



**TITANIUM**  
ASSET MANAGEMENT

## ASX 200 ALL-WEATHER FUND

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This Product Disclosure Statement consists of two parts:

- Part 1. General Information Brochure (this document)
- Part 2. A; Investment Application Form  
B; Additional Investment Application Form  
C; Investment Redemption Request Form

# Important Information

*You should read this Product Disclosure Statement carefully before you consider investing. You'll find general information that may not take into account your particular investment objectives, financial situation or needs. Before you invest, you should consider whether the Fund is appropriate for you. We recommend you see a Financial Advisor. You should also consider the tax implications of investing in the Fund which your financial advisor and/or tax advisor will be able to help you with.*

In this product disclosure statement (PDS) 'Fund' means **Titanium Asset Management: ASX200 All-Weather Fund**. The Fund is a managed investment scheme that is registered with the Australian Securities & Investment Commission (ASIC).

Titanium Asset Management Limited ('TAM', 'we', 'us' or 'our'), ABN 60 132 768 382 has an Australian Financial Service License (AFSL No. 331088). It is the Responsible Entity, the issuer of units in the Fund and the issuer of this PDS. TAM is part of the Titanium Group of Companies. Details of the TAM AFSL may be found on the ASIC website - [www.asic.com.au](http://www.asic.com.au)

References to 'you' or 'your' are to investors (and, where the context requires, prospective investors) in the Fund that invest either directly, through a Licensed Authorised Representative (Advisor) or through an Investor Directed Portfolio Service (IDPS).

Your investment in the Fund may be via a direct application to the Fund ('Direct'), via a Licensed Authorised Representative (Advisor), or through an IDPS, IDPS-like scheme, or a nominee or custody service (Service). In this PDS the operator of a Service will be referred to as 'your Operator'.

This PDS is only available to persons receiving it (electronically or otherwise) in Australia.

If you are printing an electronic copy of this PDS, you must print all pages. If you make this PDS available to another person, you must give them the entire electronic file or print out.

We may change the information and terms in this PDS subject to the Fund's Constitution and our legal obligations, and we will notify you of the changes as required.

If we're made aware of the existence of any facts that may require a change to the terms and conditions of this PDS, we shall immediately thereafter inform you of those facts and or variations to this PDS. You should keep a copy of the current PDS and supplements for future reference.

# Fund Summary Table

## Titanium Asset Management: ASX200 All-Weather Fund

<b>Fund Manager</b>	Titanium Asset Management Limited
<b>Investment Type</b>	Registered Unit Trust
<b>Start Date</b>	December 2008
<b>Suggested Length of Investment</b>	5 years or longer
<b>Minimum Initial Investment</b>	\$25,000*
<b>Minimum Additional Investment</b>	\$1,000*
<b>Distribution Frequency</b>	Annual
<b>Aim</b>	To provide consistent returns in both the short and long term, regardless of market conditions and movements by consistently employing the Titanium Asset Management Investment process via separate and matched long and short portfolios.
<b>Investment Structure</b>	Matched long and short portfolios selected using the Titanium Asset Management Investment Process.
<b>Investment Process Summary</b>	Identifying undervalued and overvalued stocks using the Titanium Asset Management Investment Process, plus market-relative momentum indicators. Current market expectations for earnings and dividends are key inputs, along with key risk factor measures.
<b>Investment Restrictions</b>	Current constituents of the S&P / ASX200 Index ASX200 Constituent Stocks: 90 - 100% Cash: 0 - 10%
<b>Investment Risks</b>	All investments entail risks, which should be considered by all investors.
<b>Management Fee</b>	0.769% p.a. <sup>‡</sup>
<b>Performance Fee</b>	15.375% p.a. <sup>##</sup> of fund performance above 1½ times the published Reserve Bank of Australia Cash Rate (after management fees and expenses).
<b>Expenses</b>	Charged directly to the fund to a maximum of 1.25% p.a. <sup>‡</sup>
<b>Buy / Sell</b>	0.2% / 0.2%
<b>Unit Pricing</b>	Daily
<b>Applications / Redemptions</b>	Daily
<b>Fund Administrator</b>	White Outsourcing Pty Ltd
<b>Prime Broker</b>	Citigroup Global Markets Limited
<b>Fund Auditor</b>	Mark Schiliro & Associates (MNSA)
<p>* May be varied at the discretion of the manager</p> <p>‡ All fees are inclusive of 10% Goods and Services Tax less any Reduced Input Tax Credits received by the Fund</p> <p>## Based on the Net Asset Value of the Fund</p>	

# Fund Summary Details

For more up-to-date information about the Fund, visit our website at [www.titaniumassetmanagement.com.au](http://www.titaniumassetmanagement.com.au) or contact Titanium Asset Management Client Services on 1 300 785 276.

## Start date

This is the month and year that the Fund started.

## Suggested length of investment

The suggested length of investment is a guide only and not a recommendation. You should discuss your investment in the Fund with a licensed financial advisor to ensure that it meets your needs.

## Distribution frequency

The distribution frequency is how often the Fund usually makes distributions. The distribution date represents the effective date for the distribution. The actual payment of the distribution occurs after the distribution date (see 'Fund distributions' in the 'How the Fund operates' section of the PDS for more information).

## Aim

To produce consistent short term and long term net returns to investors regardless of market conditions.

## Investment process summary

The method used to manage the Fund to meet its aim. This is detailed in Appendix 1.

## Investment guidelines

We only invest in current constituents of the Standard & Poor's (S&P)/ASX 200 index, the Fund can either take long or short positions in any of those stocks. The selection of those investments will be made by a specialist Investment Manager who is under a Service Level Agreement (A copy may be obtained upon request). Refer to Appendix 1 for further detail.

## Reporting to Investors

TAM shall report as to the movement of the Fund on a monthly basis. The report shall be provided electronically. We encourage all investors to study these reports and contact us or your advisor in the event that you have any enquiries.

## Management Fees / Management Costs

The management fees are charged by TAM for managing and administering the Fund (see the 'Fees and Costs' section of the PDS for more details).

Management Fee is a flat charge of the value of the Fund.

Performance Fees are over and above the Management costs and are a percentage of the Fund return over and above the benchmark (which is 1½ times RBA cash rate plus management fee).

Management Costs are the Management Fees plus the Performance Fee as defined above. Unless otherwise stated, fees and costs disclosed in this section are inclusive of the net effect of GST, if applicable (i.e. inclusive of 10% GST, less any reduced input tax credits (RITC's) available to the Fund).

## Expenses

Expenses are cost incurred by the manager in the management of the assets of the Fund e.g.: Brokerage costs, custodial fees, stock borrowing costs, outsourcing service costs - (see the 'Fees and costs' section of the PDS for more information).

## Buy / sell spread

Estimated transaction costs are assessed and allocated when an investor buys or sells units in the Fund by incorporating a buy/sell spread in the relevant entry and/or exit unit prices (see 'Buy / sell spread' in the 'Fees and costs' section of the PDS for more information).

# How the Fund Invests

## About the investment manager's investment policy

### There are two critical and unique features of the Fund:

1. The Fund has a market-neutral structure which is achieved by maintaining off-setting long and short portfolios of ASX200 constituent stocks that effectively minimises the impact of market movements in the performance of the Fund. The result is that returns to the Fund are dependent upon the ability of the manager to buy stocks for inclusion in the long portfolio that will (as a group) show better price performance than stocks sold for inclusion in the short portfolio. Refer Appendix 1 for details of the structure.
2. The Fund employs a process to select stocks for inclusion in both portfolios based on valuation of the traded stock (as against a valuation of the underlying company), along with market-relative momentum indicators to improve the timing of both inclusion and removal of stocks in both portfolios. Refer Appendix 2 for a detailed description of the process employed.

### Key factors in the investment aims of the Fund are:

1. To minimise the influence of volatile market movements on the performance of the Fund by enabling the Fund to earn positive returns regardless of market conditions;
2. To systematically quantify and evaluate estimates of market-perceived individual equity risk on the full ASX200 universe of stocks, and to use that consistently in the stock selection process; and
3. To minimise the potential for sustained under-performance of any component of either portfolio by considering short-term (as well as longer-term) market-relative trading patterns.

### Derivatives

Derivatives may be used to adjust currency exposure (where appropriate), to hedge selected shares or securities against adverse movements in market prices, to gain short term exposure to the market, and to build positions in selected companies or issuers of securities as a short-term strategy to be reversed as the physical positions are built up. However, such situations are expected to be infrequent, and only under exceptional circumstances. Derivatives will not be used for gearing purposes.

### Are there any minimum investment requirements?

There is a minimum initial investment requirement which is normally \$25,000, however, this amount may be varied by TAM at its absolute discretion.

Once the initial investment requirements are satisfied, the Trustee may generally invest your money in accordance within the Funds Constitution. The minimum additional investment is set at \$1,000, but we may chose to waive this minimum after negotiation with either you and/or your advisor. Consequently, any smaller amount invested may remain in TAM's Trust Account until such time it deems suitable and appropriate to invest.

### How are units in the Fund purchased?

The Trustee will buy/sell units in the Fund on a daily basis (business days only) in accordance with the business procedure (see 'How to invest' in the 'How the Fund operates' section of the PDS for more detailed information). However, this will only occur once your application is processed. This is also subject to minimum investment requirements and the time taken to process investments by the Investors advisor, operator or dually authorised agent.

These factors, combined or any one of them, may result in the buy/sell price being higher (or lower) than that prevailing as the time of close of business on the date and time that investment was approved by the Trustee. The Trustee is not liable for any loss that may result from this occurring.

### How are units in the Fund allocated?

The number of units you will be allocated in the Fund will be the amount of money available to invest divided by the buy price at the time the units were purchased by the Trustee.

### **How do I redeem units in the Fund?**

The Trustee may in its absolute discretion, redeem units in the Fund. The approval or non approval process has to be initiated by the Trustees receipt of the investor's request to redeem. The decision by the Trustee to approve or not approve this redemption shall be determined by the exercising of the Trustees absolute discretion in deciding this matter. The Trustee shall not be held liable to any party for any loss or damages suffered by any party that may result from the Trustee exercising its discretion in this regard.

### **Suspension of applications and withdrawals**

In an emergency situation that impacts the effective and efficient operation of a market for an asset in a Fund or in circumstances where we otherwise consider it to be in investor's interests, we may suspend processing of all applications and withdrawals for the Fund until we can properly ascertain the value of that asset. If this happens, we'll use the asset values determined when the suspension is lifted for the value of an asset.

We may also choose to delay processing applications or withdrawals until we have received the tax components for any distribution paid by during any given financial year. The Fund may suspend applications and withdrawals according to the Funds Constitution.

### **Can the investment structure of the Fund change in the future?**

The answer is yes. The investment structure of the Fund, and the process employed to execute that strategy, has been developed over many years in order to ensure that the investment aims of the Fund are able to be effectively and consistently achieved. As such, it is highly unlikely that the structure or process will change significantly.

However, there may be the opportunity to further develop the process in order to increase returns, and/or increase the consistency of those returns. If that is the case, the PDS will be updated to reflect that change, and unit holders will be notified.

Additionally, a significant change in market and/or trading conditions may require a change in the investment structure of the Fund in order for those investment aims to be achieved. Again, in that case, the PDS will be updated and all unit holders will be notified.

# Outsourced Operations

The Manager will, where appropriate, outsource certain investment related functions of the Fund.

Those functions are to be carried out by independent parties who are engaged on an arms-length, commercial basis in order to ensure the efficient and expert operation of the Fund.

Such services will be governed by detailed Service Level Agreements (SLA's) that are, or will be, available on request by yourself, your advisor, agent or operator. Contracts of engagement of outsourced operators are located at the back of the PDS.

These engagements guarantee the transparency of all of the Funds management and administration. In particular, those Funds operations include (though not exclusively) the following:

Background information relating to those operators is as follows:

1. Administration and accounting services - (White Outsourcing Pty Ltd)
2. Custodial services - (CitiBank Global Markets Limited)
3. Audit Services – (Mark Schiliro & Assoc.(MNSA))

(Contact details of outsourced operators are located at the back of the PDS)

## **1. White Outsourcing Pty Limited –Administration and Accounting Services**

TAM has appointed White Outsourcing Pty Limited to provide all back office, investment administration, unit pricing, registry and fund accounting services to the Fund. This has been done to ensure the most efficient, professional and cost effective handling of these key aspects of the operation of the Fund.

In particular, the provision of unit registry and unit pricing services are key to the effective operation of the Fund on behalf of investors.

## **2. Citigroup Global Markets Limited – Prime Brokerage (including custodial services)**

The Fund has appointed Citigroup Global Markets Limited ("CGML"), a wholly owned subsidiary of Citigroup Global Markets Holdings Inc., as a prime broker under the terms of a Customer Agreement for International Prime Brokerage Services dated 24 December 2008 (the "IPB Agreement"). The services which CGML will provide under the IPB Agreement include various custodial services, clearance and settlement of securities transactions and margin financing.

CGML, in its capacity as prime broker, will have no decision-making discretion relating to the investment of the assets of the Fund and will not provide any investment advice in relation to the assets of the Fund.

The IPB Agreement provides that CGML will not be liable for any loss, liability or cost incurred by the Fund as a result of any act or omission of CGML unless such loss, liability or cost is caused by CGML's own fraud, negligence, or willful default.

CGML shall not be responsible for the loss, liability or cost which the Fund may suffer or incur arising from the negligence, willful default or fraud of any third party (including any executing broker, bank, agent, custodian, investment exchange, and depository or clearing house).

Neither CGML nor any third party which acts on its behalf, whether an affiliate of CGML or not, nor its directors, officers, servants, agents or representatives, will be liable to the Fund, except in the case of fraud, for any consequential loss, liability or cost which the Fund may suffer or incur arising out of their acts or omissions, howsoever the loss, liability or cost is caused and regardless of whether it was foreseeable or not.

The Fund has agreed to indemnify CGML and any sub-custodian, nominee or agent appointed by it against loss, liability and expenses (including without limitation the costs of any investigation or legal proceedings) arising out of or in connection with the IPB Agreement except where arising primarily out of its or, as the case may be, such sub-custodians', nominees' or agents' own negligence or willful default, all as more fully detailed in the IPB Agreement.

CGML is a paid service provider to the Fund and is not responsible for the preparation of this document or the activities of the Fund and therefore accepts no responsibility for any information in this document.

The Fund reserves the right to change the prime brokerage and custodian arrangements described above by agreement with the Prime Broker and/or, in its discretion, to appoint additional or alternative prime broker(s) and custodian(s).

## **3. Fund Auditor**

The Fund has appointed an Auditor that is approved and registered with Australian Securities Investment Commission (ASIC).

# The Risks of Investing

All investments have risk, which means the value of your investment may fall. While it is not possible to identify every risk factor relevant to investing in the Fund, the significant risks are listed below.

## Investment risk

The value of your investment could fall, so you could receive less than your original investment when you withdraw. Also, the distribution from your investment may change and be lower than you expected or there may be no distribution at all.

Volatility is a key measure of investment risk. It generally refers to the fluctuation in the value of an asset, index or other type of security over a given period. The greater the volatility of an asset, index or security, the larger the fluctuations between its high and low values, and consequently the greater the fluctuations in its returns.

Historically, equity Funds have demonstrated greater volatility than other types of investments like property, mortgages, fixed interest securities or cash. One of the key components of that volatility is overall market volatility.

The structure employed by the Fund is specifically aimed at reducing substantially this component of volatility from achieved returns.

## Market risk

This is the risk that certain events may have a negative effect on the price of investments in a given market, for example the price of particular shares on the stock market. These events may include changes in legislation and/or government regulations, changes in economic, social, technological, political, legal or accounting conditions, as well as market sentiment.

## Asset risk

This is the risk that an asset a Fund has invested in falls in value, which may cause a reduction in the value of your investment. When you invest in an asset class that aims to provide higher returns (e.g. shares), you are generally exposed to a higher risk that the value of the asset may fall. Conversely, if you invest in an asset class that aims to provide lower returns, you are generally exposed to a lower risk that the value of the asset may fall in the short-term.

## Some examples of asset risk are:

### Fixed interest and cash

The risk is that the issuer of the security may not repay the principal or make interest payments. The market value of fixed interest securities can also fall significantly when interest rates rise.

## Shares

Shares and other equity securities may fall in value or may not pay income for a variety of reasons, including poor management or changes in a company's competitive environment or internal operations. Rising interest rates can also have a negative impact on a company's value because increased borrowing costs can cause a decrease in earnings, causing a fall in the company's share price.

## Derivatives

A derivative is a financial instrument that derives its value from the price of a physical security or market index. The risk is that losses may happen when there is an adverse movement in the asset that underlies the derivative. **Generally, the Fund will not invest in derivatives, except in exceptional circumstances (see 'How the Fund Invests' section of the PDS for more information).**

## Currency risk

All investments made by the Fund are traded on the Australian Stock Exchange in Australian dollars (A\$).

**Any currency risk is therefore restricted to the impact of changes in the A\$ on the underlying performance of those stocks, but not in the value of the investment itself.**

## Other risks

The following risks are inherent in any managed Fund:

- The investment team may change, which may affect a Fund's future performance
- Investing in a Fund may result in a different tax outcome than investing directly because of the application of tax laws to the Fund and the impact of investments into and withdrawals out of a Fund by other investors. For more information on the tax consequences of investing in the Fund (see the 'Tax' section of the PDS for more information).
- The costs of your investment may increase through an increase in fees and costs. If this occurs, we will provide you or your Operator at least 30 days' prior written notice of any change (see 'Changes to fees' in the 'Fees and Costs' section of the PDS for more information)
- A Fund may be terminated, and
- Investing in a Fund with a smaller number of investments may lead to more volatile returns than investing in a fund with a more diversified portfolio.

**How we manage risk**

While we cannot eliminate all risks for the Fund, we aim to manage the impact of these risks through the use of consistent and carefully considered investment guidelines as stated and detailed in our Constitution.

**How you can manage your investment risk**

The most significant risk in any type of investing is that you do not reach your financial goals. It's important to consider your investment timeframe, your investment objectives and your risk tolerance. Choose your investment carefully.

We recommend you consult a financial advisor to assist you in determining your investment timeframe, your investment objectives and your risk tolerance. This will help with your choice of investment and the level of diversification you need.

**Diversification**

Diversifying your investments can help reduce the volatility of investment returns and the risk of poor returns. While having a diversified portfolio can mean your best performing investment offsets the worst, the reverse also holds in that your worst performing investment can also offset the best.

# Fees and Costs

## Consumer advisory warning

This document shows fees and costs that the unit holder may be charged. These fees and costs may be deducted from the unit holder's money, from investment returns or from the Fund assets as a whole. These fees and costs do not include costs and fees that may be charged by an IDPS operator. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of Fee or Expense	Amount	How and when paid
<b>Fees when your money moves in and out of the Fund</b>		
<b>Establishment Fee</b> The fee to open your investment	Nil	n/a
<b>Application Fee</b> The fee on charged on the initial and on any additional amount invested	Nil	n/a
<b>Withdrawal Fee</b> The fee on each amount you take out of your investment	Nil	n/a
<b>Termination Fee</b> The fee charged to close your investment	Nil	n/a
<b>Management Fee</b> <i>The management cost is expressed as a percentage of the total average net assets of the Fund</i>	0.769% p.a.*	The management fee is reflected in the daily unit price and payable monthly.
<b>Performance Fee</b>	15.375%* of returns above benchmark (average RBA cash rate target) after Management Fees and Expenses, excluding advisor fee.	The performance fee is reflected in the daily unit price and payable monthly or as incurred by the Fund.
<b>Expenses</b>	Actual expenses incurred by the manager to a maximum of 1.25% p.a.*	Expenses are reflected in the daily unit price and payable monthly or as incurred by the Fund.
<b>Buy / sell spread</b>	0.2% / 0.2%	Payable upon application and redemption.
<b>Advisor Fee (GST inc)</b>	0 – 4.4%	Upon establishment of investment.
<b>Advisor Administration Fee (GST inc)</b>	0 – 1.1%	Annually, paid monthly
*Based on NAV of the Fund		

### Management Costs

The Management Costs are charged by Titanium Asset Management Limited (TAM) for managing and administering the Fund. This includes both management fees and performance fees (where applicable). Unless otherwise stated, fees and costs disclosed in this section are inclusive of the net effect of GST, if applicable (i.e. inclusive of 10% GST, less any reduced input tax credits (RITCs) available to the Fund).

### Management Fees

The Management fees are the fees payable under the Constitution for the management of the Fund. Management fees are calculated from net of the Fund.

### Performance Fees

Performance Fees are over and above the Management Fee and are a percentage of the Fund return over and above the benchmark (which is 1½ times the RBA cash rate) based on the net asset value (NAV) of the Fund. The Fund currently charges 16.5% (GST inc) of the excess annualised return based on the net asset value of the Fund as calculated by the Fund administrator which is accrued daily and paid monthly. The fee is subject to a high water mark (i.e. - The Fund only achieves a performance fee when the return exceeds the previous highest daily unit price).

### Transaction costs

Transaction costs such as brokerage, government taxes/duties/levies, bank charges and account transaction charges are paid from the Fund. When you invest or withdraw all or part of your investment,

we use what is called a 'buy/sell' spread to calculate transaction costs incurred.

Because there are costs in buying and selling assets, we use the 'buy/sell' spread to direct these costs to investors transacting rather than other investors in the Fund.

### Buy / Sell Spread

The 'buy/sell' spread is not a fee paid to Titanium Asset Management Limited. It is paid to the Fund. It may be altered at any time and where there is an increase, this will occur on 30 days notice. The buy/sell spread that applies to the Fund is 0.2% on entry and 0.2% on exit.

We have discretion to waive the buy/sell spread on applications or withdrawals when transaction costs are not incurred.

The buy/sell spread is an additional cost to you. The spread is based on our estimates of the average transaction costs incurred by the Fund. At the time of this publication the buy/sell spread is 0.2%/0.2%. The buy/sell spreads may be updated from time to time. The buy/sell spread for the Fund is available from our website or by contacting us. For investments made under this PDS, the total buy/sell spreads will not exceed 1.2%.

The buy/sell spread will impact the return on your investment and, because it's built into the Fund's unit price, it won't be recorded separately on your statements. The buy/sell spread is not paid to us. It's held in the Fund to cover its transaction costs.

### Did you know?

*Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your Fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).*

*You should consider whether features such as superior investment performance or the provision of better investor services justify higher fees and costs.*

*You may be able to negotiate to pay lower application fees and management costs where applicable. Ask the Fund or your financial advisor.*

### To find out more

*If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.*

# Example of Expenses, Fees and Costs

This following table gives an example of how fees and costs in the Fund can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

Example – TAM ASX 200 All-Weather Fund:		1. \$50,000 balance, 2. RBA Cash Rate Target 6.0%
		3. 20% Fund return
Application Fees	Nil	For every \$5,000 you put in, no application fees will be charged
Transaction cost as at buy/sell spread	0.2%	For every \$5,000 you put in, you will be charged \$10 in buy spread
Management Fee	0.769%	For every \$50,000 you have invested in the Fund, you will be charged a base fee of \$384.50. Total fee in this case is \$394.50.
Performance fee – (subject to high watermark)	15.375%	Performance Fee equals \$825.83 for the year – Calculation $(20\% - 9\% - 0.769\%) \times 15.375\% \times \$52,500$
Total Investor's Fees	If you invested \$50,000 at the start of the year and put in \$5,000 during a year, then for that year you will be charged a total fee of \$1,220.33 and your investment would be worth \$64,279.67 at the end of the period	

1. We have assumed a starting investment of \$50,000
2. See 'Buy/sell spread' for more information. The buy/sell spread may be updated from time to time and is available from our website.
3. Assumed to be in the Fund for an average of 6 months.
4. All fees are after 10% GST less any Reduced Input Tax Credits
5. Additional Fees/costs and expenses may apply in the event of incurring borrowing costs, other operating expenses, abnormal costs, special request fees, differential fees, dishonour fees, etc. See below for further details.

*Please note that this is just an example. In practice, the actual investment balance of an investor will vary and the actual fees and expenses we charge are based on the value of the Fund, which also fluctuates.*

## Borrowing costs

Where short-term settlement borrowing occurs, borrowing costs such as interest on borrowings, legal fees and other related costs are payable by the Fund.

## Other operating expenses

The Constitution for the Fund allows for the ongoing operating expenses (such as registry, audit, taxation advice and offer documents) to be paid directly from the Fund. The Constitution does not place any limit on the amount of the other operating expenses that can be paid from the Fund.

## Abnormal costs

Abnormal costs (such as costs of unit holder meetings, changes to the Constitution and defending legal proceedings) are paid from the Fund. These costs are incurred infrequently, if at all.

## Special request fees

For any special requests (e.g. for additional information), the Trustee reserves the right to impose a reasonable charge. A fee will apply if you wish for the Trustee to arrange for a refund of the tax deducted from your account for failing to provide a TFN.

## Changes to fees

The reasons for changes to your fees can include changes in the competitive, industry and regulatory environment or changes in costs. We will give all investors and/or your Operator at least 30 days'

written notice before any increases are to take effect, except for Government fees and charges and transaction costs associated with the day-to-day operation of the Fund. If you withdraw your entire investment before the expiry of the notice period you are not bound by the change.

## Differential fees

We may issue units to certain investors such as sophisticated, professional, wholesale investors or Titanium Asset Management employees with reduced management costs. Such arrangements would be subject to individual negotiation, compliance with legal requirements and any applicable Australian Securities and Investments Commission (ASIC) class orders.

## Dishonour fee

Where you attempt to invest money, whether by cheque or otherwise, and it is subsequently 'dishonoured', a fee of \$51.25 may be deducted from your investment.

## Government charges

Government taxes such as stamp duty will be applied to your account as appropriate.

## Tax

The Australian taxation system is complex and different investors have different circumstances. You should consider seeking professional taxation advice before investing in the Fund. Tax information, including GST, is set out in the 'Tax' section of the PDS.

# If the Fund is listed with an Investment Service

## Product access payments

We may make payments to Investor Directed Portfolio Service (IDPS) operators and/or to operators of similar schemes for distributing our Funds on their investments menu. These payments may help to recover costs incurred in establishing and maintaining our Funds on their menu, and certain other marketing and distribution costs. These amounts may be up to 1.1% (inclusive of 10% GST) of the Funds invested with us. If these payments are made, they are not paid by you or the Fund; rather they are paid by us.

## Advisory group payments

Certain licensed advisory groups, of which your advisor may be a part, may also receive payments based on the total amount invested through their group. If these payments are made, they are not paid by you or the Fund, rather they are paid by us. These amounts may be up to 1.1% (inclusive of 10% GST if applicable) of the Funds invested via the Licensed Advisory Group.

## Commissions and other payments

Licensed advisory groups, IDPS operators, trustees and other licensees may receive remuneration from TAM for offering the Fund on their investment menus or for the provision of services. This remuneration will generally be in the form of a fund manager payment and may be up to 0.45% pa of funds invested. These amounts may be rebated or retained by the licensed advisory group, IDPS operator, trustee or licensee. If these amounts are paid, they are paid by TAM and are not an extra amount paid from the Fund nor are they an amount unit holders pay. Any payments will be made in compliance with the Investment & Financial Services Association (IFSA) Industry Code of Practice on Alternative Forms of Remuneration. We keep a register of certain payments as required by the Code. Please contact us if you would like to view this register.

Your advisor may also receive remuneration from the IDPS operator in a variety of ways for the provision of services. Details of this remuneration will be in the offer documents for the Fund and the Financial Services Guide (FSG) and Statement of Advice (SOA) which your advisor must give you.

## Alternative forms of remuneration

The IFSA together with the Financial Planning Association (FPA) has established a Code of Practice on Alternative forms of remuneration in the Wealth Management Industry. The Trustee as a member of IFSA is subject to the Code.

Generally, alternative forms of remuneration occur under arrangements which provide for certain material benefits, other than the payment of commissions or service fees, to be obtained by a representative or licensee from an investment manager or IDPS operator (or any other third party), in return for using that particular investment manager's product or investment service.

Any form of alternative remuneration that is \$300 or more in value, per transaction or item, is considered 'material' and is thereby subject to the Code.

The Trustee is required to maintain a public Register in relation to those payments or transfers that are material. The Register will contain details of date, type of remuneration, the value of the alternative remuneration and the name of the giver/receiver as appropriate. The Register will be available for inspection on request by members of the public and is to be provided within 7 days of the date of the request and is to be updated at least quarterly.

## Other benefits

As a result of your investment in the Fund, your financial advisor may receive other benefits that are not an additional cost to you.

We maintain a register for alternative forms of remuneration in compliance with the Industry Code of Practice on Alternative Forms of Remuneration. This register summarises alternative forms of remuneration that is paid or provided to certain advisors. If you would like to review this register, contact us.

## Advisor remuneration

Your Advisor will provide you with ongoing service and advice in relation to your personal investments. Your Advisor will receive payment ('remuneration') for providing these services.

Your Advisor meets their expenses from this remuneration, and also relies on it to provide an income. The financial services license with which your Advisor is associated and your Advisor may be entitled to receive a share of the Administration fee and/or equity in Titanium Asset Management Ltd or an associated company once total Funds invested by their clients reaches a specified level. This level and the value of the potential benefit are unable to be quantified at this point in time. However, any dividends paid from Titanium Asset Management Ltd or an associated company to shareholders will be made from company Funds and will not be at any further cost to you.

The fees paid to your Advisor are as follows:

**Advisor fee** – this fee generally cannot exceed 4.4% (\$440 per \$10,000 invested). This fee is negotiable with your Advisor and is paid before any amount is invested in the Fund. The number of units held in the Fund will be calculated based on the net amount (after deduction of the Application Fee) paid to the Manager.

**Advisor administration fee** – you may agree with your Advisor on an Advisor service fee of up to 1.1% p.a. of your account balance (up to \$110 per \$10,000 invested). This fee is negotiable with your Advisor and, if applicable, units will be redeemed monthly from your investment for this fee.

These fees may be higher than the fees of the Fund they reflect. If this is the case it is due to the addition of any applicable GST. This does not affect the fees of the Fund you pay.

#### **Alterations in advisor remuneration**

As an Investor you can negotiate the Application Fee, Advisor Service Fee and Administration Fee with your Advisor. If you agree to pay your Advisor an Advisor

Service Fee or an Administration Fee and written documentation is provided, the Trustee will alter your Advisor's remuneration accordingly.

#### **Other payments that may be paid to your Advisor**

In limited circumstances, marketing allowances or other benefits may be paid to your Advisor or your Advisor's Licensee. Any payments are not an additional cost to you. These payments may be based on the total value of the business they introduce to TAM, or on some other basis agreed. Where this occurs, the total of such payments will not exceed 1.1% of Funds introduced to us by the Advisor or the Advisor's Licensee. Your Advisor will provide you with a Financial Services Guide and Statement of Advice, which details their fees and services and any remuneration they expect to receive as a result of recommending this product.

All payments made or received will be in accordance with the Investment and Financial Services Association (IFSA) Industry Code of Practice. We retain an Alternative Remuneration Register of these payments. You can view this register by contacting TAM Client Services on 1 300 785 276.

# How the Fund Operates

## How to invest

You invest in the Fund by either lodging an application for units directly to TAM, via a licensed financial advisor, or by directing your Operator to lodge an investment application with us.

If a correctly completed application form and cheque are received and accepted by the Fund administrator at the Sydney office by 3.00pm (Sydney time) on any business day, your investment will be processed using the next business day's buy price. Applications received and accepted after 3.00pm (Sydney time) on any business day will be processed using the entry price applicable on the next business day plus one.

The time taken to process applications made through your Operator may vary from the times specified above due to your Operator's processing requirements (refer to your Operator's disclosure document for more details).

We reserve the right to accept applications at our discretion and delay processing of applications where we believe this to be in the best interests of all investors. For the current entry price for the Fund you can contact the Titanium Asset Management Client Services Team on 1 300 785 276 or visit our website at [www.titaniumassetmanagement.com.au](http://www.titaniumassetmanagement.com.au).

## Retaining your PDS

You should keep a copy of the current PDS and any other supplementary material updating the PDS for future reference. These documents will assist you with making additional investments and withdrawing.

You can obtain a copy of the current PDS, free of charge, by either visiting our website at [www.titaniumassetmanagement.com.au](http://www.titaniumassetmanagement.com.au) or by contacting the TAM Client Services Team on 1 300 785 276.

## How to withdraw / redeem

Applications to withdraw/redeem some or all of an investment in the Fund can be made by you directly or your advisor or operator by providing either TAM or the Fund administrator with an Application to redeem in the form set out in this PDS.

If the redemption request is received by our administration office no later than 3pm Sydney time on any business day your withdrawal/redemption request will be considered no later than the close of business of the next business day following receipt of your request.

Your request to withdraw/redeem units is subject to the trustees consent and in this regard any decision made will be made as a result of the exercising of the Trustees absolute discretion in this regard. Further in the event that the Trustee consents to the withdrawal/redemption request then your Fund/Investments are usually available within 18 (business) days of the Trustee giving consent.

The Trustee shall not be held liable to any party for any loss or damages suffered by any party that may result from the Trustee giving or refusing its consent to the withdrawal/redemption request.

A business day is a day other than Saturday, Sunday or bank or public holidays in New South Wales, Australia. We are permitted in certain circumstances to stagger the payment of large withdrawal requests. The time taken to process withdrawal requests made to the Fund directing your advisor, Operator, or directly to TAM may vary from the times specified above due to your Operator's processing requirements (refer to your Operator's PDS for more details).

If you withdraw your units before the end of a distribution period, you won't be entitled to receive a distribution for those units in that period. Accordingly, your withdrawal proceeds will generally include as capital a share of the distributable income and net capital gains of the Fund to the date of your withdrawal.

Please note, however, that in certain circumstances, we may determine that a portion of your withdrawal proceeds represents a share of any income and net capital gains accrued in the unit price of the Fund to the date of your withdrawal. In this event, we are required to notify your Operator. For the current exit price please contact our TAM Client Services Team.

## Fund distributions

A distribution is the payment of the Fund's distributable income to you at predetermined intervals. The distributable income may include interest, dividends, realised net capital gains and/or revenue gains, and other taxable and/or non-taxable amounts.

We may determine the amount to be distributed on an interim basis in accordance with the Fund's Constitution. However, at 30 June each year, you're entitled to all undistributed distributable income of the Fund. Realised net capital gains, if applicable, are generally included in the 30 June distribution.

The amount of the distribution that you receive depends on the distributable income of the Fund and the number of units you hold as a proportion of the total number of units on issue of the Fund. The amount of the distribution will vary from year to year, and there may be times when there are no amounts distributed.

The Fund will generally distribute yearly at 30 June and proceeds are typically paid within 14 days of the distribution date.

Please note that the Constitution of the Fund allows us to make interim distributions at any time.

In addition, the fund allows for investors to choose to receive a distribution on a quarterly basis via the regular redemption of units. Investors may choose a dollar value of units to be redeemed under this option. Please see page 3 of the application form for details of this option. Investors may also choose to have all distributable income to be reinvested in the Fund.

*Refer to page 3 of the Investment Application Form.*

The composition and timing of distributions could affect your tax position (see the 'Tax' section of this PDS for further information). We recommend that you seek professional advice from your financial advisor and/or tax advisor.

#### **Distribution payment options**

For payment and reinvestment options, please refer to the application form, and/or your Operator's PDS.

#### **Interest earned on application, redemption and distribution accounts**

Any interest earned in these accounts will accrue to the Fund.

#### **Relevant Australian Securities and Investment Commission (ASIC) regulation**

From 18 November 2008, ASIC requires that the fund inform its broker whether a trade is long, short or an exempt covered short sale. The broker is then required to report that information to the Australian Stock Exchange (ASX) by 9am the following business day.

# Tax

The tax consequences of investing in managed investment schemes are dependent on your circumstances, so we recommend that you consult your Operator's PDS and/or see a licensed tax advisor.

This information is of a general nature only and cannot be relied on.

## Tax position of the Fund

Generally, no Australian income tax will be payable by the Fund because investors are presently entitled to all of the distributable income of the Fund each year ending 30 June. If there is net income of a Fund that no investor is presently entitled to, the Fund will be subject to tax at the highest marginal tax rate (plus Medicare Levy).

## Realised gains

The distributable income of the Fund may be made up of taxable and non-taxable components. The taxable components may include realised gains (capital and/or revenue), which will be distributed as either net capital gains or ordinary income.

## Tax losses

If the Fund incurs a net revenue tax loss, it must be carried forward by the Fund and will be applied against assessable income in future years, if certain loss recoupment tests are met.

## Franking credits

The Fund may derive franking credits from the receipt of franked dividends. These franking credits will be distributed to investors if certain conditions are met.

## Foreign income and foreign tax credits

The Fund may pay foreign tax on foreign source income. This will create foreign tax credits that will be distributed to investors if certain conditions are met. However, this is not relevant under the Fund's current investment strategy.

## Withholding tax obligations

Your Operator may be required to deduct tax from your distributions if you are a non-resident investor, as discussed under 'Non-resident investors', or if you do not quote a tax file number (TFN) or Australian business number (ABN), as discussed under 'Tax file number / Australian business number'.

## Tax position of Australian resident investors

### Distributions

For information about the calculation of your distribution entitlement, see 'Fund distributions' in the 'How the Fund operates' section of the PDS.

The net income of the Fund allocated to you must be included in your income tax return for the year of the entitlement even if the distribution is received or reinvested in the following year. For further information see 'Annual Tax Statement'.

Please refer to your Operator's disclosure document for more information on the calculation of your distribution entitlement from your investment in the Fund through their Service.

### Franking credits

If the Fund is entitled to distribute franking credits, you'll need to include your share of franked dividend income and franking credits in your taxable income.

A tax offset equal to the amount of franking credits will be applied to reduce the tax otherwise payable by you on your total taxable income. Your entitlement to claim a tax offset depends on you satisfying certain conditions.

Individuals and complying superannuation Funds may receive a refund of any excess franking credits. Corporate investors may be entitled to convert any excess franking credits into tax losses.

Please refer to your Operator's PDS (if applicable) for more information on your entitlement to franking credits (if any) from your investment in the Fund through their Service, or your tax advisor.

### Capital gains tax

Your withdrawal or transfer of units in the Fund may create a taxable gain or loss, which will be treated either as a capital gain or loss, or as ordinary income depending on your circumstances.

Non-assessable amounts (if any) distributed to you may reduce the cost base of your units, which will cause an increased capital gain or a reduced capital loss on the subsequent disposal of units.

If you have held your units continuously for at least 12 months, individuals and trusts may be entitled to a capital gains tax discount of 50%. Complying superannuation funds may be entitled to a capital gains tax discount of 33⅓%. Companies are not entitled to any discount.

Please refer to your Operator's disclosure document (if applicable) for more information on the application of the capital gains tax provisions to your investment in the Fund through their Service or your tax advisor.

### **Tax position of Non-resident investors**

We recommend that non-resident investors see a tax advisor before investing in the Fund.

The Operator of a Service will be required to deduct Australian tax from certain Australian sourced income distributed to non-resident investors. Non-resident investors may also be subject to tax in the country that they reside, but may be entitled to a credit for some or all of the tax deducted in Australia.

Please refer to your Operator's PDS for more information in relation to non-resident investors investing in the Fund through their Service.

### **Annual tax statement**

We'll send you and/or your Operator an Annual Tax Statement at the end of August each year, or shortly after. It will show the taxable and non-taxable components of the Fund's distributions during the year. The Annual Tax Statement provided by us will be used by your Operator in generating your individual Annual Tax Statement. Please refer to your Operator's PDS (if applicable) for more information on the provision of Annual Tax Statements for investors investing in the Fund through their Service or your tax advisor.

### **Tax File Number (TFN) and / or Australian Business Number (ABN)**

Providing your TFN or ABN is not compulsory but without it, or the appropriate exemption information, your Operator will have to withhold tax from your distributions at the highest marginal tax rate (plus Medicare Levy) until your TFN, ABN or exemption is provided.

An Australian business number (ABN) may be used as an alternative to a TFN if your investment in a Fund is undertaken in the course of carrying out an enterprise. Non-residents do not have to supply a TFN or ABN.

Please refer to your Operator's PDS for more information on the collection of TFNs or ABNs for investors investing in the Fund through their Service.

### **Goods and Services Tax (GST)**

The Goods and Services Tax (GST) disclosures in this PDS are of a general nature only.

GST of 10% is generally applicable to the fees, costs and expenses payable by the Fund, including management costs and other fees payable to us.

Generally, the Fund cannot claim a credit for the GST paid, but may be entitled to claim a reduced input tax credit (RITC), which represents 75% of the GST applicable to management costs and certain other expenses.

The management costs and other fees specified in Table 2 represent the approximate net cost to the Fund these amounts payable to us, on the basis that the Fund is entitled to claim RITCs for the GST on these amounts (as stated above).

GST is not applicable to any buy/sell spread on the purchase or withdrawal of units in the Fund on your behalf.

### **Tax implications of redemption of units**

If investors choose to redeem units either as part of a regular distribution option, or as part of ceasing to continue with their investment, this may result in a creating a capital gains tax liability from unrealised capital gains of the Fund. You should therefore consult your tax advisor before redeeming units in the Fund.

# Additional Information

## How units are priced

The Fund's unit price is calculated by:

- Establishing the net asset value of the Fund
- Dividing the net asset value of the Fund by the number of units on issue to determine the net asset value of each unit.

Entry unit prices are calculated by adjusting the net asset value of each unit by adding the 'buy spread'. Exit unit prices are calculated by adjusting the net asset value of each unit by deducting the 'sell spread'. Generally, the net asset value of the Fund is determined each business day. Valuations may also be made when money is deposited into or withdrawn from the Fund.

The net asset value of the Fund is calculated by deducting from the value of the Fund's gross assets the value of the liabilities in the Fund. The liabilities may include management fees and costs paid and/or accrued.

The Fund's investments are valued at their market value. Please contact our TAM Client Services Team for a copy of our policy relating to unit pricing, which includes details of any discretion that we may exercise in various circumstances.

## Cooling-off period

After joining the Fund, you are given a period of time to decide whether the Fund is right for you. This is referred to as a 'cooling off period' and it lasts for 14 days from the end of the fifth business day after the receipt of the first investment amount into the Fund.

To exercise your cooling off rights you should notify us in writing within the cooling off period. The cooling off period only applies to the first investment made into the Fund. You cannot exercise your cooling off rights in respect of an additional investment after you have exercised any other rights or powers you have in respect of that investment.

If you decide to cancel within the cooling off period, you will not be liable for certain charges. The Trustee will realise your investment via the redemption of units in the Fund.

The value of your investment will be subject to investment fluctuations. The time taken to redeem and make payments will be dependent upon the time taken by the manager of the Fund to process the redemption. Any tax that was payable or will be payable by the Trustee in respect of your investments will also be deducted prior to your investment being paid.

You should contact the Fund administrator in writing at the correspondence address shown on the inside back cover of this PDS if you require further information regarding the cooling off period.

## Reporting

All reports will be sent directly to you, your financial advisor or your Operator who will use this information to provide you with regular reporting. Please contact your financial planner, advisor or Operator with any investor enquiries.

## Updated information

The terms and features of the Fund are current at the date of this PDS. However, terms and features of the Fund may change in the future. We reserve the right to change the terms and features of the Fund in accordance with the Fund's constitution and other relevant law.

Updated information which is not materially adverse is accessible through our website at [www.titaniumassetmanagement.com.au](http://www.titaniumassetmanagement.com.au) or you may contact TAM Client Services directly with your request. A paper copy of the updated information will be available free of charge upon request by contacting us. We will notify your Operator of any significant changes to the terms and features of the Fund.

## Continuous disclosure documents

The Fund may be subject to certain regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

We will send your Operator a printed or electronic copy of any of the following documents, free of charge, as soon as possible or within 5 days of receiving your Operator's request:

- The Annual Financial Report (including financial statements) most recently lodged with ASIC by us in respect of the Fund
- Any Half-year Financial Report (including financial statements) lodged with ASIC in respect of the Fund after the lodgment of the above mentioned Annual Financial Report and before the date of this PDS
- Any continuous disclosure notices provided by us in respect of the Fund after the lodgment of the above mentioned Annual Financial Report and before the date of this PDS.

# Your Privacy

## Your personal information

To enable us to provide you with the products and services you require, we will request personal details and certain information from you. Protecting the privacy of your personal details and information is important to us.

## Privacy policy

Privacy laws require us to make the following disclosure before collecting personal information from you:

- You may contact us by telephone or in writing (see the 'Contact details' section of the PDS for contact details);
- In most cases, if you so request, we will give you access to the personal information collected about you;
- We need to collect personal information about you prior processing an application and to administer your investment;
- We may disclose the personal information to our service providers for this purpose and, as necessary, to any Personal Fund to which we transfer your investment, to Personal regulators, the Family Court (if you are involved in a case before it and we are legally required to do so) and as otherwise required by law;
- If you do not provide the requested information, we may not be able to accept your application or administer your investments;
- We may use personal information (but not sensitive information) collected about you to notify you of other products. This will only occur with the knowledge and consent of your Advisor; and
- You authorise us to give information relating to your holdings in the Fund to your Advisor and financial services licensee and the Trustee's marketing company, and acknowledge that your Advisor, financial services licensee and the Trustee's marketing company are your agents for the purpose of receiving this information.

**The Trustee will assume that you have agreed to the collection, use and disclosure of your personal information as set out above when you make an investment in the Fund.**

## Your complaints

If you are investing directly with the Fund, complaints should be directed to the Fund administrator in writing. If your complaint is in relation to your Advisor, please lodge all complaints in writing directly to their licensee. You may locate their details on the ASIC website. If you are investing through a Service, complaints should be directed to your Operator, not to the manager.

If your Operator wishes to make a complaint, they can contact us. We will acknowledge any complaint in writing to your Operator within five business days and make every effort to resolve your Operator's issue within 30 days of the manager being notified.

If your complaint is not satisfactorily resolved by your advisor or operator, please contact the TAM office on 1300 785 276 or put your complaint in writing and send it to:

Titanium Asset Management Limited  
Attention: Compliance and Advisory Services  
Level 1, 125 Argyle Street  
CAMDEN NSW 2570

TAM will try to resolve your complaint quickly and fairly.

If your complaint has still not been resolved by TAM, you may escalate your complaint to one of the External Complaints Schemes listed in the table, of which the Titanium Group is a member.

Type of Complaint	External complaints service
Financial advice, investments, superannuation or insurance matters	Financial Industry Complaints Service (FICS) on 1 800 335 405
Personal information held	The Privacy Commissioner on 1 300 363 992
The Australian Securities and Investments Commission (ASIC) may be contacted on their free call info line on 1 300 300 630 to find out which body may be best to assist you to settle your complaint	

## Investments and social security

Your investment in the Fund may affect your social security or pension entitlements. We suggest you seek advice from a financial and/or tax advisor or information from Centrelink.

### **Our role as Responsible Entity**

Titanium Asset Management Limited is the Responsible Entity of the Fund. Our main responsibilities are to make sure the Fund is managed according to its constitution and investment policy as well as properly administering the Fund. We have established an investment policy committee to set the investment objectives, investment guidelines and investment approach for the Fund. We may change the Fund's investment policy whenever we believe it is in the best interests of investors, without prior notice.

In carrying out our duties, we are subject to the Corporations Act and must:

- act honestly and in the best interests of investors; and
- exercise care and diligence; and
- treat investors of the same class in a Fund equally.

The Fund has a Compliance Plan that sets out the procedures we must follow to ensure compliance with the Corporations Act and the constitution. The Compliance Plan has been lodged with ASIC and is externally audited yearly. A copy of the Compliance Plan is available, free of charge, by contacting us. Any breaches of the Compliance Plan that have, or are likely to have, an adverse impact on investors will be reported to ASIC in accordance with the Corporations Act.

We reserve all rights to terminate, withdraw, close or otherwise impose restrictions on a Fund.

### **Corporate actions**

Titanium Asset Management's policy in relation to corporate actions for listed securities is as follows:

- Not to participate in any corporate action requiring investment of additional Funds;
- To redeem any saleable supplementary assets received (e.g. bonus options, or renounceable rights) as a corporate action entitlement, as soon as possible; and
- To allow non-renounceable supplementary assets to lapse. Please note that the Trustee has total discretion in relation to dealing with corporate actions. As a result of this policy, you will not be required to make decisions with regard to corporate actions, nor will the Trustee be responsible for advising you of corporate actions.
- Any proceeds of such actions will form part of the Fund Assets, and will therefore be reflected in the unit price of the Fund.

### **How does the trustee participate in governance of listed securities?**

It is important to note that the Trustee has total discretion in relation to participating in the governance of listed securities. For example, the Trustee may not vote at a meeting of the entity in which listed securities are held or may vote by proxy.

### **Deed poll**

The Titanium Asset Management ASX200 All-Weather Fund has been established and governed by a Deed Poll dated 24th December, 2008. The Deed Poll, together with relevant legislation such as the Superannuation Industry (Supervision) Act 1993, Corporations Act 2001, Income Tax Assessment Act and general trust law, govern the way in which the Fund operates.

The Deed Poll contains important information including:

- the Trustee's rights, including indemnities and duties;
- your rights and duties;
- amendments to the Deed Poll;
- termination of the Fund; and
- Retirement of the Trustee.

The Deed Poll (as amended) governs the Fund's operation and, together with this PDS, the Corporations Act and other laws, regulates the Fund and our legal relationship with investors. The Fund's constitution has been lodged with ASIC.

### **The constitution for the Fund contains provisions relating to:**

- the commencement, duration and termination of the Fund
- the application, issue and withdrawal of units (including suspensions and large withdrawal provisions)
- the unit valuation methods
- income and capital distributions
- unit holder meetings
- the powers of the Responsible Entity to invest or borrow, limitations on its liability and its rights, including the rights to charge fees, recover expenses and be indemnified
- complaint handling

A copy of the Deed Poll can be inspected at the Registered Office of the Trustee, or on request.

**By investing in the Fund**

You/your advisor and/or Operator have agreed on your behalf to be bound by the terms of this PDS and the Fund's constitution as amended from time to time. You should consider the terms of the constitution before investing.

**Borrowing powers**

Under the Fund's constitution, the Fund may borrow both money and securities. The Fund does not intend to borrow cash as part of its investment strategy. However, the Fund may invest in other Funds that can do so. Borrowing may occur in the daily management of the Fund. Under the strategy of the Fund, the borrowing of stock will be a regular part of the investment process.

**Suspension of applications and withdrawals**

In certain emergency situations which impact on the effective and efficient operation of a market for an asset in the Fund, or in circumstances where we otherwise consider it to be in the best interests of investors, we may choose to suspend the processing of all applications or withdrawals for the Fund until we are able to properly ascertain the value of units in the Fund. If this occurs, in determining the value of an asset, we will use the asset values determined after the suspension is lifted.

Withdrawal/redemption requests received during the suspension will be processed using the exit price applicable after the suspension is lifted.

**Anti-Money Laundering and Counter Terrorism**

Under the Anti-Money Laundering and Counter Terrorism Financing Act 2006 we are required to identify, monitor and mitigate the risk that the Fund may be used for laundering of money or financing of terrorism. Because of this you will be required to provide proof of your identity before you are issued units in the Fund. At a minimum, you will be required to provide the Fund with evidence that verifies your full name, your date of birth, and your residential address.

# Additional Personal Information

## How do I become a unit holder?

You become a unit holder of the Fund when you have submitted all the relevant documentation including an Application form and investment funds has been received on your behalf. In addition, you must provide sufficient Proof of Identity to satisfy the requirements under the Anti Money Laundering and Counter Terrorism Financing Act. See Application Form.

## Lodgment of forms

All completed forms should be mailed to:

**White Outsourcing**  
**Level 7, 20 Hunter Street**  
**Sydney, NSW 2000**  
**Ph: 61 2 8236 7741**  
**Fax: 61 2 9221 1194**  
**E: titanium@whiteoutsourcing.com.au**  
**W: www.whiteoutsourcing.com.au**

## What if my details change?

You must advise the Fund administrator immediately either in writing or by contacting White Outsourcing Pty Ltd of any changes or corrections to your:

- Name (i.e. due to marriage, separation, deed poll); postal address; and
- Dependants; or
- Email address (if applicable).

## Invalid or incomplete forms

- In accordance with the Deed Poll, we reserve the right to refuse any notification of change in detail if it is invalid or incomplete.

## Terms and conditions for accepting faxed instructions

You can fax certain requests to us on the relevant Fund form for the transactions you are requesting. The terms and conditions for faxed instructions are:

1. The Trustee is not responsible to you for any fraudulently completed request.
2. The Trustee is not responsible to you for any loss suffered by you in processing a fax that has been corrupted during transmission.
3. The Trustee will not compensate you for any losses that may result from (1) or (2) above.
4. Should any fraud have taken place, you will release and indemnify the Trustee against any liabilities whatsoever arising as a result of acting on any communication received by fax in respect of your investment

Certain rights cannot be excluded under Federal and State laws. We expressly exclude all representations and warranties to the extent permitted by law.

## What information will I receive?

The Fund provides a diverse range of communications to keep you informed about your account, your investments and the Fund. Unit holders of the Fund will receive the following information:

### On Joining the Fund

- **Welcome Letter** – confirming your initial holding details;
- **Periodic Online Newsletters** – periodically the Trustee will issue newsletters online at [www.titaniumassetmanagement.com.au](http://www.titaniumassetmanagement.com.au) to inform you of significant events relating to the Fund and update you on developments and news relating to the Fund and its performance in general.

### On leaving the Fund

- **Redemption Confirmation** – confirming details of units redeemed and your net payment;

### Regular Reports

- **Monthly Statement** You will receive a monthly statement of the details of your investment.
- **Yearly Annual Report** (as at 30 June) – summarises the Fund's performance and financial position and any other significant changes or events for the previous financial year;
- **Annual Statement** (as at 30 June) – a statement summarising your account balance and income distribution details.

### Important Note:

- *This document contains or refers to information that may change from time to time. For example, fees, management costs, previous investment performance and regulatory changes.*
- *Under current regulations we will only issue a new document or supplement when changes are materially adverse. In all other circumstances, updates (outlined below) may be issued to you.*

*You can receive updated information by contacting your Advisor or Titanium Asset Management.*

# How to invest

You must make your initial investment by electronic funds transfer or cheque.

## Electronic funds transfer

You can make your investment to the Fund via electronic funds transfer (EFT) directly from your bank account to the Fund's trust account. Details of the bank account are:

A/C Name:	TAM ASX200 All-Weather Fund Trust A/C
BSB:	082 - 491
A/C #:	830020094

**Important Note:** EFT payments must also be accompanied by a fully completed application form sent to the Fund administrator, and a notification email to [Titanium@whiteoutsourcing.com.au](mailto:Titanium@whiteoutsourcing.com.au) in order to ensure that funds are correctly allocated.

**FAILURE TO DO SO MAY RESULT IN AN ALLOCATION OF UNITS NOT BEING MADE ON TIME, OR A MISALLOCATION OF UNITS, POTENTIALLY TO THE DETRIMENT OF THE INVESTOR.**

## Cheque

Please ensure that the cheque is made payable to: **'TAM: ASX200 All-Weather Fund'**.

The cheque and accompanying application form (for an initial investment and/or an additional investment) is to be mailed to:

**TAM ASX200 All-Weather Fund  
c/- White Outsourcing  
Level 7, 20 Hunter Street  
Sydney, NSW 2000**

## Appendix 1- Investment Structure of the Fund

### What is a Long / Short strategy, and how does it work?

A long/short fund (as used by TAM) involves having approximately equal market value long (buy) and short (sell) portfolios. Long portfolios make money when the market rises, while short portfolios make money when the market falls. By having equal and offsetting long and short portfolios, the result is that there is minimal impact of market movements on the performance of the fund. Returns result from the price performance of the long portfolio being greater than the price performance of the short portfolio. The Fund also uses limited exposure gearing to add to returns.

The traditional way to make money investing in stocks is to buy shares and to sell them at a higher price in the future. This is referred to as being “long” stocks. With this strategy, there are two major factors in making money:

- The performance of the market; and
- The performance of the stock relative to the market.

Professional Funds managers have traditionally focused on trying to outperform the market via their stock selection processes (which is generally based on an estimate of value), and there has traditionally been little effort in forecasting markets. This is for the simple reason that there has been no real process developed for doing that, and the apparently irrational behaviour of world equity markets over the past year or so (and repeatedly in the past) helps to explain why that is.

As such, most equity Funds are effectively 100% invested in stocks at any point in time, leaving the view on markets to the investor: if you do not like the prospects for equities, you reduce your holding in the equity Fund. While this makes things easier for the Funds manager, it leaves the most difficult part of the investment management decision to those generally in the weakest position to do so: the investor.

By using a long/short structure, it is possible to effectively remove the prediction of markets from the performance of equity investment. The way that it works is as follows:

*If a Funds manager’s stock selection process works in identifying stocks that will outperform the market, it should (for a particular universe of stocks that represent the market, such as the stocks in the ASX200) also identify stocks that will underperform the market as the value of the 200 stocks in the market index must equal the value of the market. Therefore, for every stock that is undervalued relative to the market, there must be a stock that is overvalued relative to the market.*

Over the past few years, it has become possible to do the opposite of being “long” stocks: that is, being “short”. This involves borrowing stock from long-term holders (mainly large institutions) for a small cost, selling that stock now to get cash, on the expectation that the price will fall so that it can be bought back at a lower price later in order to return the stock that was borrowed.

Therefore, if a Funds manager is able to select a portfolio of stocks that will outperform the market via his or her stock selection process, he or she should be equally able to select a portfolio of stocks that will underperform the market using the same process. If the two portfolios are of equal size, then the two offset each other as far as exposure to the market is concerned. If both portfolios perform in-line with the market, and the market rises, whatever profit is made from the Long Portfolio will be offset by losses from the Short Portfolio. Similarly, if the market falls, losses made from the Long Portfolio will be offset by profits made from the Short Portfolio.

The ability to make money from this strategy, therefore, relies on the ability to select portfolios that will consistently outperform the market both for a Long Portfolio and a Short Portfolio (Refer Appendix 2). In effect, profits are made whenever the stocks that are bought (that we are “long”) perform better than the stocks that have been sold (that we are “short”).

## Exposure Gearing

Under this strategy, the establishment of a short portfolio provides cash to Fund the long portfolio. As such, if it was possible to find someone who would lend the Fund unlimited stock, then it would be possible to establish an unlimited sized Fund without the need to put up any invested capital. Such a situation would clearly be commercially impractical (and dangerous). As such, the amount of stock that can be borrowed by any Fund at any point-in-time is controlled by the Fund's prime broker, and is controlled by the amount of invested capital that is provided as a deposit to the broker. In the market at present, brokers are generally lending stock up to a market value of 4 times the Funds placed on deposit. However, a more average level is 2-3 times, and approximately 2 times is what will be used by the Fund.

To illustrate:

If the Fund has invested capital of:	\$20m
Stock value able to be borrowed, giving a Short Portfolio value of	\$40m
This allows a Long Portfolio value of	\$40m
Total value of investments in the market is	\$80m
But Net Market Exposure is	\$ 0

If the fund is able to achieve outperformance of 10% p.a. on the Long Portfolio, and 10% on the Short Portfolio, then total gains over a year would be \$8m ( $10\% \times \$40m + 10\% \times \$40m$ ). This gain would be achieved on the \$20m invested, which equates to a 40% return (before fees and costs). If the outperformance by each portfolio falls to 5% p.a., the return to the fund falls to 20% for the year  $[(5\%+5\%) \times 2]$ .

Similarly, if both portfolios were to underperform by 5%, then the Fund would achieve a negative return of 20%.

**However, it is possible for the structure to produce positive returns when one portfolio underperforms.** If the Long Portfolio outperformed by 10%, and the Short Portfolio underperformed by 5%, then the net return to the Fund would be 10% for the year (5% net x 2).

***Note: These are hypothetical examples used only to illustrate the structure employed, and does not represent any indication of future performance by the Fund.***

## Appendix 2 - The Titanium Asset Management Stock Valuation Process

The role of equity investment managers is to attempt to forecast the market price performance of listed stocks. Key to that process is the assumption that undervalued stocks will out-perform the market, while over-valued stocks will tend to underperform. As such, the valuation of listed stocks is the key stock-in-trade of managers. For that assumption to hold, any valuation methodology used must be linked to demonstrable share price behaviour.

A primary assumption employed by market participants is that:

**Corporate value = Traded equity value = Share price performance.**

Unfortunately, it has been effectively impossible to prove that link conclusively due to the variation in potential corporate valuation techniques, and a further assumption that markets can apply different valuation methodologies at different times.

Titanium, on the other hand, has looked to develop a valuation methodology that bypasses the corporate value = traded equity value assumption, and instead looks to employ a traded equity valuation methodology. This approach has two key differentiating features from the above assumption:

The valuation methodology is tested against actual market pricing of the ASX200 in terms of explaining both the absolute market prices, and variations in that price over time; a key test for any valuation model in order to prove its validity in explaining market behaviour;

The process values the traded equity rather than the underlying company in terms of expected total returns, and the appropriate discount rate implicitly applied by the market to those expected returns in order to set a price. Such a methodology captures the key potential pricing difference between listed and unlisted companies (the possibility of short-term capital gain expectations, which are not a potential factor in the pricing of unlisted stocks), as well as placing a major emphasis on the analysis and quantification of market perception and determinants of risk.

By using such a process, we have been able to explain in excess of 80% of the variation in the ASX200 price-earnings multiple since 1993, and the absolute level of that multiple. This proves that the above assumption does not hold, and that markets employ a significantly different valuation process from any corporate valuation process.

The process looks specifically at the key determinants of market expectations of future dividends and capital gains, and the time structure of those expectations implicit in market pricing, as well as variations in market equity risk premiums and the role of interest rates in market pricing. From here, the model is applied to sectors and individual stocks based on consensus earnings and dividend forecasts. A key control over the process is that the sum of the valuations of the stocks in the universe of stocks covered equals the overall valuation of the market proxy: in this case, the ASX200 index.

Key to the process is the analysis of market determinants of stock risk in explaining the spread of market pricing across the ASX200 universe of stocks. The process shows that major factors in the variation in the market pricing of risk include market capitalisation, trading volumes and volatility of the stock versus the market, cash flow generation, net debt-to-equity and interest cover levels, historical earnings performance, management performance (in terms of return on equity), etc.

By focusing on a valuation methodology that appears to directly explain market pricing behaviour, the process presents an opportunity to specifically forecast stock prices and returns; something that is effectively impossible using conventional techniques. This enables us to pick stocks (both to out-perform, as well as under-perform) more consistently than using other Fundamental techniques. In addition, market timing is enhanced by the use of consistently-applied market-relative trend indicators.

The process has been developed as part of doctoral study in Equity Market Pricing Theory, and the results of the analysis and its application to both the Australian and other major international markets is currently being reviewed for publication in a major peer-reviewed academic finance journal. In addition, it has been extensively tested and implemented over a 15 year period, both in the active management of institutional and high-net-worth Funds (on a cross-Asian basis) and for the selection of both long and short portfolios for the Australian market, producing substantial and consistent out-performance.

### **Portfolio Performance**

Returns assume approximate equal weighting of stocks in the respective portfolios before transaction costs, while the Long/Short return assumes offsetting long and short exposures (market neutral) with 2x position gearing (no borrowing). This is the structure applicable to the Titanium Asset Management ASX200 All-Weather Fund.

# Contact details

## Fund Manager

For further information, or a copy of any of our Product Disclosure Statements, please contact Titanium Asset Management.

**Website:** [www.titaniumfinancialservices.com.au](http://www.titaniumfinancialservices.com.au)  
**Email:** [investments@titaniumassetmanagement.com.au](mailto:investments@titaniumassetmanagement.com.au)  
TAM Advisor Service Centre during business hours (Sydney time).  
**Telephone:** 1 300 785 276  
**Facsimile:** 02 4655 5275

## Fund Administrator

Provider of unit registry, application and redemption administration, unit pricing, investment administration and fund accounting services

### White Outsourcing

Level 7, 20 Hunter Street  
Sydney, NSW 2000  
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**Facsimile:** 02 9221 1194  
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**Website:** [www.whiteoutsourcing.com.au](http://www.whiteoutsourcing.com.au)

## Fund Auditor

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