



4<sup>th</sup> September, 2009

## Shareholders Update No. 13

Dear Shareholder,

The company's full year 2009 Audit by William Partners Independent Audit Specialists (WPIAS) has been completed. The 2009 Financial and Audit Report will be emailed separately to all shareholders once it is received from our auditors. Page 2 of this Shareholders notice contains the Operating and Financial Review excerpts from the 2009 Directors' Report.

### Monthly Net Tangible Asset Backing per Share and Investment Portfolio

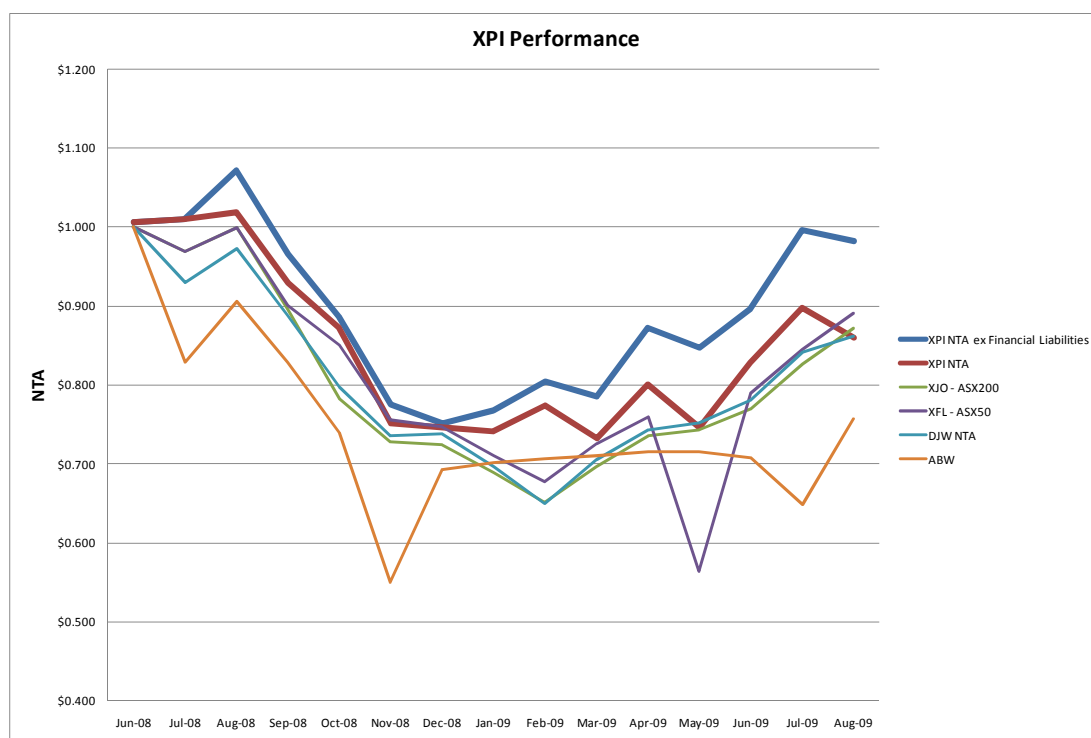
Before Tax\* & Excluding current open option positions.

31-Aug-09 **\$0.9823**

Including current open options positions

**\$0.860**

\*The before and after tax numbers relate to the provision for deferred tax on the unrealised gains in the Company's investment portfolio. Under current Accounting Standards, the Company is required to provide for tax on any gains that may arise on such a theoretical disposal, after the utilisation of any brought forward losses. The higher NTA figure excludes the value of the current open options position on the portfolio. These figures are subject to Audit.



### Xcelerator Premium Income Limited

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Performance measurement is from 1 July 2008 to 31 August 2009 (14 months).

**Chart Legend and Outperformance.**

**XPI NTA** is XPI's NTA excluding current Financial Liabilities (current open options positions).

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**XJO** is the S&P/ASX 200 Index.

**XFL** is the S&P/ASX 50 Index.

**DJW** (Djerriwarrh Investment Limited) is an ASX listed investment company and its investment strategy is similar to XPI's.

**ABW** is an ASX listed Buy-write trust.

**OPERATING AND FINANCIAL REVIEW Excerpts from the 2009 Directors' Report**

The Company took a cautious approach to investing given the difficult market conditions which prevailed throughout the year.

XPI's portfolio was insulated from the severe downturn in markets. The benefit of our investment approach is evident through the performance of the portfolio during this period. XPI's option writing activity has benefited greatly from the volatile market conditions which have prevailed throughout the year. In a year where dividends received from companies have begun to decline, XPI has been able to harvest significantly more premium income from its option writing activity.

Net Operating Profit which measures the underlying income generated from the investment and trading portfolios was **\$185,803**.

The Net Asset Backing per share at 30 June 2009 was **\$0.829**.

Over the 12 months to 30 June 2009 XPI's portfolio declined 17.1% whereas the S&P/ASX 200 was down 23%. Note the performance figures for XPI are after the Financial Liabilities of the current open options positions, Expenses and Tax paid by the Company whereas the index comparisons do not bear such costs.

Excluding the Financial Liabilities of the current open options positions over the 12 months to 30 June 2009 XPI's portfolio declined **only 10.4%** (See chart line **XPI NTA**).

Whilst we draw little comfort from the overall decline in the value of the portfolio we believe the portfolio is very well positioned for the current environment.

XPI will look to continue to operate with relatively high levels of option coverage although as markets have stabilised somewhat the overall level of volatility has started to decline.

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From December 2008 onwards, XPI increased its options trading and this is reflected in the divergence between the two NTA figures (**XPI NTA** & **XPI NTA**). As the sentiment in the market improved, XPI wrote more options positions. When the sentiment in the market was negative, as it was from August to November 2008, XPI reduced significantly its options trading exposure. The convergence of the two NTA figures confirms that during periods of downward pressure on markets, XPI reduced significantly the size of its options portfolio and thus reduced its risk exposure. This is consistent with our stock selection methods.

Dividend income received from the companies XPI invests in has already come under pressure as a result of the adverse economic conditions. These factors may have implications for the level of future income that can be generated from the portfolio although the Company enters the new financial year with a very good level of written option premium.

### **Dividends**

Total unfranked dividends paid to shareholders for the same period was \$105,120 or **\$0.08 per share**.

Pay Date	XPI	Amount	Total	Franking
27/11/2008		\$0.04	\$52,560.00	\$0.00
27/02/2009		\$0.02	\$26,280.00	\$0.00
30/05/2009		\$0.02	\$26,280.00	\$0.00
<b>TOTAL</b>			<b>\$105,120.00</b>	

Due to taking advantage of the large number of capital raisings which were on offer, particularly through the second half of the financial year, no (4<sup>th</sup> quarter) final dividend will be declared.

Based on the 30<sup>th</sup> June 2009 Net Asset Backing of **\$0.829 per share**, XPI is trading on a dividend yield of **9.65%**. This compares favourably to our income benchmark of 8% (the RBA Cash rate (presently 3%) plus 5%).

### **Monthly Market Review – August 2009**

The Australian Equity market continued its strong performance during August finishing the month at 4,479 (+5.5%). The market has now rallied +42% from its low in March 2009 and remains -34% off its pre GFC high in November 2007. The long awaited 'pull-back' associated with previous bear market rallies did not materialise (yet again) as the majority of macro data points around the world continued to surprise on the upside. The majority of central bankers now believe the worse has past. The August reporting season provided no major downside surprises while investors continue to add risk to portfolios (such as XPI did) and M&A activity continues to increase.

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Investors seem to be increasingly convinced the worst of the negative news flow is behind us and are beginning to focus on the length and duration of the recovery phase. The Key issue currently facing investors remains how much recovery has already been priced in and the timing and potential impact of any reduction in the level of stimulus in the global economy. Despite the recent rally, XPI believe the largest opportunities across the market continue to lie in the cyclical stocks. Valuations remain attractive, particularly in light of the recent earnings leverage forecast to emerge in FY2011, suggesting this is where the majority of alpha opportunities will be heading into 2010, as investment horizons broaden, the economy recovers and liquidity increases.

### **Portfolio Highlights.**

**Wesfarmers** (-0.5%) shares were initially higher after its FY09 result saw NPAT rise 50% on pcp to \$1,701m driven by a strong Retail result. Food and Liquor 4Q09 comparable sales growth was 7.3%, continuing to improve on its strong momentum. WES shares were sold down late in the month after WOW announced its entry into the hardware sector (Bunning's – 20% of WES FY09 EBIT).

**Woodside Petroleum** (+8.4%) shares were higher this month after reporting a better than expected 1H09 result which saw: (1) adjusted NAPAT of \$552m, -45% pcp, (2) interim DPS of 55c declared and paid during the month, and (3) the CY09 production guidance maintained at 81-86mmboe.

**Santos** (+10.3%) shares ended the month higher after reporting a strong 1H09 result. The result was above market consensus expectations, driven by lower expenses and financing costs. Net cash for the company stood at \$1.75bn as at 30 June, with further asset sales flagged to ensure sufficient LNG funding. STO declared and paid a 22c interim dividend during the month.

**Westpac** (+12.4%) provided a 3Qtr trading update, announcing cash earnings for the quarter of \$1.1bn. WBC noted in the guidance that Watchlist Loans were up – 30% in 3Q09, but have slowed in July, customer margins are holding, despite increased funding costs, and the business remains on track to deliver \$120m synergy benefits.

**CSL** (+5.4%) was stronger after it posted its FY09 NAPAT result of \$1,020m +45% on pcp, broadly in line with consensus. Overall, it confirmed the strong underlying fundamentals of the plasma market, and was broadly consistent with the trends reported by Baxter and Grifols through their results in July. CSL provided first time guidance for FY10 of 14-24% underlying NPAT at FY09 currency rates, confirming FY2010 is shaping up as another year of sustained underlying growth. However, the company highlight the significant currency headwind which at current spot rates reduces guidance to -2% - +8% NPAT growth. Offsetting this to a degree will be the on-market buyback, which will see FY2010 EPS growth run ahead of NPAT growth and also provide a further tailwind into FY2011. CSL has recommenced the buyback post the result and at month end has bought back 12.5m shares (22% of the 54.9m shares under the buyback.)

**Diversified Resources.** Commodity prices have been running hot in August. With high volatility but with a strong upside bias which has favoured the more leveraged pure-play stocks at the expense of the diversifieds. The ASX/S&P200 Resources index (XJR) was

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flat during August, underperforming the market. This explains why XPI underperformed against the ASX/S&P 50 & 200 for the month of August. Much of this underperformance was attributable to Rio Tinto (-7.1%) and BHP Billiton (-1.5%) both failing to make headway. Rio Tinto's interim profit came in a little below the market's expectations, with a major source of difference being a realised price for iron ore which was lower than that achieved by BHP Billiton. Meanwhile BHP's full-year result came in very close to market expectations and while the company retains its cautious outlook, its comments on the market were a little more upbeat than of late.

**Telstra** (-3.7%) traded down in the month on the back of the Future Fund selling 684.4m TLS shares at \$3.47 per share (gross proceeds \$2.37bn) via an institutional placement. This reduces the Future Fund holding in TLS from 16.4% to 10.9%. Also in the month TLS Director Peter Wilcox ceased to be a Director and the company downgraded its FY10 EBITDA and EBIT guidance and lower its FCF target to the bottom of its previous range \$6-7bn.

As a result of increased responsibilities external to Xcelerator Premium Income Limited, Mr. Lachlan Semple announced his resignation on August 27, 2009 as a Director and Company Secretary of the Company.

The Board of Xcelerator Premium Income Limited would like to express its sincere thanks to Mr. Lachlan Semple for his valuable work since joining the Board in 2007. Mr. Lachlan Semple has made an important contribution to the Board as a highly respected member of the Investment Committee.

Mr. Andy Semple will be the acting Company Secretary of the Company until a new Board replacement is appointed.

Thank you for your support.

A handwritten signature in black ink, appearing to read 'A. Semple', is written over a light blue horizontal line.

Andy Semple  
Managing Director and Company Secretary.

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