



Titanium Asset Management Limited (TAM) is a fully licensed Investment Manager with ASIC - Australian Financial Service License (AFSL) # 331088, and is the Responsible Entity and Trustee of the 'TAM ASX200 All-Weather Fund' (The Fund).

The Fund is unique in a number of key areas:

1. It is a "true" market-neutral fund, which means that market risk of the Fund is kept to a minimum at all times. This is in contrast to many superficially-similar funds that allow the taking of substantial market positions that represent substantial risk in volatile markets;
2. The Fund employs a unique stock valuation and selection process that has been developed over 20 years and is the subject to doctoral studies at an Australian University, which has been shown to be highly effective in the consistent selection of both "long" and "short" portfolios that will outperform the market regardless of market conditions.
3. The Fund only invests in current constituents of the ASX200; the 200 largest, and most extensively researched stocks listed on the Australian Stock Exchange (ASX). No other assets are invested in by the Fund (including derivatives of any form), and the Fund does not borrow cash to invest.

Our methodology has been proven to achieve consistent returns in the most difficult of market conditions, with minimum market risk. The market-neutral fund strategy has been used in the Australian market place for over a decade, but the ability to achieve sufficient consistency in stock portfolio selection to achieve acceptable returns has been missing. This is where the investment process is critical to the performance of the Fund to date.

Performance Table

1 month	1.1%
3 months	0.3 %
6 months	-10.3%
1 year	10.6%
2 year average	n/a
3 year average	n/a
Compounded monthly return since incep.	4.4%
Highest monthly return	40.2%
Negative Months in 1 year	4
Rolling average last 12 months p.a.	10.6%
Cumulative returns since inception	186.9%

The above returns are for rolling mths. Figures below are calendar mths.

(12 mth ave.) monthly volatility*	9.7%
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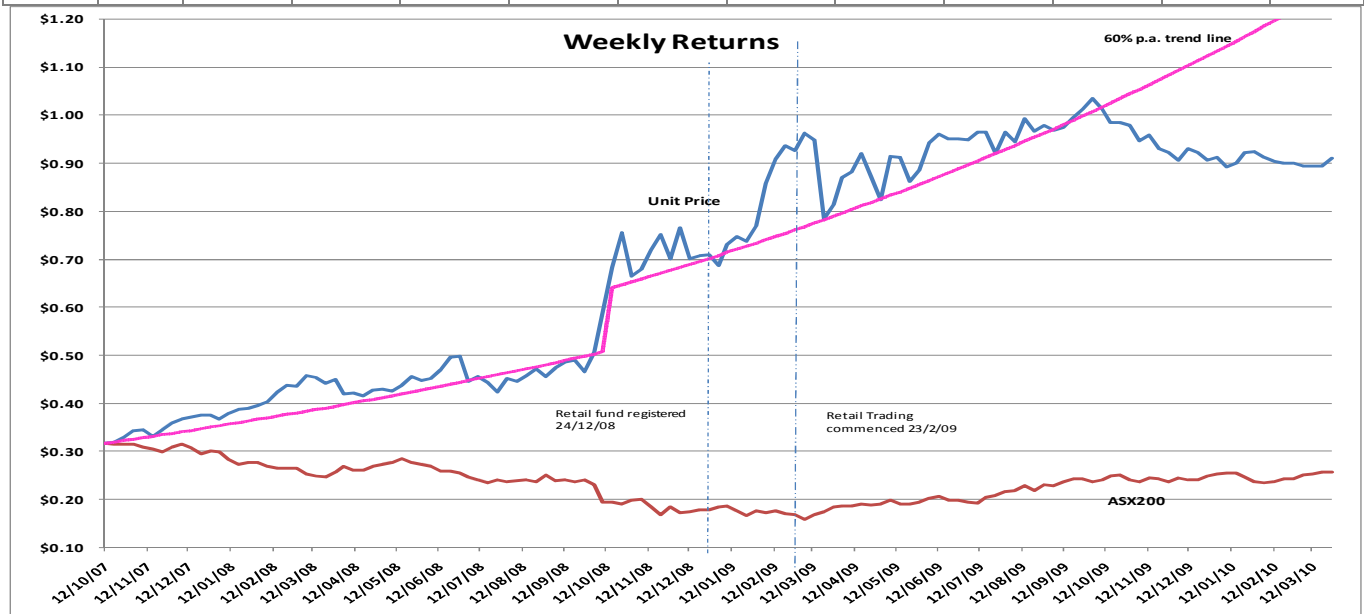
* Based on the standard deviation of monthly returns. Calculations are based on Friday's published unit price as per the TAM website - www.titaniumassetmanagement.com.au

Prior to 24th February 2009 the monthly investment returns detailed below (highlighted in grey) confirm the result of forward testing the TAM ASX200 All-Weather Fund's investment methodology. TAM ASX200 All Weather Fund was registered as a retail fund on 24th December 2008.

Performance History: % based on gross investment asset values (GAV, monthly)

Class A: Retail (since inception October 2007, based on pre-distribution NAV) ** MTD return.

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010	1.2%	0.1%	1.3%									
2009	8.6%	20.5%	-12.2%	1.1%	7.7%	7.8%	0.9%	2.6%	5.6%	-6.6%	-4.5%	-3.3%
2008	4.0%	9.2%	0.4%	3.2%	3.8%	0.2%	0.6%	2.3%	3.8%	40.2%	2.8%	1.0%
2007	-	-	-	-	-	-	-	-	-	-	4.6%	12.2%



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Weekly Summary

Author – Peter Rice (C.I.O.)

If the week before last was quiet, the past 7 days was just as uneventful; again, little in the way of new economic news either here or in the US. Our market still edged up by just under 0.5%, while the S&P500 edged up by fractionally more than 0.5%.

The biggest news for the week was the downgrade in the credit rating for Portugal, and the continued inability of the EU to agree on any specific support package for Greece. If our analysis is correct, as we have noted *ad nauseum* in this report over the past couple of months, the problems with Portugal make it less and less likely that there will be any formal EU support package provided to Greece, or any other country in Europe, for the simple reason that it creates a precedent that could potentially apply to any number of countries across the EU. Portugal's downgrade simply highlights that.

The situation now is that the credit agencies will again look at additional problem countries such as Spain, Italy and Austria in that light, and potentially steadily downgrade each one. There is a vicious circle here: the more countries that are potentially in trouble across Europe, the less likely that there will be a formal bailout package offered to any country, as we have seen with Greece. The less likely that there will be a formal bailout strategy, the greater the perceived risk by bond holders, and therefore, the higher that the required interest rate will be, and the greater likelihood that the rating agencies will downgrade the bond ratings, raising the interest rate burden on each of these countries, and therefore the greater the financial risk.

So far, Greece and Portugal are relatively small fry as far as total European debt is concerned. The next potential Big Fish to be added to this issue is Spain, followed by Italy. The Italian regional elections are currently underway, and the outcome there is likely to create an excuse for S&P and others to reassess Italy from a sovereign risk perspective, even though the results have limited immediate impact on Berlusconi and his administration.

Many will argue, what do equity markets care about this sovereign debt issue? Who cares?

There are several reasons why this matters:

1. Moves in sovereign debt ratings impact the cost of debt for all corporates in that jurisdiction. Greece and Portugal are not a big deal, but Spain and Italy are, and a downgrade there has the potential to influence a substantially greater amount of outstanding debt. The greater the influence on corporate debt positions, the greater the influence on overall equity valuations.
2. Sovereign debt acts as a benchmark for equity markets in terms of financial risk. There are no equity equivalents to sovereign debt ratings for equities, so the impact of formal country/sovereign debt ratings often remind equity markets of the situation of real economic risk associated with financial asset investment, particularly in major areas like Europe and Latin America.

And yet, markets have quickly skipped over the issue.

The situation with Greece had an influence for a couple of weeks, but the downgrade of Portugal, which is more important for the simple reason that it is the second of the EU countries to suffer problems, and therefore escalates the issue to a new level and reduces the prospect of a coordinated EU solution, was skipped over by global markets in a day.

This seems to highlight the short attention span that markets currently have to negative news that is a concern. As we suggested a week ago, there continues to be a gradual build up of "storm clouds" over equity markets, but investors seem reluctant to properly consider the implications of those issues for any length of time. This is a situation that we have seen in the past prior to significant corrections, and parallels the seven or eight month period that existed prior to the GFC where the issue of massive debts backed by inadequate residential property values was largely ignored, as markets seemed unable to grasp the magnitude of the problem until the failure of Lehmann Brothers.

The question that needs to be asked now is what will it take for the growing issue of sovereign debt risk to be realised by equity markets? A default by Italy, or maybe Spain? Mexico?

The issue over what country ends up pricking the bubble and causing the next substantial leg down in markets remains a mystery, but the more that markets ignore the risk issues building in the immediate term, the more likely that the correction will be ugly. It may not even be sovereign debt; it may be US residential property data, or a move in Chinese monetary policy, but the more that markets continue to rise in spite of the steady increase in risk factors, the greater the correction when it comes.

Increasingly, economists outside of the equity industry are asking just why markets are continuing to rise (see *Yahoo Finance* and the *New York Times* online this week) given the fact that so many aspects of the US economy remain weak some 12 months into the recovery in the US equity market: in particular, the residential property market, consumer spending and unemployment.

By comparison to overall markets, the Fund has had a relatively good week, with the unit price up by 2.2%. Gains on both the long and short portfolios contributed significantly to the returns, which helped performance as stocks seemed to again start paying attention to return expectations following the reporting season, and hopefully, that will continue.

If you would like further information please visit our website at www.titaniumassetmanagement.com.au or as per the details listed below:

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