

Premium Income Fund

Investor Update: 30 April 2010



Wellington
PREMIUM INCOME FUND

Issue 1, 2010

Welcome to the Investor Update for the Premium Income Fund. This update outlines key details about the Fund's activities for the period January 2010 to April 2010.



I am pleased to report that construction of the Wollongong project, the Chifley Wollongong, recommenced in 2009 and progresses well. Construction is anticipated to finish in August 2010. The project includes a 168 room hotel, 75 apartments, adjacent commercial space and 10 serviced apartments. Cash will be available to the Fund following completion of building works and sale of the apartments within the project.

Construction of the Port Macquarie project, 'Icon Port' is now complete. The apartments are on the market through local agents.

It is anticipated that the net proceeds from the sale of property will enable a cash payment to be made to Unitholders of the Premium Income Fund following completion of the Wollongong project.

It remains a challenging time. My team continues to focus on finding ways to maximise the value of the underlying assets of the Fund for the benefit of you all.

Kind regards

Jenny Hutson

Jenny Hutson
Managing Director
Wellington Capital Limited

Investor Updates are mailed to Unitholders for the periods ending April, August and December, and include a restatement of information released to the market by way of NSX releases made in the period to assist the Fund's many Unitholders who do not have internet or email access.

Key events – January to April 2010:

- Half-yearly financial report released. The net asset backing of a unit in the Premium Income Fund was 35.1 cents as at 31 December 2009.
- Construction continues at the Wollongong development. 55 out of 75 apartments have been presold and are scheduled to settle in 2010.
- Marketing of the Port Macquarie development continues, with the certificate of occupancy issuing during February 2010. The sales program continues.
- The liquidators of Octaviar Limited, Bentleys Corporate Recovery, commenced public examinations of the officers of the Octaviar Group.
- Change of registry service provider from Computershare to Armstrong Registry Services took effect 27 April 2010.

Cash Payments

The Board is very conscious of, and concerned about, the economic hardship that the Fund's current position is causing for Unitholders.

The priority is to make a 3 cent payment to Unitholders. It is anticipated that this payment will be made during 2010. The Fund's continuing focus is on the rebuilding of unit value. This will be achieved through a combination of further development of selected existing assets, selected realisations and with measured new investments aimed at rebalancing the asset class allocations of the Fund.

It remains unlikely that the Fund will be able to return to a situation where regular distributions are a feature of the Fund.

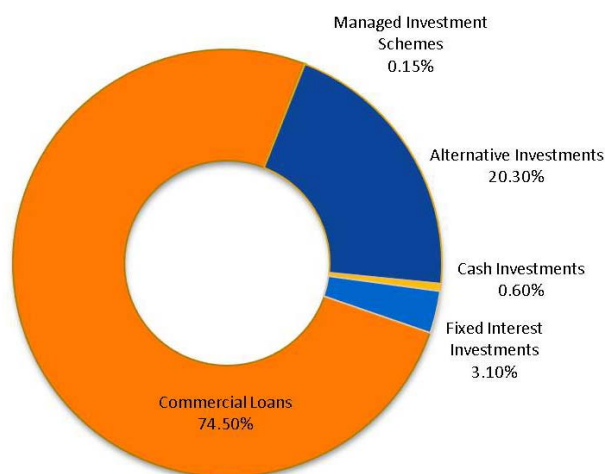
Management Fees

No funds management fees have been paid to or accrued by Wellington Capital Limited as responsible entity of the Premium Income Fund.

An undertaking was provided to the Supreme Court of Queensland and the Australian Securities and Investments Commission in September 2008 that the responsible entity will only charge a funds management fee of 0.7% per annum on funds under management after Unitholders are in receipt of the cash payments totalling 3 cents per unit.

Fund Portfolio

Fund asset allocation as at 31 December 2009



While asset allocations generally remain within the ranges anticipated, the realisations necessary to discharge debt during 2008 and 2009 have moved each class away from the forecast target allocation. Wellington is working to rebalance the portfolio in a systematic and progressive manner.

All asset classes continue to perform within the Fund's range of expectations.



Strategy maintained

The recovery strategy for the Fund continues to be implemented in accordance with the strategies outlined in previous updates.

Following this strategy, Wellington has secured strong operational deals on Wollongong and Port Macquarie, which has enabled finalisation of Icon Port at Port Macquarie and significant progress at Wollongong.

Commercial Loan Portfolio

The Fund remains mortgagee in possession of a number of commercial loans where the borrower has defaulted and the Fund has exercised its right to take control of the underlying security property.

As mortgagee in possession, the Fund must take a number of steps to control the property. This extends to the payment of rates and land tax on each property.

Where the underlying security property is an operational business, such as the Forest Resort Hotel at Creswick, the Fund has an obligation to continue operating the business in order to ensure that the value of the underlying security property is not diminished.

Where an underlying security property is not operational or complete, the Fund is taking steps to ensure the physical security of the property is preserved.

Wollongong – Chifley Wollongong

This property was sold in November 2009. Cash will only be available to the Premium Income Fund upon completion of construction and sufficient sales. Construction is anticipated to finish in August 2010.

Construction of the partially complete complex is well progressed. Sales of the apartments are being conducted through local Wollongong agents and 55 of the 75 apartments are under contract.



The project includes a 168 room hotel, 75 apartments, adjacent commercial space and 10 serviced apartments.

Most units have east and west balconies with views to the ocean and the escarpment. The complex features a pool and expansive barbeque area.

Interior styling of some apartments has been completed, as set out below.



Port Macquarie – Icon Port

The Fund is mortgagee in possession of this property and has driven the completion of construction of this project.



This complex is now complete and the apartments are on the market through local agents.

All apartments feature 3 large bedrooms, 3 bathrooms and 2 car spaces all within the confines of the secure building.

Apartments feature wool carpet, Miele products, stone benches in the kitchen and ducted air conditioning with full video phone security, 3 separate lifts and a quiet cul-de-sac position.



The ground floor apartments have terraces, with the penthouse apartments having large roof decks with views to the river, ocean and mountain panoramas.

The complex features an in-ground heated pool and spa set amongst fully landscaped gardens including a gazebo.

Interior styling is complete as set out below.



Octaviar Update

Public Examinations

Public examinations of the officers of Octaviar Limited (In Liquidation) and Octaviar Administration Pty Ltd (In Liquidation) by the Liquidators have commenced.

The Fund is not involved in the public examinations.

Litigation Update

The Fund remains mortgagee in possession of a number of commercial loans where the borrower has defaulted and the Fund has exercised its right to take control of the underlying security property.

The Fund from time to time is involved in litigation involving the exercise of its power under its first ranking mortgage to take control of an underlying security property or the borrower itself. It is not unusual for a defaulting borrower or guarantor to seek to stop the Fund taking control of a security property by instigating legal proceedings or counterclaiming.

The Fund takes its obligation to act in the best interests of its Unitholders seriously and ensures that appropriate representations are made to the Court in each case where a

borrower is attempting to hinder the Fund's rights under the terms of its security arrangements.

Australian Securities and Investments Commission (ASIC) v King & Ors – Supreme Court Proceedings 12122 of 2009

Australian Securities and Investment Commission (ASIC) has commenced proceedings seeking declarations of contraventions, pecuniary penalties, compensation and disqualifications from managing corporations pursuant to the *Corporations Act 2001* (Cth).

These proceedings primarily relate to the events surrounding the drawdown on the finance facility of the Premium Income Fund during 2007.

The date for all Respondents to file a defence has been extended to 30 June 2010.

Further announcements will be made as the proceedings progress.

Class Action – Mercedes Holdings Pty Ltd & Ors v KPMG & Ors – Federal Court Proceedings NSD324 of 2009

A hearing of the Notice of Motion brought by both the current and former responsible entities of the Premium Income Fund was heard on 18 February 2010. The Notice of Motion sought to have the former responsible entity (currently the Third Respondent in the class action) discontinued as a party to the court proceeding pursuant to an agreement entered into between Wellington Capital Limited and the Applicants of the class action.

Justice Perram declined to grant approval of the discontinuance sought by the former responsible entity. As a consequence:

- ✿ the former responsible entity remains a Respondent in the class action; and
- ✿ the agreement between Wellington Capital Limited and the Applicants of the class action is at an end.

Further updates will be provided as the matter progresses.

Bond Street Custodians – Federal Court Proceedings

Bond Street Custodians Limited filed a claim against Wellington Investment Management Limited as responsible entity of the Wholesale Premium Income Fund on 16 October 2008 in relation to a redemption request for 16.254 million units in the Wholesale Premium Income Fund which was lodged on 21 January 2008, shortly prior to the suspension of redemptions.

This matter has been set down for hearing commencing 13 December 2010. Further updates will be provided as the matter progresses.

Raptis Group Loan – Sheraton Mirage, Gold Coast

The Premium Income Fund held a second ranking mortgage over the assets known as the Sheraton Mirage located on the Gold Coast, Queensland.

In addition, the Premium Income Fund held a second ranking fixed and floating charge over the assets of the owner of the Sheraton Mirage, SP Hotels Pty Ltd. SP Hotels Pty Ltd was a member of the Raptis group of companies.



St George Bank Limited held a first ranking mortgage over the Sheraton Mirage and a first ranking fixed and floating charge over the assets of SP Hotels Pty Ltd.

St George Bank Limited in its capacity as mortgagee in possession over the Sheraton Mirage commenced legal proceedings in December 2009 seeking orders which would enable St George Bank Limited to sell the Sheraton Mirage on an unencumbered basis. The Premium Income Fund defended these proceedings before Justice Margaret Wilson in the Supreme Court of Queensland on 12 February 2010.

Justice Wilson made orders enabling St George Bank Limited to sell the Sheraton Mirage on an unencumbered basis.

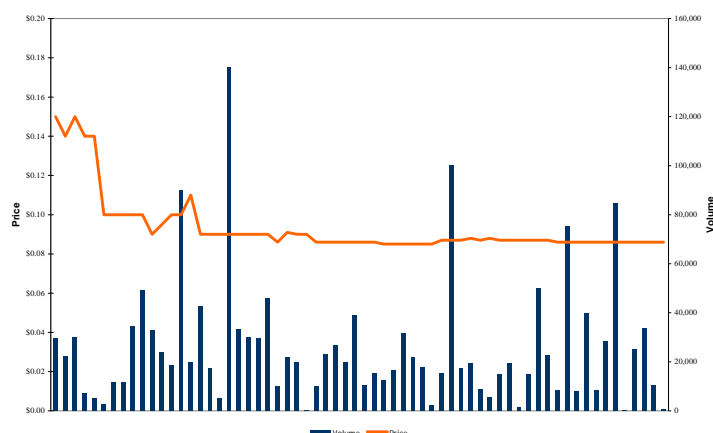
The effect of this judgement is that the contract entered into between St George and Pearls Australasia for \$62.5 million proceeded. St George, which was owed in excess of this amount, received all of the proceeds and there was no return to the Premium Income Fund.

National Stock Exchange Update

Trading activity from 1 January 2010 to 30 April 2010 was:

High	Low	Volume for period
15 cents	8.5 cents	1,644,963

Trading summary (NSX:PIN): 1 January 2010 to 30 April 2010



Notification of change of Registry

Wellington Capital Limited as responsible entity of the Premium Income Fund is responsible for registry services. These services have been previously provided on a subcontracting basis by Computershare Investor Services Pty Limited. The subcontracted provider of registry services is now:

Armstrong Registry Services Limited

Level 22, 307 Queen Street
BRISBANE QLD 4000

GPO Box 897
BRISBANE QLD 4001

Telephone: (07) 3231 0050
Facsimile: (07) 3231 0099

Email: registry@armstrongregistries.com.au
Web: www.armstrongregistries.com.au

Computershare ceased to be the registry services provider at close of business on Friday 23 April 2010 and Armstrong Registry Services Limited will be the registry services provider commencing Tuesday 27 April 2010.

Unitholders with queries in relation to their investment in the Premium Income Fund should continue to contact the Wellington Hotline on 1300 854 885 or by email investorrelations@newpif.com.au.

Investor Advisory Committee

Correspondence can be sent to the Investor Advisory Committee at iac@newpif.com.au or by post to:

Investor Advisory Committee
C/- Premium Income Fund
GPO Box 694
Brisbane Qld 4001

Report of meeting of committee members

“The committee members have met with the Fund’s management team to discuss the correspondence received since our last report. A lot of the correspondence received by us by email and letter continues to seek information that is not publicly available. Whilst we are able to meet with the Fund’s management team, we do not have access to any information which is not already available to all Unitholders, so we are often unable to provide Unitholders with any assistance.

Many of the questions in correspondence items which we tabled with the Fund’s management team had also been received directly by Wellington. Where this is the case, we have been assured that Wellington will respond – once again because we don’t have any further information that couldn’t be provided by Wellington.

We have been watching with interest the media reports surrounding the public examinations of the MFS employees in Sydney during the past weeks, especially in relation to the PIF loan facility.

We have noted that the questioning has been focused on the draw down of the Royal Bank of Scotland loan in November 2007, which is also the subject of the ASIC proceedings.

We will continue to table your correspondence at our meetings with the Fund’s management team and report back to you in the investor updates.”

Contact

Premium Income Fund

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