

Premium Income Fund

Investor Update: September 2011



Wellington
PREMIUM INCOME FUND

Issue 3, 2011

Welcome to the Investor Update for the Premium Income Fund. This update outlines key details about the Fund's activities for the period July to September 2011.

The investor briefing sessions conducted during September gave me an opportunity to meet with many advisers and unitholders in the Fund. I was pleased to see that more than 1,000 people took the opportunity to attend the briefings on the Fund's assets and the strategy for the future.

I look forward to implementing the Fund strategy for the benefit of unitholders.

Kind regards

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

- Investor briefings conducted in Sydney, Melbourne and the Gold Coast during first week of September 2011 with over 1,000 attendees.
- Annual Financial Report for period ending 30 June 2011 completed – net asset backing per unit 27 cents per unit. This net asset backing does not include any potential recovery from litigation conducted for the benefit of Unitholders, nor any potential proceeds from the liquidation of the MFS Group.

Investor Briefing Meeting

More than 1,000 unitholders and advisers attended the scheduled investor briefing meetings during the first week of September. The meetings were scheduled so that investors and advisers had an opportunity to be briefed on:

- the current position of the Fund;
- the plan for each of the assets held by the Fund;
- the strategy to enable cash payments to Unitholders; and
- timetable for asset realisations.

The timing of these meetings enabled Wellington Capital to present the position as at 30 June 2011.

The briefing presentation, which was released to the market on 6 September 2011, will be posted to Unitholders on request.

Unitholders requiring a hard copy are invited to contact the Wellington Hotline on 1300 854 885 or by email to investorrelations@newpif.com.au

Strategy for the future of the Fund

As set out in the investor briefing sessions held during the first week of September, Wellington's plan to return capital to Unitholders is as follows:

- Prepare assets for sale
- Sell the assets
- Return net cash to investors

Wellington is committed to:

- No further capital raising
- Returning net cash to unitholders
- Continuing to pursue relevant litigation
- Limiting fees to 0.7% of funds under management for 2 years

Further details of the Fund's assets are available in the investor briefing presentation.

Sale of 50% interest in Trust that owns the Chifley Wollongong Hotel

Wellington Capital Limited as responsible entity of the Premium Income Fund has completed negotiations in relation to the sale of half of its interest in the trust that owns the 168 room Chifley Wollongong Hotel. The sale is conditional upon the final valuation being to the satisfaction of the vendor and finance approval.

Settlement is scheduled to occur in October 2011. The net proceeds payable to the Premium Income Fund on sale will be a minimum of \$10.5 million for a 50% interest in the Trust.

The 168 room, four star hotel has been open for business since 1 September 2010. With first class fittings, it provides guests with a variety of amenities, including licensed dining, conference facilities, an indoor heated pool and fitness centre.

The hotel which is managed by the Constellation Hotel Group under their Chifley Brand, occupies a prime position in Wollongong. Located 1½ hour drive from Sydney on the scenic New South Wales south coast, the hotel is situated on Wollongong's foreshore adjacent to WIN Sports and Entertainment Centre. It is a short walk to Wollongong City beach, a variety of restaurants, cafes and shopping at Wollongong Central and Crown Street Mall. The sale price will be determined by reference to a valuation currently being undertaken of the Hotel as a going concern.



Managing Director, Jenny Hutson, said *'the contract for the sale of half of the Fund's interest in the trust that owns Chifley Wollongong Hotel at market value is a very positive outcome for the Fund. Maximum value for Unitholders has been achieved through the completion of the hotel, rather than realising it as an incomplete asset.'*

The Premium Income Fund became mortgagee in possession of the Wollongong Hotel during 2008, after the borrowers defaulted on the finance facility provided by the Fund. At the time that the Fund took possession, the hotel and adjacent unit complex were partially complete buildings.

The Fund worked with Harbour Street Development Pty Ltd to complete the construction of the Hotel and the adjacent apartments, adjacent commercial space and hotel residences which form part of the complex. Interests associated with Harbour Street Development Pty Ltd will own 50% of the trust which owns the hotel after settlement.

In addition to its interest in the 168 room Chifley Wollongong, the Premium Income Fund continues to market the remaining 5 Chifley residence apartments which formed part of the original 84 apartments. 79 of these apartments have already been sold and settled.

Despatch of Taxation Statements

The Annual Taxation Statement for the financial year ended 30 June 2011 has been finalised and was despatched to all Unitholders by mail on Monday 15 August 2011.

Replacement taxation statements are available by contacting the Fund's registry services provider, Armstrong Registry Services Limited on +617 3231 0050 or by email pif@armstrongregistries.com.au

Annual Report

The Annual Financial Report for the financial year ended 30 June 2011 has been completed and will be mailed to all Unitholders with a copy of this Investor Update.

The net asset backing of a unit in the Premium Income Fund as at 30 June 2011 is 27 cents per unit.

Consolidated Constitution

Wellington Capital Limited as responsible entity of the Premium Income Fund has lodged a consolidated constitution with the Australian Securities and Investments Commission. A copy is available from the Wellington Capital website www.wellcap.com.au. A hard copy will be made available to Unitholders on request.

This presents, in one document, the Constitution of the Premium Income Fund as it currently stands for ease of reference.

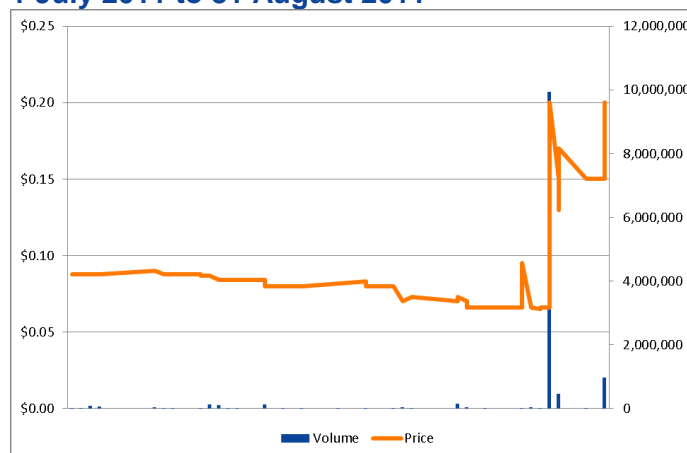
National Stock Exchange Update

Trading in the Premium Income Fund (NSX: PIN) commenced on 16 October 2008.

A summary of trading activity from 1 July 2011 to 31 August 2011 is set out below:

High	Low	Volume (01/07/2011 – 31/08/2011)
20 cents	6.6 cents	16,201,209

Trading summary (NSX:PIN) 1 July 2011 to 31 August 2011



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