

CHAIRMAN'S ADDRESS

PRV AGM - 7 November 2012

Good morning ladies and gentlemen. I am pleased to welcome you to the 9th Annual General Meeting of Premium Investors Limited and the 1st Annual General Meeting for me as Chairman of the Company.

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

- Mr Tom Collins – an independent Director of Premium since 2005 and former Chairman of Premium;
- Mr Reub Hayes - an independent Director of Treasury Group and a director of Premium since February 2009;
- PRV's Company Secretary, Reema Ramswarup

We also have with us Ms Eva Riou, Business Strategy Manager for Treasury Group and a member of the investment committee responsible for the investment of the Premium Investors portfolio. She will present an update from the investment manager later in the meeting.

Joining us to address questions regarding the accounts for the year ended 30 June 2012 are our Chief Financial Officer, Joe Ferragina and representatives of our auditors, Ernst & Young, Darren Handley-Greaves and Michael Garcia.

We also have Andrew Lumsden from Corrs, our legal advisor.

Agenda

Today's formal items consist of two resolutions which will require your vote:

1. The retirement and re-election of Reubert Hayes
2. The remuneration report

You are welcome to ask questions of your Board and our advisors as we move through the formal items.

Before moving to the formal items of business, I will review Premium's performance and the action taken by your Board and Premium's investment manager, Treasury Group Investment Services, to deal with some of the critical issues that have faced us in recent times. As I indicated earlier, I will also invite Eva Riou to review Premium's investment performance and activity in more detail.

Performance Review

The past financial year was another challenging year for both Premium and the funds management industry in general. The investment environment was negative for equities as a result of economic and financial problems in many of the major markets.

Accordingly, Premium's investment portfolio achieved a gross return of -3.14% and Premium recorded a Net Loss after Tax for the year ended 30 June 2012 of \$3.11m.

Consequently, no performance fee was paid to the Investment Manager as investment performance for the full year was below the performance fee benchmark of 6.71%.

However, it should be noted that the portfolio return exceeded Premium's market proxy return (a balance of local and international market indices) which delivered -3.53% and the ASX 300 Accumulation Index return of -7.01%.

Additionally, as markets improved throughout the second half of the financial year, i.e the 6 months ended 30 June 2012, Premium's portfolio achieved a positive gross return of 4.33%, which resulted in a second half profit.

Unfortunately, as a result of the loss in the first half of the year that translated into a loss for the full year, it was not possible for the Board to declare an interim dividend. The Board was advised that it was not possible to declare a dividend from the profits generated in the second half of the year and be certain that franking credits could be attached. The Board therefore decided to not declare a final dividend.

The Board appreciates that many investors value the regular cash flow resulting from dividends. Conscious of this we undertook an equal access buy-back in February to enable those shareholders who wished to do so to sell a small proportion of their shares at a price close to NTA. This generated a substitute for the cash flow that would have resulted had a dividend been able to be paid and 34.63% of shareholders took up this option.

Premium has, for many years, provided investors with access to the expertise and resources of Treasury Group, which with over \$16bn in funds under management is one of Australia's largest groups of investment professionals. Shareholders have historically enjoyed competitive dividend yields and an investment vehicle that offers unique diversification for retail investors and self managed super funds.

However, throughout this period, Premium's share price has continued to trade at a persistent discount to underlying pre-tax net tangible assets. This discount has persisted despite extensive capital management initiatives undertaken in 2009 including a 65% off-market buy-back. The discount continued to widen through 2012.

As a result of the three critical issues of:

1. the persistent and widening discount of Premium's share price to NTA
2. the absolute performance of the underlying portfolio in the past financial year, and
3. Premium not being able to declare a dividend since July 2011,

the Independent Directors instigated a review of the strategic alternatives available to Premium.

Strategic Review

The Independent Directors sought professional advice on a broad range of strategic alternatives to maximise value for shareholders. The options reviewed included:

- a substantial share buy-back
- a significant return of capital
- the potential acquisition of Premium by another listed investment company
- a winding up of Premium

During this review, Treasury Group Investment Services approached Premium with a proposal that included a significant off-market buy-back of Premium's shares and a restructuring of the remaining company with a renewed focus on seeding boutique fund managers. The independent directors considered this proposal against the other strategic alternatives and, following a period of negotiation with Treasury, announced an off-market buy-back of up to 75% of the ordinary shares on issue, subject to approval by shareholders.

Following this announcement, WAM Capital approached the Board with a proposal that WAM Capital and Premium should merge via a scheme of arrangement. The Independent Directors of Premium determined that the Scheme was a superior restructure proposal to the previously announced off-market equal-access buy-back and, in consultation with Treasury we signed a Scheme Implementation Agreement with WAM Capital on 14 September 2012.

Scheme of Arrangement: Timing

Last Wednesday, the Scheme was approved by the Federal Court and has now been registered with ASIC. The Scheme Meeting at which Premium shareholders will vote whether to approve the Scheme is to be held on Monday 10 December at 10.30 am in these premises. Detailed information relating to the Scheme is contained in the Scheme Booklet that is currently available on both the ASX website at www.asx.com.au and our website at www.premiuminvestors.com.au and is scheduled to be dispatched to shareholders tomorrow. I strongly encourage you all to read the Scheme Booklet ahead of voting in the Scheme Meeting in December as it contains important information on the Scheme and its implications for Premium shareholders.

Following this General Meeting, Geoff Wilson, the Chairman of WAM Capital will be joining me as we hold an open session to discuss the implications of the Scheme for Premium Shareholders. I invite you all to stay and participate in that meeting.

Ahead of that meeting, I will briefly touch on the key terms, benefits, and relevant recommendations relating to the Scheme.

Scheme of Arrangement: Key Terms

If Premium's shareholders approve the Scheme, the key terms will be as follows:

- Premium Shareholders will transfer their Premium Shares to WAM.
- As consideration for the transfer of Premium Shares to WAM, Premium Shareholders can elect to receive Scrip Consideration, Cash Consideration or a combination of both.
- Premium Shareholders who elect to receive the Cash Consideration will receive an amount equal to the Premium pre-tax net tangible assets per share less deferred tax assets carried on the balance sheet and transaction costs associated with implementing the Scheme for each Premium Share
- Premium Shareholders who elect to receive the Scrip Consideration will exchange their Premium Shares for shares and options in WAM. Those electing scrip consideration will also receive one WAM Capital Option for each new WAM Capital share issued
- The number of New WAM Shares and New WAM Options to be issued to each shareholder who elects to receive Scrip Consideration will be calculated by reference to the relative NTA-backing per share (less deferred tax assets and transaction costs) of Premium and WAM Capital at the calculation date following the second Court hearing.

Scheme of Arrangement: Benefits

The key benefits of the Scheme to Premium shareholders include:

- Premium Shareholders will be able to choose the mixture of cash and scrip consideration that optimises return based on individual circumstances
- Both the Cash and Scrip consideration are expected to deliver a significant premium to Premium's historic share price
- The value of Premium's tax losses and franking credits are likely to be preserved
- Shareholders that elect to receive some scrip consideration may be eligible for CGT rollover relief

As mentioned earlier, Geoff Wilson will join me after this meeting and he will run through the potential benefits that are available to Premium's shareholders that choose some or all of their consideration in WAM scrip. Further information on WAM Capital can be found on their website and in the Scheme Booklet.

Scheme of Arrangement: Recommendations

Lonergan Edwards and Associates were engaged by the Premium Independent Directors to provide an independent expert's report on the proposed Scheme. Their report is included as an annexure to the Scheme Booklet. They concluded that both the cash consideration and the scrip consideration are fair and reasonable and that the Scheme is in the best interest of Premium shareholders in the absence of a superior proposal.

It should also be noted that Treasury Group is supportive of the Scheme and intends to vote its shares in favour of the Scheme in the absence of a superior proposal.

The independent Directors of Premium have rigorously reviewed the available strategic options available to Premium in order to maximise value to shareholders and they firmly believe that the

proposed Scheme is in the best interest of shareholders in the absence of a superior proposal. They currently intend to vote all of the Premium shares they hold or control in favour of the Scheme unless a superior proposal is forthcoming.

Ahead of the Scheme Meeting, your Board continues to focus on ensuring that the company provides a well managed and diversified investment solution for shareholders.

The Board continues to be well supported by Treasury in this task and so, before we commence with the formal business of the meeting, I would like to invite Eva Riou to provide you with the Investment management review for the year ended 30 June 2012.