

CHAIRMAN'S ADDRESS OCTOBER 2008

Good morning and welcome to the 5th Annual General Meeting of Premium Investors Limited. I am Tom Collins and I have been Chairman of Premium Investors since November 2007. I met with some of you in June this year during the Premium shareholder briefings that we held in Melbourne, Sydney and Brisbane. How the world has changed in the 4 months since those briefings.

Before I commence today's proceedings, I would like to introduce the other members of the Premium Board of Directors:

- Mr Kenneth Stout is a founding independent director of Premium. He also chairs the Risk and Audit committee. Ken is up for re-election at this meeting.
- Mr John Elfverson has been a director of Premium since August 2005. He was Managing Director of Premium between August 2005 and August 2007 and between August and November of 2007 held the position of Company Secretary.

Also joining us today are our auditors, Ernst & Young. They will be available to address any questions you may have regarding the accounts for the year ended 30 June 2008.

Agenda

First today I would like to make a comment on last year's performance and also review our Company's position and purpose in the context of the extreme conditions in which we are operating. Then I will move to the formal Items of Business for this meeting, which include:

- The adoption of the accounts;
- The re-election of Mr Kenneth Stout who is retiring by rotation; and
- Consideration of the remuneration report.

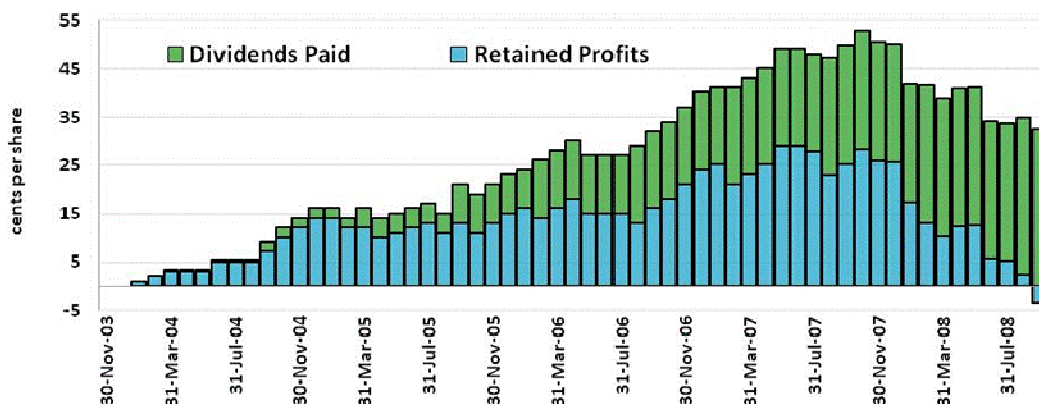
As we move through the Items of Business you are welcome to ask questions of your Board and our Auditors. At the conclusion of the formal proceedings, I will hand over to Mr Tim Hyett. Tim is the Chairman of the Investment Committee for Premium Investors and has since December 2005 held senior executive positions within the investment managers in which Treasury Group holds an equity stake. Tim will review the status of our Company's investment portfolio and appraise the investment markets. Following Tim's presentation, there will be further time for questions and then I'll invite you to join us for refreshments.

Financial Performance and Dividends

Premium, like all investors around the globe, was negatively impacted by the extreme losses in global sharemarkets during 2008. We recorded a net loss after tax of \$29.2m for the year ended 30 June 2008. This is an accounting loss and does not reflect actual losses made in the portfolio. Under the International Financial Reporting Standards (or IFRS), listed investment companies are required to value the stocks in their portfolios at the closing market value at the end of each month and to take into account any unrealised gains or losses on those stocks.

Despite this result our Company had sufficient retained earnings at the 30 June 2008 to cover a fully franked dividend of 4 cents per share. This dividend was paid on 26th September 2008 and took the total dividends paid for the 2007/2008 financial year to 8 cents per share. It also took the total dividends paid by Premium since listing in November 2003 to 32.5 cents per share.

Retained profits and dividends paid



At the time of declaring the last dividend I noted that investment conditions were difficult and that continued volatility in markets would impact our ability to pay future dividends. Our Company's ability to pay dividends, as always, depends on the state of investment markets. Investment markets have retreated even further since June of this year.

It seems unlikely therefore that Premium will be in a position to pay a dividend for this first half of 2008/2009. This is because while markets remain so depressed, our Company will have to continue to recognize unrealised losses under the International Financial Reporting Standards. Although Premium is receiving dividend and interest income and may even be realising some net gains in its portfolio, taking unrealised losses into account can cause retained earnings to be negative, as they currently are.

Corporations' law will not permit the payment of a dividend when a company has negative retained earnings, even if those negative earnings result from unrealised losses, as they do with our company.

I must stress that this does not imply or reflect a change to Premium's dividend policy or corporate objective. Premium's aim is to maintain, over time, a fully franked dividend equivalent to 7% pa on its net tangible assets.

As you all know, the current state of the market is well out of the ordinary. Even for those of us who lived through the 1987 sharemarket crash, or for those who can recall the resource led declines of the early 70's, these are unprecedented times. Having said that, I can say to shareholders that in time, investment markets will stabilise and they will recover - but clearly, I cannot say when.

Premium - a durable investment vehicle

Despite the immediate consequences of this accounting rule, it has become clear through this global financial crisis that Premium as a Listed Investment Company is a durable and effective investment vehicle. Tumultuous markets not only test investment management skill, they test the efficacy of an investment vehicle's structure, as well as the manager's policies and procedures. In times like these, factors such as these are equally important to the sustainability of investment value, as is the quality of the underlying investments.

One of the most prized benefits of a listed investment vehicle must be liquidity. The benefit of liquidity has become even more evident with the recent spate of redemption freezes among managed funds. The LICs superiority to a managed fund is borne out when shareholders are able to buy and sell their holdings in the company without impacting the underlying share portfolio. Investor redemptions from managed funds can have a material impact on the portfolio when markets are falling. When investment managers are required to sell shares to generate the cash to meet redemptions, they are not only forced to realize losses, but they may also find themselves unable to take advantage of the investment opportunities that typically arise in a falling market. Because we are a listed investment company, Premium's investment managers can remain solely focused on positioning the portfolio for future income and capital gain.

Premium's investment parameters have also proven to be effective in this investment environment. As Tim will show later, the value of Premium's investment portfolio continues to be less volatile than the broader sharemarket. One reason for this is that Premium's portfolio is spread across 6 different boutique fund managers with very different investment styles. Another is that while these managers take a medium to long term investment focus, they have the ability under their investment mandate to trim positions and hold up to 50% in cash if they view stocks as overvalued. The ability of the portfolio to be invested in overseas shares is further reason. By definition then, our Company's portfolio will always be well diversified and its value in turn, should be less volatile than the broader markets.

It's also worth reflecting on the fact that Premium is debt free. It is a policy, and clearly in these times an important policy, that we will not borrow to invest.

Share price is not NTA

While being a listed vehicle assists to immunize the Company’s investment portfolio against the sentiment of investors, it also means there can be a disconnect between the share price and the Company’s net asset value. As you would have witnessed with Premium’s recent share price performance, the relationship between Premium’s share price and its net tangible assets (NTA) has been possibly more volatile than the markets themselves. Overall our Company’s share price has fallen far more than the underlying portfolio value.

Share price is not NTA



There may be many reasons for this disconnect. Premium has over 7000 shareholders from across Australia and overseas and our shareholders would have a variety of reasons for selling and buying their shares in Premium. Whatever those reasons, we must ensure that existing and prospective shareholders are in a position to make informed decisions about their investment in Premium.

To this end we will be continuing our investor briefings. We will meet with shareholders in Brisbane and Sydney prior to Christmas and have scheduled further briefings in a selection of capital cities in the first half of 2009. We are also making effective use of our revamped website to keep shareholders informed and promote the benefits of our Company. Further, the business development team of Investors Mutual continues to liaise with investment advisers and stockbrokers on our behalf. Building awareness and confidence with intermediaries in this environment is a vital but slow process.

Because we have recently experienced a higher than average share price discount to NTA, I feel compelled to remind shareholders of an amendment made to our Company's constitution in November 2005. Clause 14.1 of the Constitution now provides for shareholders to vote on the continuation of the Company in *"the event that the share price of the Company trades at a discount of 10% or greater to the net tangible assets per share after tax has been paid or provided for on all realised and unrealised gains throughout the period of twelve months leading up to the balance date"* (i.e. 30 June). Even in these unprecedented times this condition had not been met at the last balance date and due to recent intermittent periods of share price strength, will not be met at the next balance date.

Premium's benefits, our priorities

We have on a number of occasions stated our intention to grow the Company's capital base in order that all shareholders may enjoy the benefits of scale. Our unyielding commitment to grow the Company stems from the belief that Premium is an effective investment vehicle with a relevant and appealing objective.

A key attraction of a listed investment company is the ability to translate a variety of investment returns into a tax effective, single income stream, with one tax statement. Premium's ability to pay dividends may be impacted in the short term by the rules that require us to take to account unrealised losses, but as a Company our focus will remain on the management of a portfolio that will deliver tax effective income to shareholders.

An investment in Premium also provides access to the benefits of diversification. Premium's portfolio remains well diversified across countries and industries. The diversity of its holdings also reflects the range of investment styles of its multi-managers. Through a single investment, shareholders in Premium are not only enjoying the benefits of diversification, they are continuing to access a depth of experience and knowledge that opens doors to investment opportunities in developed and emerging markets.

Perhaps the toughest challenge we face as a company is the ability to keep our message out there. One of our highest priorities must continue to be communication with existing and prospective shareholders. In this current environment the benefits of a listed company over an unlisted fund have become only too apparent. We see this market therefore as an opportunity to spruik the benefits of Premium's approach to investing and thereby aim to create opportunities to grow our Company's capital base.

A handwritten signature in black ink, appearing to read "Tom Collins".

Tom Collins
Chairman