



# Annual General Meeting

29 October 2009



Accessing Treasury Group Expertise.



## Board of Directors

- **Mr Tom Collins**  
Chairman and director since October 2005
- **Mr Kenneth Stout**  
Founding director since November 2003
- **Mr John Elfverson**  
Director since August 2005
- **Mr Reub Hayes**  
Director since February 2009



## Agenda

- **Chairman's report**  
Financial results and capital management
- **Formal items of business**  
4 Items
- **Investment Manager's report**  
Investment performance and portfolio management

# Chairman's address

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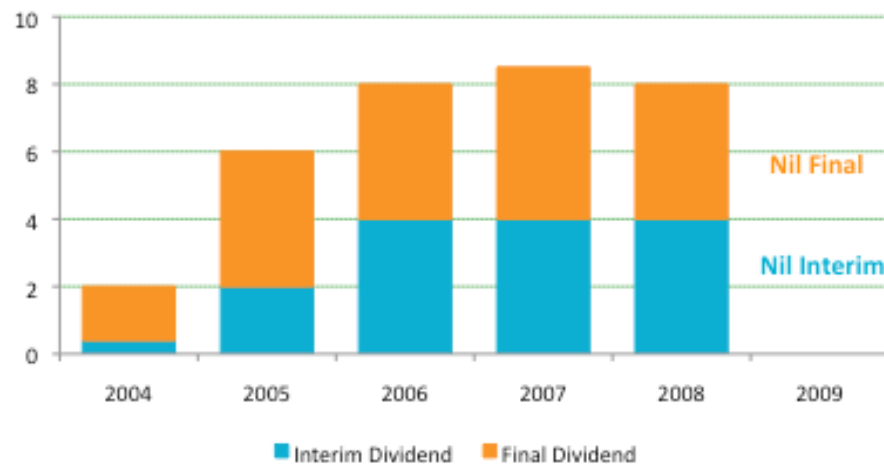


## Capital management

- More than 4,000 shareholders post buy-back  
Majority of remaining shareholders are retail investors
- Market capitalization of \$68.4m  
Middle of the pack in the LIC universe
- Investment management fee calculated as % of FUM  
Reduces proportionately with size of the Company

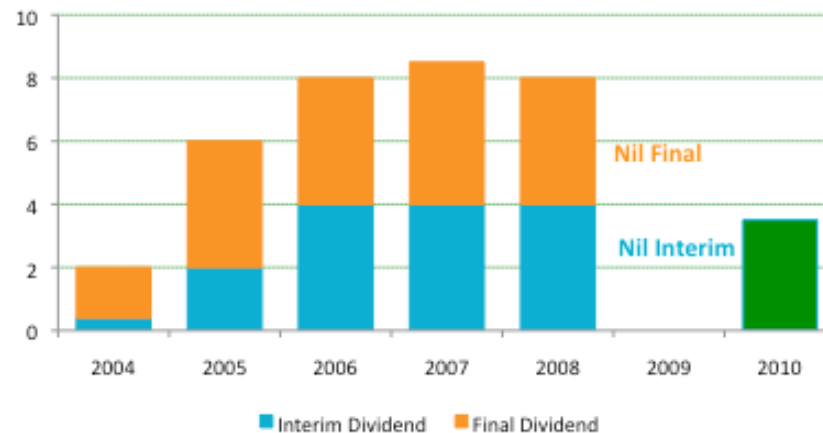
## Financial performance

- Loss for 2008/2009 financial year \$39.4m
- Nil dividend for 2008/2009



## Interim dividend

- Profit for quarter ended 30 September 2009  
\$13m
- Interim dividend of 3.5c per share, payable January 2010





## Future dividends

### ➤ Policy

It is the Company's policy to pay out the majority of realized investment earnings after tax and expenses to shareholders as dividends over the extended market cycle.

### ➤ Considerations

The Board seeks to set the dividend at a level it believes to be sustainable.

Accounting rules and corporate regulations.



## Proactive capital management

- On-market buy-back in place until August 2010  
Approved in August this year
- Shareholder briefings and adviser meetings  
Six monthly schedule

*Communication plays a vital role in influencing the long-term relationship between the Company's shareholder base, its share price and hence its share price to NTA.*



## Premium benefits

- **Diversification**  
Meaningful diversification delivers competitive returns with reduced volatility.
- **Expert Management**  
Treasury Group has a strong track record in selecting successful investment managers.
- **Liquid and easy to manage**  
The simplicity of a listed diversified investment.

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# Formal items of business

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## Formal items of business

### Item 1 Financial statements and reports

“To receive and consider the Financial Report, the Director’s Report and the Auditor’s Report for the year ended 30 June 2009”



## Formal items of business

### Item 2 Election of Mr Reubert Hayes

“That Mr Reubert Hayes, a Director who is offering himself for election be elected as a Director of the Company”

Proxies have been received in respect of the resolution as follows:

In favour	Against	Abstention	Proxy's Discretion
6,066,666	471,301	139,389	2,156,222



## Formal items of business

### Item 3 Re-election of Mr John Elfverson

“That Mr John Elfverson, a Director retiring by rotation in accordance with the constitution and offering himself for re-election be re-elected as a Director of the Company”

Proxies have been received in respect of the resolution as follows:

In favour	Against	Abstention	Proxy's Discretion
6,072,994	465,106	132,114	2,163,364

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## Formal items of business

### Item 4 Adoption of remuneration report

“To adopt the remuneration report forming part of the Director’s Report for the financial year ended 30 June 2009”

Proxies have been received in respect of the resolution as follows:

In favour	Against	Abstention	Proxy’s Discretion
4,342,473	1,975,277	511,606	2,004,222

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Investment update - October 2009

David Cooper, Treasury Group Investment Committee.

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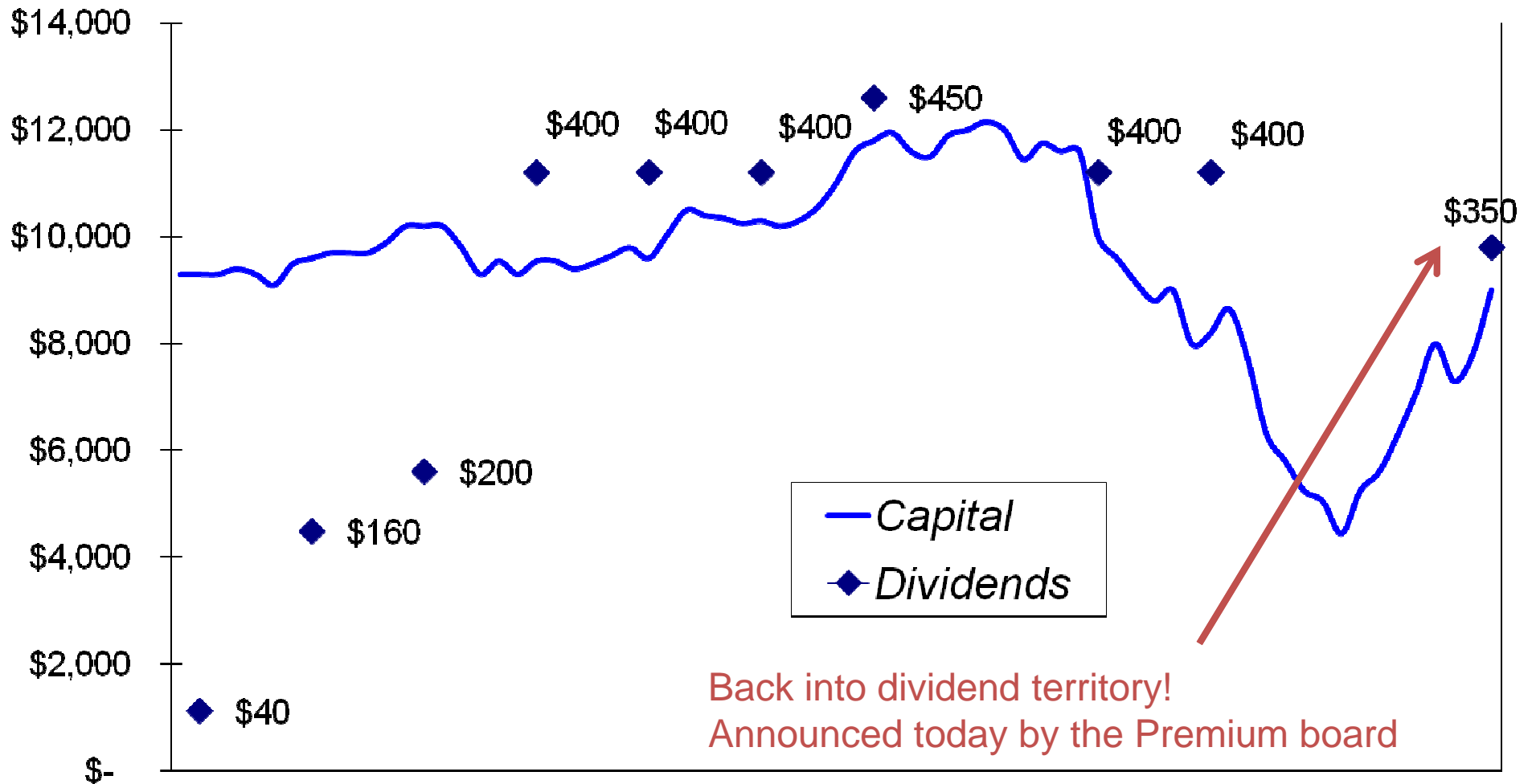


# Contents

1. Performance report card
2. Asset allocation
  - a) country + cash
  - b) manager and style
  - c) changes in the past 12 months
  - d) versus world markets size
3. Economic landscape
4. News and themes from the front line
5. Investment road map

# History

\$10,000 invested at the float in November 2003



# Performance report card

As at 30 September 2009	1 Year (%)	Notes
Premium portfolio	1.77	Below target, mostly impacted by global value investors and infrastructure stocks.
Long term benchmark (5yr Gov bond + 3%)	7.38	
Treasury Asia Asset Mgt	9.45	Strong rebound in Asian markets
Investors Mutual	8.67	
Orion Asset Management	3.25	
Cannae Capital Partners	0.93	Conservative portfolio
RARE Infrastructure	-3.91	Infrastructure stocks performed well relative to global benchmarks but poorly versus the Australian market. Under review
Global Value Investors	-9.78	Disappointing. Stock selection was very conservative. Under review

# Performance report card

## Improvement needed

Better use of the combined intelligence to produce improved investment performance

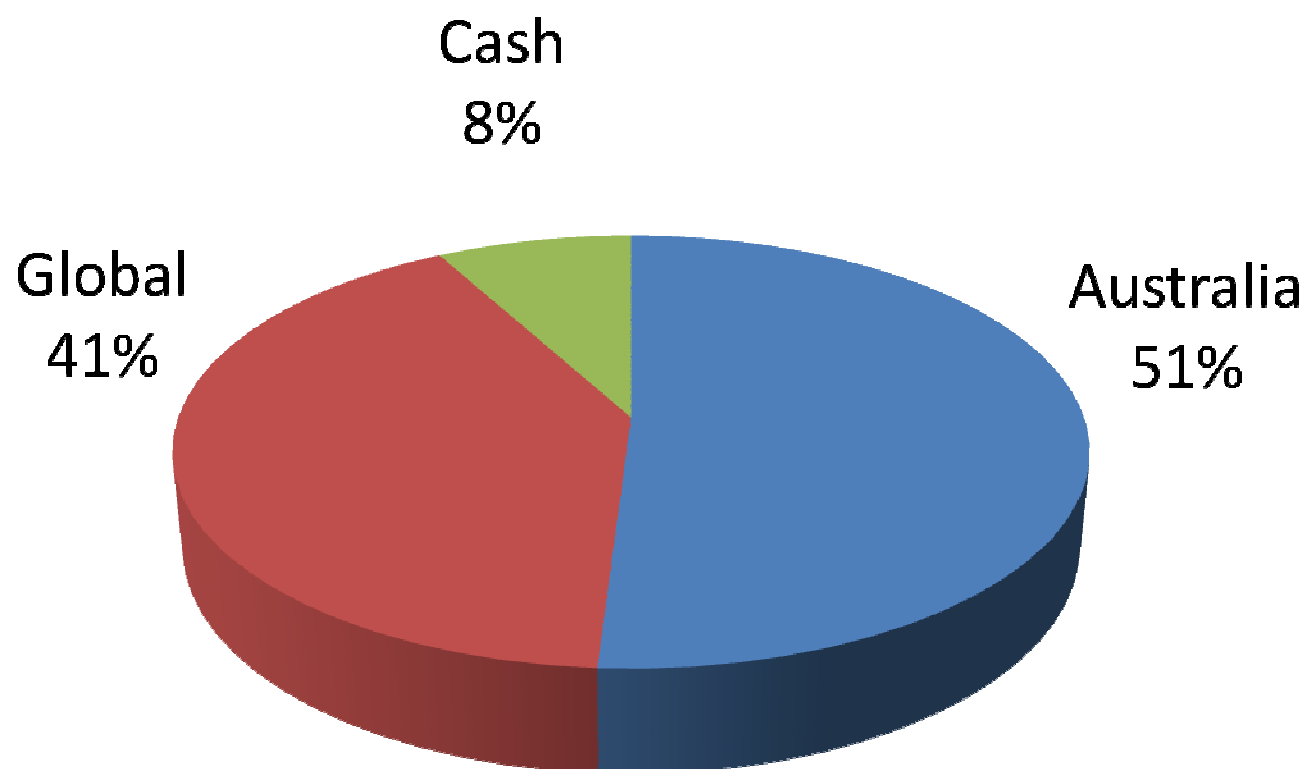
A more active approach to underperformance

Reporting to shareholders on investment strategy

Marketing the company to encourage the share price to trade near the NTA

Stronger advisory role to the Premium board on capital management strategies

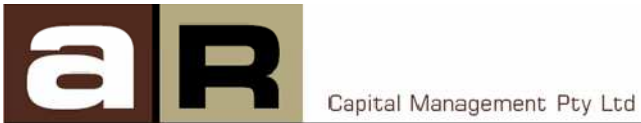
# Asset allocation





# Treasury Group Ltd

Growth



Australian

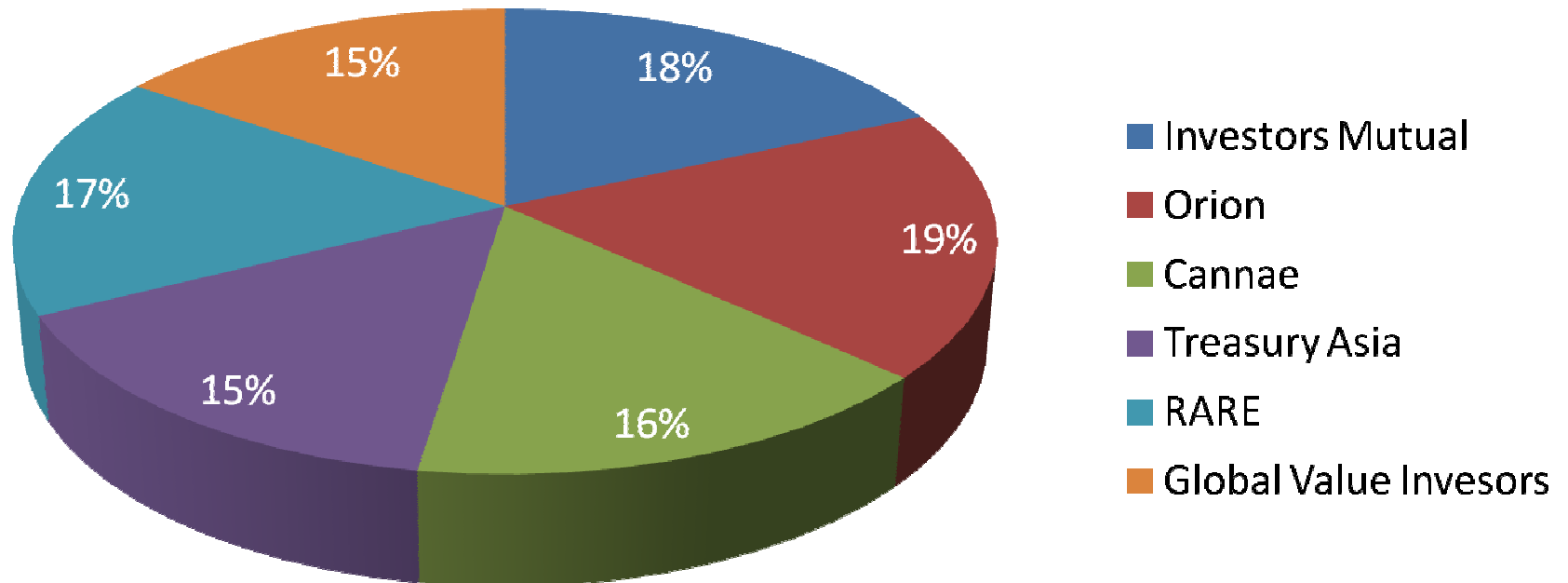
International



Value

# Asset allocation - manager

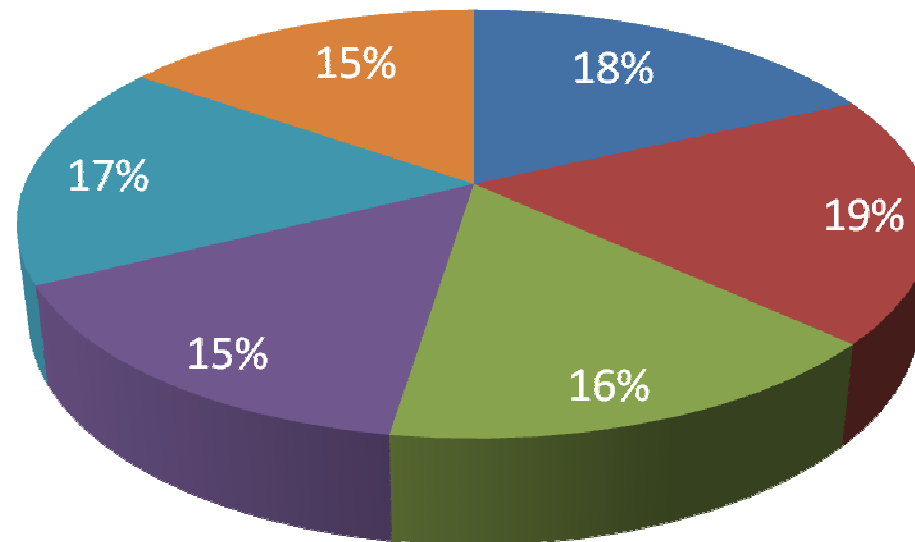
**As at August 2009**



# Asset allocation - style

**As at August 2009**

- Australian equities "Value"
- Australian equities "Value"
- Global listed infrastructure
- Australian equities "Growth"
- Asian equities
- Global equities "Value"





## Asset allocation – major global markets

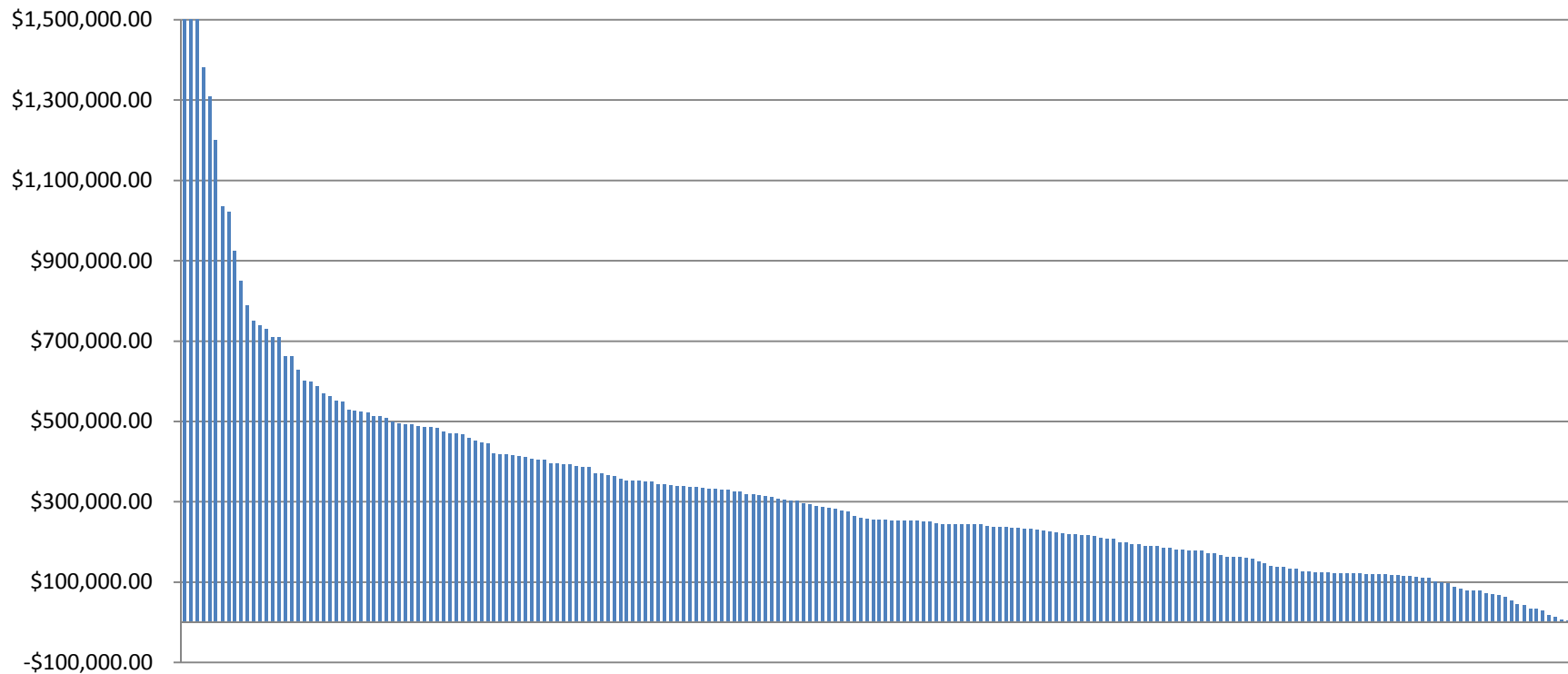
Region	Weight in the MSCI	Premium Investors
USA	48%	11%
Japan	11%	0%
Europe	21%	14%
Asia ex Japan	2%	22%
Australia	3%	47%

- ✓ Positioned away from mature markets
- ✓ Positioned towards emerging economies and Australia

# Asset allocation – Stock diversification

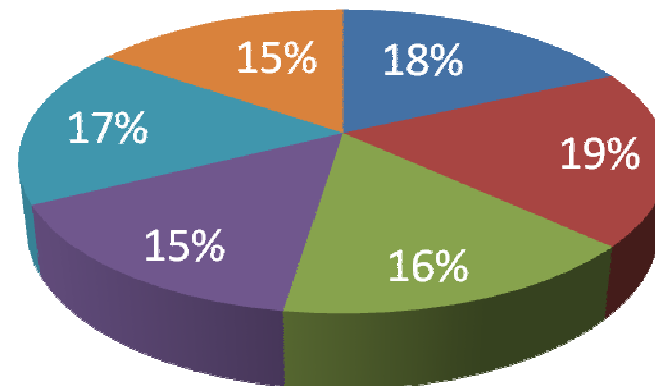
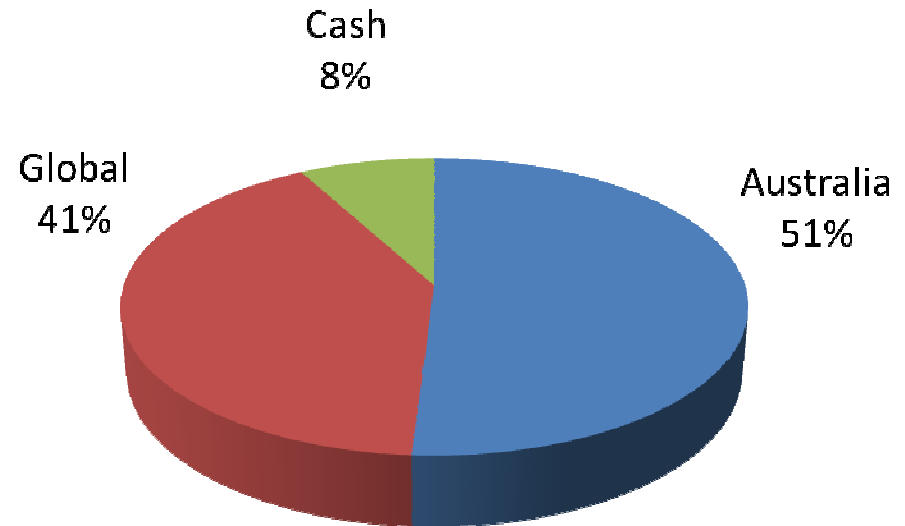
Over 40,000 companies listed worldwide. Premium portfolio holds 218 of these.

Investment per company





# Asset allocation summary



# Asset allocation summary

1. Globally diversified
2. Strong bias to Australian and Asian markets
3. Diversified by manager and style

Next – Economic landscape

# Economic landscape

- ✗ Global credit crisis
- ✗ Stock markets crash >50%
- ✓ Unprecedented government spending and close to 0% interest rates
- ✓ Markets jolted back to life

## Observations

Consumers and companies are in a deleveraging cycle

Demographics are strong in Asia with a fast growing middle class consumer

US under pressure with record debt, high unemployment, and a mature economy

Europe has similarities with the USA

Japan has an ageing population and economy in limbo

Australian economy on the long road to recovery

Early investment during a recovery a key decision for investors

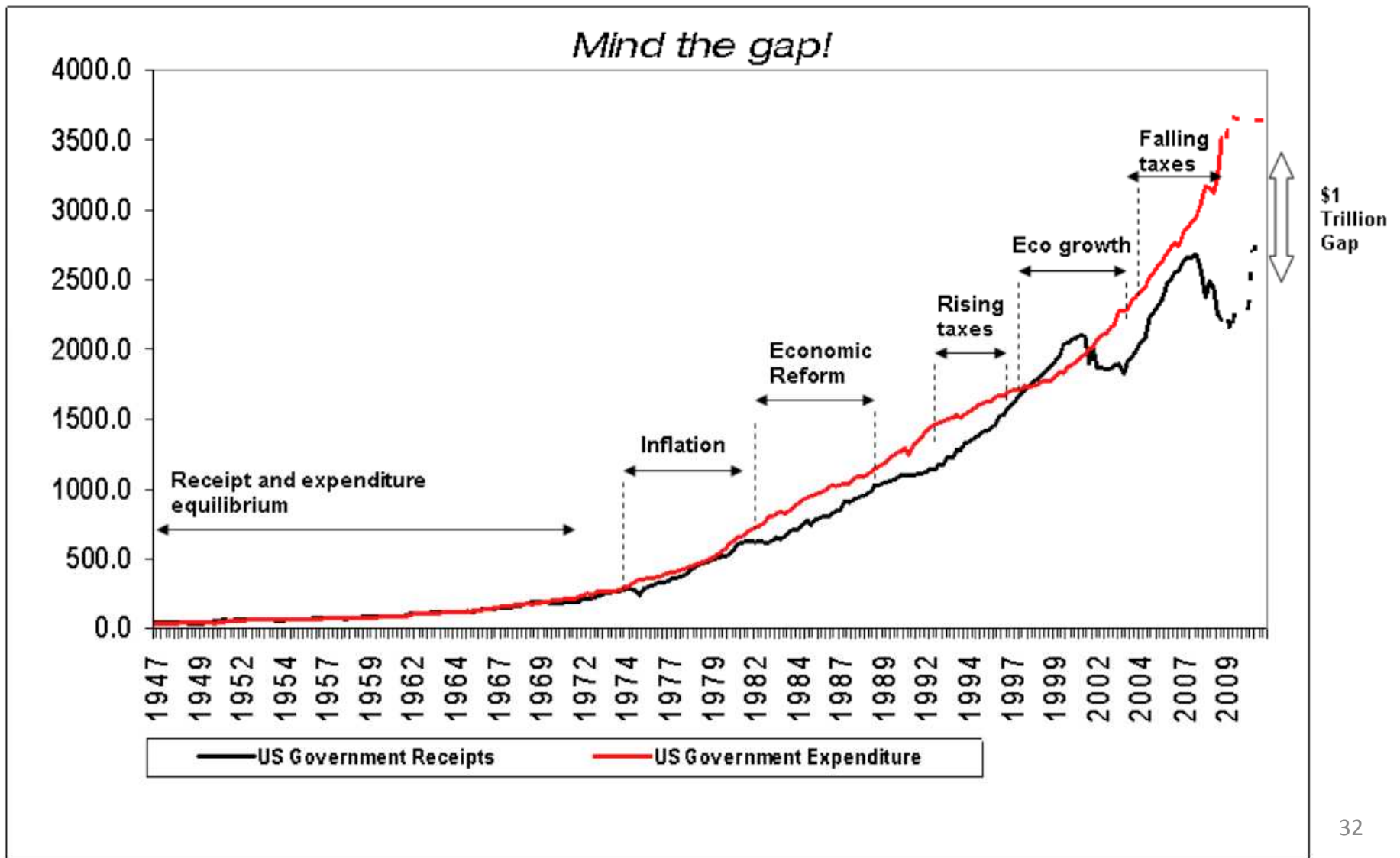
# Economic landscape

The risks / concerns

- X US unemployment and debt drags the economy back down
- X Is Chinese growth too reliant on government spending and bank lending?
- X How much government spending is ending up in production v share prices?

# Economic landscape

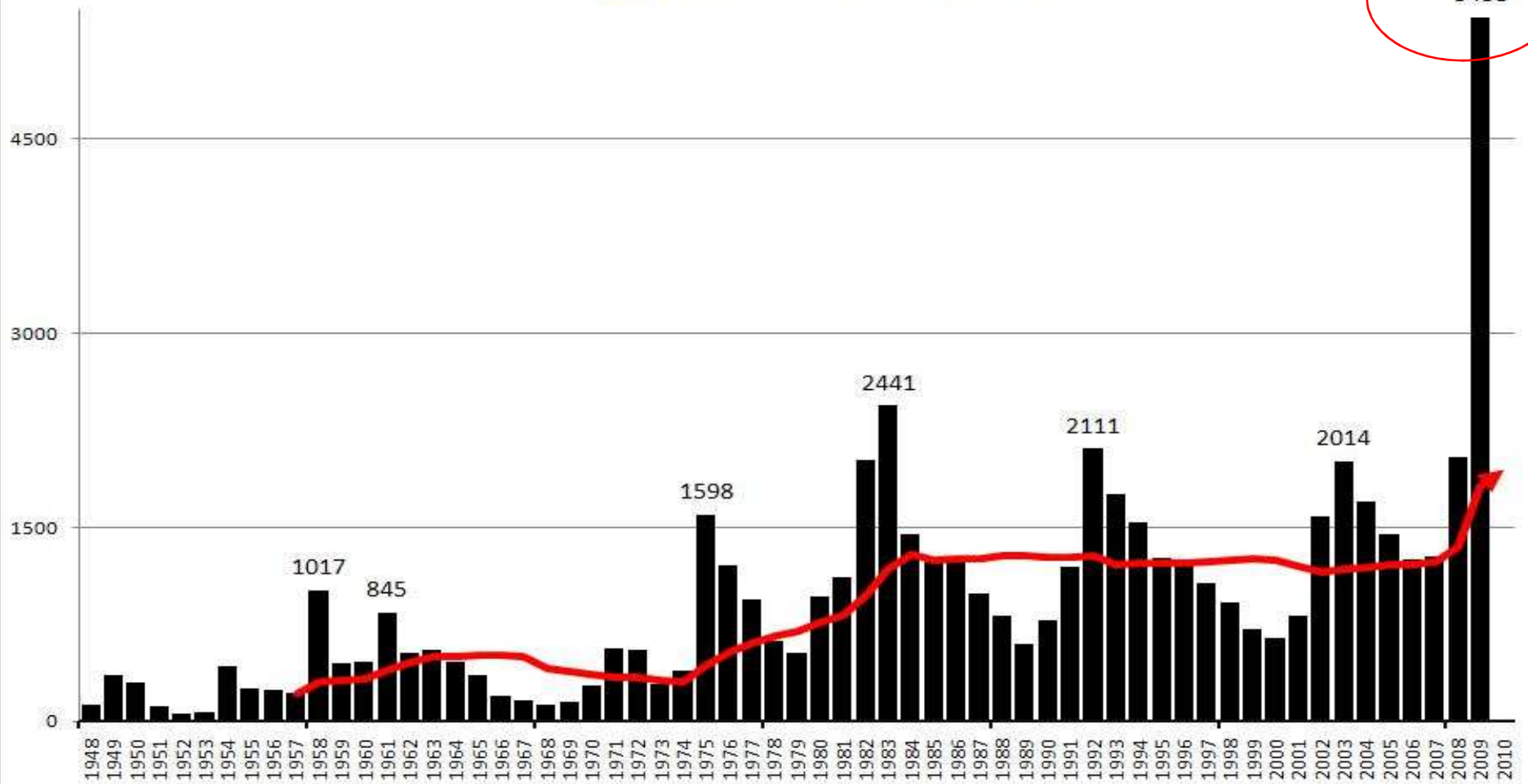
1947-2009



## September 1948 - September 2009 Number of Unemployed for 27 Weeks & Over

10 YEAR MA

Source: BLS (000's)



<http://www.ritholtz.com/blog/>

CHART BY RM



# News and themes from the front line

## Major themes:

- Developing markets dominate investment opportunities
- Volatility remains high
- Multiple investment opportunities after a turbulent 2008/09

# From the front line - Australia



## Current view

Fiscal stimulus is working: recovery is underway

Demand for increased production has not yet materialised

A slow recovery - Stimulus will stay and deleveraging will continue

Historical recoveries have favored small-cap and value stocks

# From the front line - Australia



## View

Amcor has been a recent strong performer.

Amcor's intention to buy Alcan packaging from Rio Tinto is at an attractive price with significant synergies.

Amcor is typical of the type of company IML likes to invest in for Premium Investors. It is a quality company, with stable growing earnings, a solid balance sheet and excellent management.

# From the front line - Australia



## Multinational company

Amcor is a leading global packaging manufacturer offering a broad range of plastic, fibre, metal and glass packaging products, along with packaging-related services

\$9.5 billion annual sales (A\$)

21,000 employees worldwide across 34 countries

A stable, well run company

# From the front line - Australia



# From the front line - Australia



Other companies held by IML for Premium Investors:

- Westpac
- Telstra
- IAG
- NAB
- Transurban
- Crown
- TABCORP

## Strong positive view

US consumer demand will remain subdued for the next 5-10 years due to the imposition of taxes required to fund the enormous deficit

The short term recovery is likely to be V shaped

While we would concede that hard commodity prices have probably run ahead of fundamentals,

- A. the resilience of the BRIC economies combined with
- B. a sharp US recovery

equates to robust economic growth which would support prices at these higher levels

## Interest rates

Since the Federal Reserve will keep short rates low until unemployment falls decisively, this cheap source of finance will support (resource intensive) infrastructure growth in the developing BRIC economies for some time.

Within the next 2-3 years the cost of the US bail out package will be reflected in long term US bond yields and the US dollar.

**China** is already reducing its purchases of government paper, preferring, quite rightly in our opinion, to invest its foreign reserves in stakes in **resource companies, agricultural assets** and **gold bullion**. The strong gold price is signalling the risk associated with holding US paper.



## The New York Times

*March 13 2009*

BEIJING — The Chinese premier Wen Jiabao expressed concern on Friday about the safety of China's \$1 trillion investment in American government debt, the world's largest such holding, and urged the Obama administration to provide assurances that its investment would keep its value in the face of a global financial crisis.



## Investment implications

Central bankers are fully aware that the only cure for bad loans and over-gearred private and public balance sheets is the promotion of inflation.

Real assets such as commodities, bulk materials, farmland and property will be in demand as a way of maintaining real wealth.

***In this environment, we are inclined to maintain low exposures to high yield equities such as utilities, banks and telecommunications.***

As the market divulges this dynamic, ***natural resource companies are likely to show renewed leadership as the equity rally transpires into 2010.***

## Australia - strong

The domestic economy is in a relatively strong condition.

We are witnessing a rapid recovery in the prices of property “due to the underbuild of recent years coupled with rising rents sharpening investor arithmetic”.

Recent clearance rates, volumes and house prices have continued to improve.

The stimulatory impact of increases in household wealth on consumer spending patterns cannot be overemphasised. For retailers, this development, in conjunction with lower import prices due to a firmer Australian dollar, is a bonanza.

**Australian dollar / US Dollar exchange rate**



## Update

Sentiment has swung from “impending depression” to “rapid recovery”

The market is ignoring the deleveraging headwinds

Defensive companies sold down opens a buying opportunity for Cannae and trim holdings in companies that have become fully priced

## Asia-ex Japan over 20% of the Premium portfolio

**We are strong believers in the emergence of Asia as one of the fastest and reliable growth regions in the world**

The surging middle class a key ingredient to growth

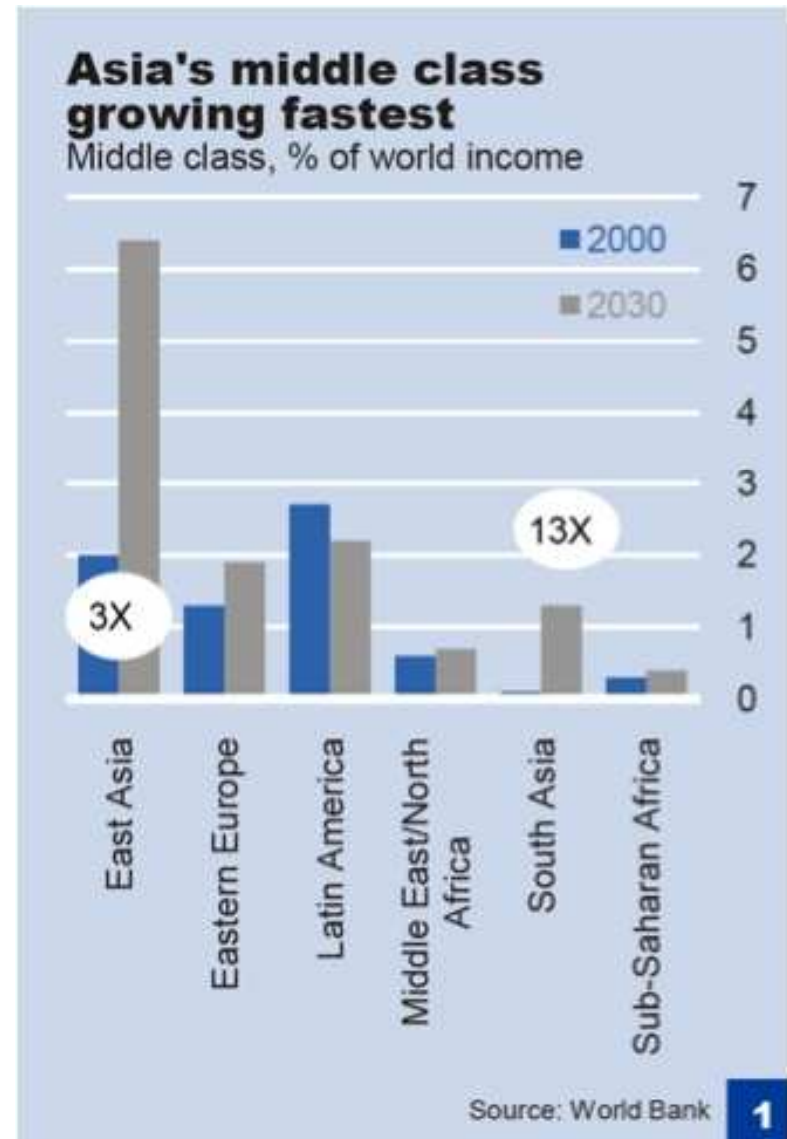
The overall demographic trends relative to mature economies

The banking system is developing

Asian currencies appear undervalued

“Since 2000, China and India combined have added more than 59 million people per year to the global middle class....representing over 75 percent of the world's increase in this group”

## Asia-ex Japan



## Strategy – Asia ex Japan

### Sector view

After the 75% gain since November 2008, we expect a short period of consolidation in Asian markets

We remain long-term bullish on Asia, particularly from a relative point of view

The Asian weight in global indices is moving towards its share of global nominal GDP of approx 20% - ride this long-term wave

The next leg of the Asian bull market to be driven by Asia's superior growth and bottom-up fundamentals

The unprecedented rally since late 2008 has largely been macro driven (i.e. economic growth did not collapse completely). Going forward bottom-up stock selection will be much more crucial – which should suit our investment style

# Strategy – Asia ex Japan

## Review and stock selection

Cyclicals like the shipping and steel sectors are higher by 150% from their November lows

It is unlikely cyclicals can continue to outperform going forward - we recently reduced exposure

We find a number of large cap Asian names attractive such as Samsung Electronics, TSMC, ICBC, Hutchison and Bank of China HK

Indian stocks are 20% overvalued - we patiently await opportunities to get exposure at more attractive levels



# Strategy – Asia ex Japan

## Country view – overweight positions

### ***Taiwan :***

Improving cross straits links with China – relationship best since the 2<sup>nd</sup> World War. China allowing investment into Taiwan will create an asset inflation similar to HK since 2001. Taiwan continues to be our favorite domestic reflation play due to massive under-investment in local infrastructure over past 20 years

### ***Korea :***

Korea has built significant global brand names. At the same time, China has given Korean consumer brand names strong top-line growth as the Chinese consumer prefers Asian related brands which they feel they are affiliated with. Cheap valuations due to over-concern on the Korean peninsula tensions present good buying opportunity

# Strategy – Asia ex Japan

## Country view – underweight positions

### *India :*

India has limited ability to act on its monetary policy (due to its fiscal and current account constraints) and funds flow has weakened considerably since corporate governance issues were raised post the Satyam scandal. We are also experiencing difficulty finding any mis-priced bottom-up buy ideas in India. However we acknowledge the strong long-term potential for this market

### *Malaysia :*

We are unable to find one bottom-up idea that is strong enough to make the portfolio. Despite the lack of growth drivers, Malaysia trades at a premium to the region. Politics is likely to take the limelight since the change of Prime Minister in Mar-09

# Strategy – Asia ex Japan

## Sector view

***Technology*** : The lack of growth drivers (killer applications) since 2001 has led to significant underinvestment by corporates in technology. However they are finally ready to invest again with Microsoft Windows 7 launch, touch panels, LED TVs etc. It is a neglected sector since 2002 which will attract interest once earnings accelerate

***Selected Banks*** : We are positive on selected banks primarily on Taiwan and Hong Kong. The liberalisation of RMB lending and deposit taking which are only limited to HK banks will provide a growth driver for HK banks that has been lacking since 1998. With the cross straits links with China, Taiwanese banks are big beneficiaries both from being acquired and potential of expanding their footprint in China

***Rural / Fertilizers*** : Significant support from government to bridge the rural / urban income gap. Shift in earning power over next 5 years. This remains our long term structural view on Asia



### Update

Poor performance over the past 12 months was due to the narrow rally in global stocks

Stocks that rose strongly that GVI had low or no exposure were IT, financials and materials

IT usually pay low dividends and financials actually suspended dividends

The bounce in these sectors was due to them being oversold. Despite this GVI avoided them while the dividends were scarce

GVI does not see any justification to switch into these sectors now due to their inferior balance sheets



### A view on Japanese shares

Very low dividend paying stocks

Most companies are less competitive

Management is less competitive

The big German car makers not going to the Tokyo motor show but all go to the Shanghai motor show!

### Long term most favoured sectors globally

Energy

Agriculture / food

## Global listed infrastructure

### In 2008 - defensive

Defensive holdings

Increase exposure to electrical, gas and other essential utilities



### In 2009

Positive on global economy

Increase exposure to user pays assets like railways, ports and toll roads

Greater exposure to emerging markets





## Outlook

Growth may surprise on the upside as inventory restocking occurs

Corporate cash flows strengthening – increased confidence

Deleveraging will slow growth over the medium term

Emerging markets to do better than developed markets due to lower debt



### Views from the renowned Dr Marc Faber:

The liquidity created by unprecedented stimulus has found its way into asset prices not into plant and equipment

Expect the US to keep interest rates very low

Americans are spending less

The baby boomers are beginning to retire – they spend less except for healthcare where they spend more!

Cash and the US dollar are poor investments

Buy Asian currencies and Asian stocks

Gold and precious metals should perform well

Use any weakness in the market to increase selective equity exposure



# Road map



Dead ends	Open road
Companies whose market share is under pressure	Blue chip companies growing market share
High debt companies with depleted revenue	Companies tapping into the developing economies
Companies who made expensive acquisitions at the height of the bull market	Innovative companies growing market share from old incumbents
Good companies but over priced or suffer from regulatory pressure	Misunderstood companies trading at bargain prices
	Companies operating in growing economies

# Road map – strategic moves under consideration for Premium Investors



## On the drawing board

Increase exposure to growth areas

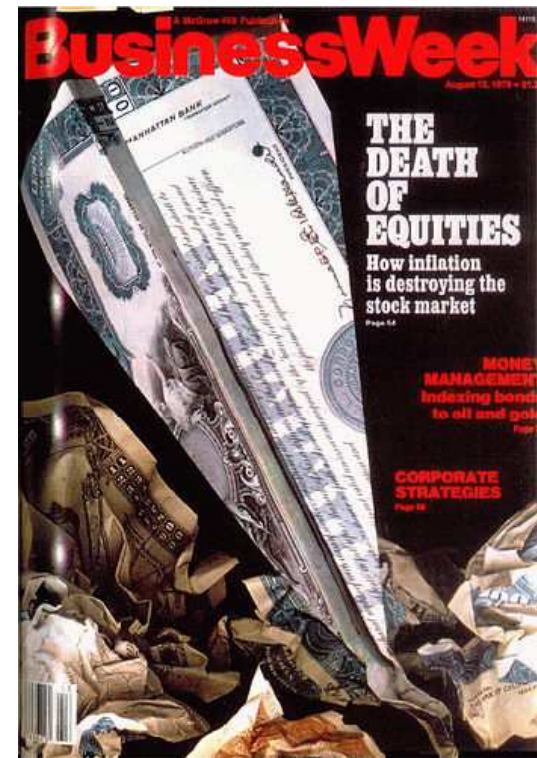
Lower exposure to defensive assets

Lower the cost of investing through the use of wholesale pooled funds

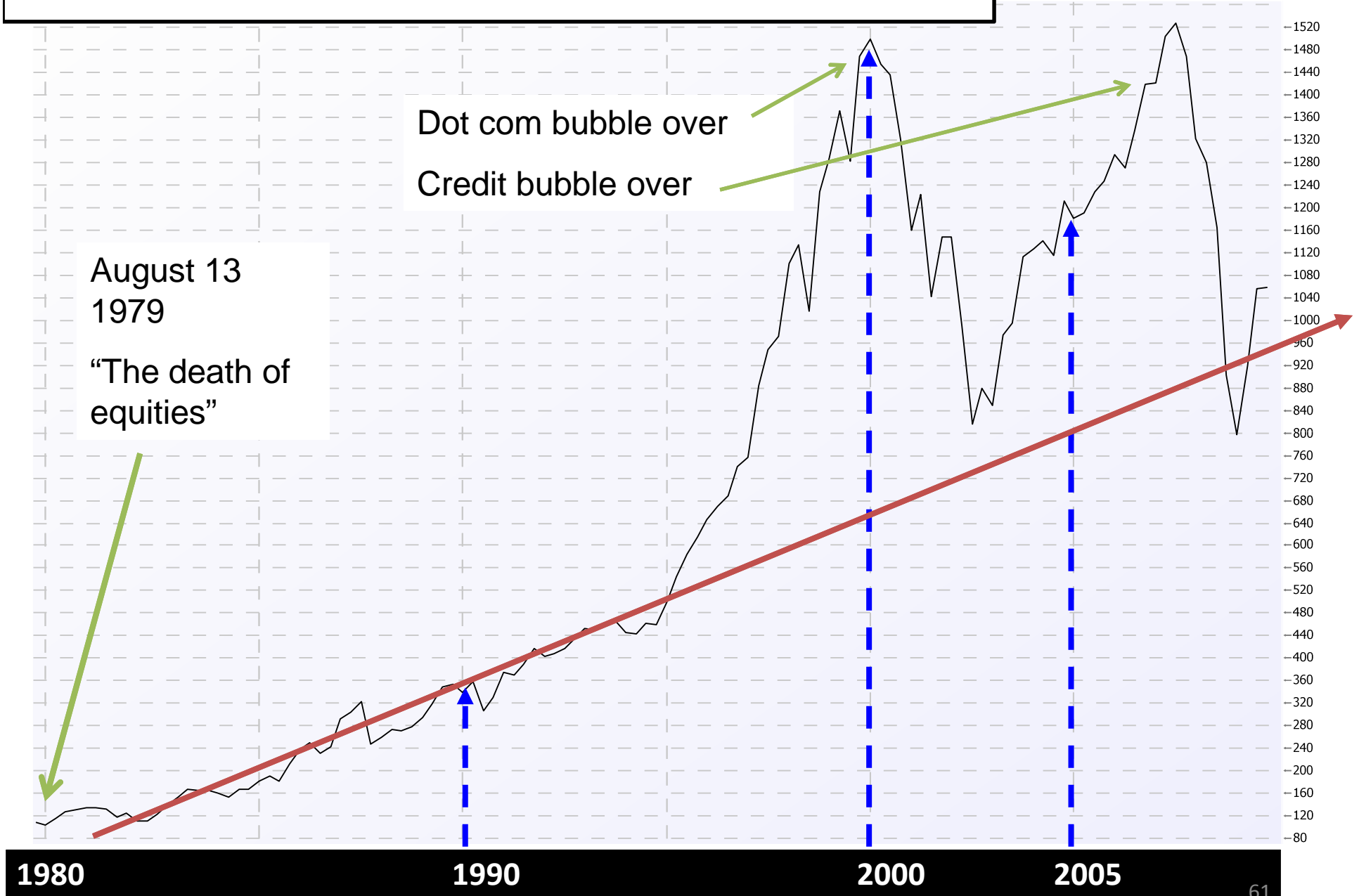
## HAS ANY GOOD COME OUT OF THE GLOBAL FINANCIAL CRISIS?

August 13 1979

“The death of equities”



# US Stock Market - S&P 500



# Criminals out of circulation

**Jeffrey Skilling**  
Enron CEO



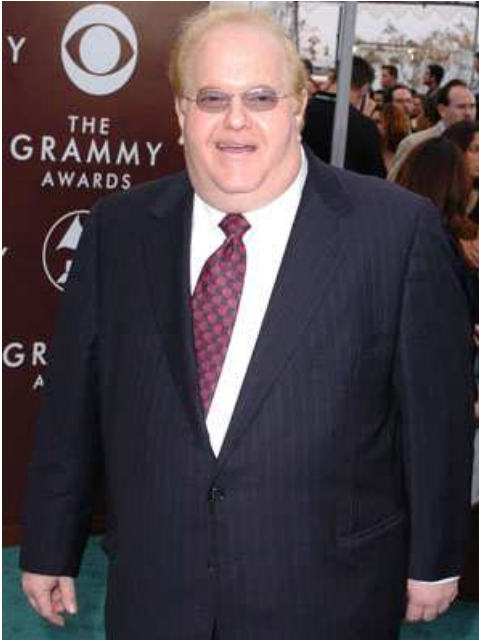
Skilling is serving a 24-year sentence -- double that of other Enron convicts -- and will be about 74 years old when he is released.

**Bernard Ebers**  
Built Worldcom

Ebers is serving a 25-year sentence for improperly booking \$11b revenue and taking company loans.



# Criminals out of circulation



**Lou Pearlman**  
Ponzi Scheme

25-year sentence

**Bernie Madoff**  
Massive Ponzi Scheme

\$65b missing  
150 year sentence



Thank you to the shareholders  
who remain loyal to Premium  
Investors.

We are motivated more than  
ever to produce strong earnings  
and dividends for your  
investment.



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Please join us for refreshments after  
we've answered your questions

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