the agreement of shareholders in each class of share on issue.

Any offer for subscriptions to a new class of share will be subject to a Product Disclosure Statement.

Disclaimer: Whilst the information in this report has been prepared with all reasonable care, Premium Investors Limited accepts no responsibility or liability for any errors, omissions or misstatements however caused. This is general securities information only and is not intended to constitute a securities recommendation. This information does not account for your investment objectives, particular needs or financial situation. Investors should be aware that past performance is not indicative of future performance. Returns can be volatile, reflecting rises and falls in the underlying investments. The fact that shares in a particular company have been mentioned should not be interpreted as a recommendation to either buy, sell or hold that stock.