



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 | -1.0 % |
| 6 months | -8.8% |
| 1 year | 7.9% |
| 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 | 188.6% |

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

| | |
|-----------------------------------|------|
| (12 mth ave.) monthly volatility* | 9.7% |
|-----------------------------------|------|

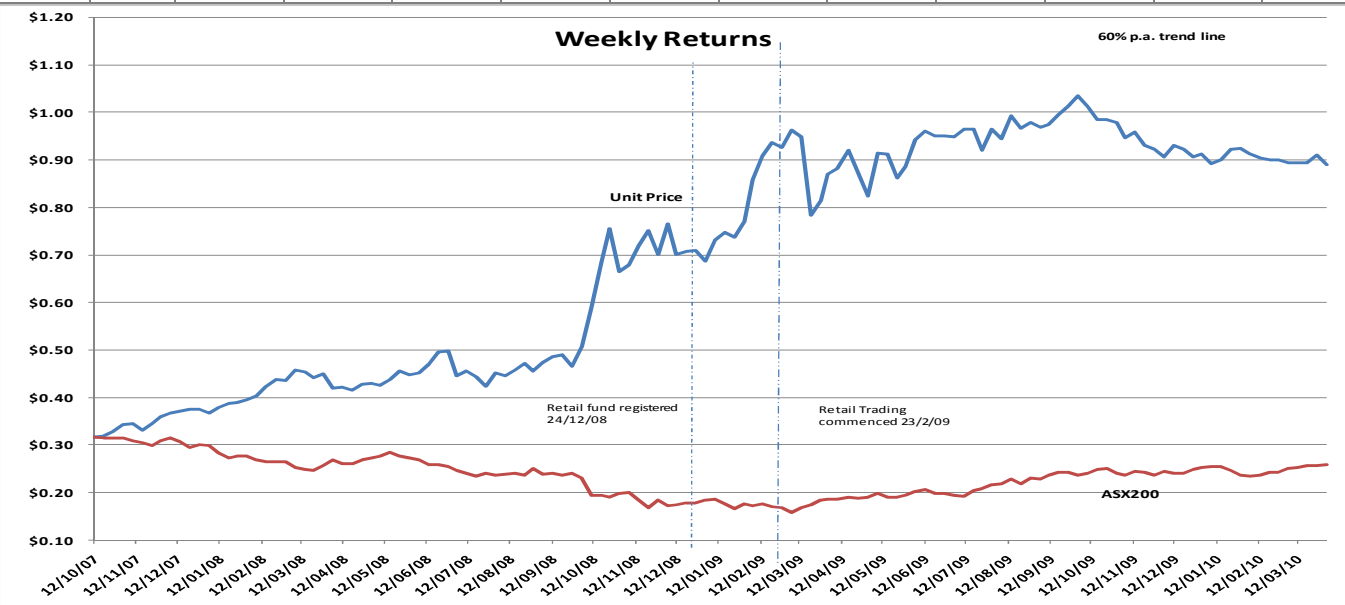
* Based on the standard deviation of monthly returns. Calculations are based on Friday's published unit price as per the TAM website - www.titaniumassetmanagement.com.au

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% | 1.1% | -2.0% | | | | | | | | |
| 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.)

The shortened Easter week has been modestly more interesting than the previous two weeks, but only just so. The fact is that things have been pretty quiet from a reality point-of-view, although the bull-dust has been laid on fairly thickly over the past week. Markets in the US have positive, rising by almost 1% again, but our Index has been more circumspect, with an increase of only 0.2%.

The interesting thing is that the primary economic data in the US over the week predominantly related to employment. Data on Wednesday showed worse-than-expected unemployment claims (and disappointing manufacturing data) that knocked the market down by 0.3%, while the data released on Thursday presented a more optimistic picture as far as the market was concerned, pushing up the S&P500 by 0.7%, and a further 0.8% on Easter Monday. What is interesting is that the data release on Thursday was widely predicted BEFORE Wednesday's data, and yet the market still fell and then recovered on Thursday and Monday.

So much for efficient markets.

This is the fundamental difficulty facing markets at present, and it is somewhat extreme from my experience with markets over the past 28 years. We are currently in a position, both locally and internationally, where neither traders nor analysts quite understand what is going on in the global economy. If you believe the Federal Reserve, and most of the Western world's governments, the basic principles of economics have gone out of the window. The primary principles of monetary economics don't seem to apply (high spending=increased demand for money=higher interest rates=currency demand shifts and moderated and balanced domestic demand). Keynesian principles have been mixed in with monetarism, with governments spending in order to try and stimulate domestic demand, with limited success and limited monetary consequences so far.

If you believe the US and Europe, we seem to have developed this new form of economics that is somewhere between the two, but where there seems to be no balancing negative consequences of either artificially keeping rates low, or massive-scale government expenditure, which any real economist will tell you just seems impossible.

If you believe equity markets at present, that seems to be the case as well. Debt is blowing out across the globe as governments throw away the fiscal restraint that has been a feature of economic management since the early 1990's, but with apparent limited monetary consequences. Greece has been the first country to see the some pain from that action start to have an impact, but its situation is simply symptomatic of the situation across Europe as "New Keynesianism" has returned as we hit the limits of what monetary policy was able to achieve. But mixing the two is supposed to cause problems that we are yet to see fully which equity markets are ignoring.

The other issue that remains difficult for a 28 year veteran of the industry to understand is how a central bank of a major economy, such as the Federal Reserve, can state that it feels the need to keep interest rates at effectively zero for a "sustained period" in order for the economy to recover to even moderate levels, and this is taken as a positive for markets that are already up by almost 70% over the past 12 months: particularly given the consequences of a similar policy in the recent past. Nothing says "we are in real trouble" like keeping interest rates at almost zero, "and we intend to keep them that way unless we are forced to do otherwise" in a monetary-economics world. If things change, where do you go? If there is any evidence of increased economic growth and inflationary pressure, what tools does the Fed have but short-term interest rates? Yet markets seem to believe that economic growth and corporate profits will increase, but interest rates will stay at zero, and there will be no inflation.

But this is only the start, as we have repeated *ad nauseum* in this report over the past few months. The real elephant in the room is the level of debt in the US, and just what happens if we get enough of a recovery in the US economy that the Fed has no alternative but to raise short-term rates to fight inflation, given that the economy has shed approximately 20% of its productive capacity over the past 18 months in order to maintain corporate profits in the short term. We are already starting to see increases in the 10 year bond yield, which is now right on 4%, pushing up mortgage rates to over 5.3% in a market that is already flat on its back (most US mortgages are priced off of long term bond yields, rather than cash rates as is the case in Australia). Lower productive capacity + increased economic growth = inflation = higher interest rates = smashed financial markets and higher debt servicing costs, which is a disaster for a country with record government debt.....

...unless someone can send me details of an economic text book that shows how an economy can borrow and spend indiscriminately while still maintaining interest rates at virtually zero, maintain control of inflationary and financial asset values, maintain a stable currency and have strong domestic demand, to p.rice@titaniumassetmanagement.com.au.

On a far less "fun" issue, we have been looking at the performance of the fund relative to its peers. For those that understand the market-neutral structure, a bull run, particularly one that has not (so far) been backed by explicit fundamental justification, is a nightmare. To put this into perspective, according to Australian Funds Monitor (who monitor the performance of market neutral funds), we are not the only ones who have found things difficult recently: in fact, we rank in the top 3 for 12 month returns to the end of March. The reason that it is so difficult is simple: markets are going up with limited specific justification at the individual stock/sector level, and that makes things extremely difficult for stock pickers (which all market neutral funds are). Given that there is no specific process for predicting market behaviour apart from guess work, that means that we are simply in a market

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environment that can only be directly compared to the 1999-2000 period, and the "Tech Boom", and ultimate bust. There are a couple of simple stats to consider. Firstly, we are now up just-on 60% over the past 12 months. Since 1960, there have only been 1.6% of all 12 month periods since then (regardless of when they have started and ended) that have produced returns of that amount. The average 12 month return for Australian equities is roughly 11% over that period. What are the odds that it will be repeated? We have NEVER produced two 12 month periods in succession where returns have exceeded 50%. If that is the case, the odds are that we will produce modest returns at best, and most likely, negative returns over the next 12 months. If that is the case, then a fund such as ours has the greatest likelihood of producing positive returns.

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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