TITANIUM
ASSET MANAGEMENT

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Profile 12th April, 2010

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	-0.5%
3 months	-2.0 %
6 months	-9.2%
1 year	6.8%
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	186.2%

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

(12 mth avge.) monthly volatility*	9.7%

* Based on the standard deviation of monthly returns.

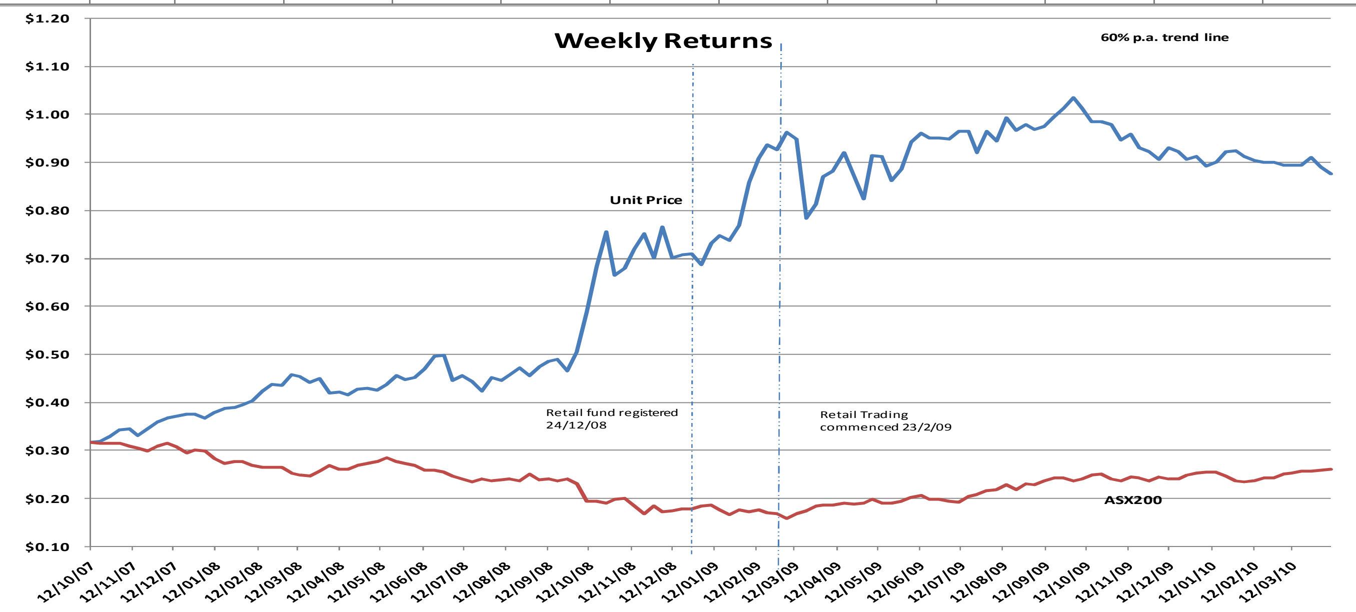
Calculations are based on Friday's published unit price as per the TAM website – www.titaniumassetmanagement.com.au

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%	-3.5%								
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.)***

Another pretty boring week for analysts as markets continued to drift along, with very little new news. The US may get more interesting in the week ahead as the first quarter reporting season gets underway, but generally, things look fairly dull. In the week just gone, markets continued their unconvincing rally. The S&P500 rose by 1.4%, while the ASX200 rose by 0.8%, despite the fact that there was little in the way of new economic (or any other news) to drive the rises in either market.

What is interesting, however, is the fact that as the economic data has become more positive (at least, as far as the market is concerned), the worries over interest rates have started to rise. Who would have believed it??

We wrote in this report more than six months ago that the threat that was going to emerge as a recovery became real was interest rates. It is hardly economic rocket-science, but an economy that has recovered from the depths of depression by government expenditure was always going to face this issue, as sure as the fact that night follows day. There was never any other possibility for the US, given record debt and budget deficit levels.

Low and behold, the same applies in Europe: who would have believed it??

The New York Times ran an article during the week on the fact that mortgage rates have hit the "astronomical" level of 5.3% as the 10 year government bond yield rose to 4%:

> "The impact of higher rates is likely to be felt first in the housing market, which has only recently begun to rebound from a deep slump. The rate for a 30-year fixed rate mortgage has risen half a point since December, hitting 5.31 last week, the highest level since last summer.
>
> Along with the sell-off in bonds, the Federal Reserve has halted its emergency $1.25 trillion program to buy mortgage debt, placing even more upward pressure on rates.
>
> "Mortgage rates are unlikely to go lower than they are now, and if they go higher, we're likely to see a reversal of the gains in the housing market," said Christopher J. Mayer, a professor of finance and economics at Columbia Business School. "It's a really big risk."

The full text of the article is available at http://finance.yahoo.com/news/Interest-Rates-Have-Nowhere-nytimes-100442253.html?x=0

The major point here is that the actions of the Fed Reserve to try and alleviate the problems facing the general economy are not able to be resolved without substantial financial consequences: a theme that we have been arguing about for months. Moves to manage interest rates at an artificial level are doomed to failure in an economy that has, for the past 20 years, been predominantly managed on a monetarist basis. The success of this economic methodology since the early 1990's has seen economies generally geared to adjust to monetarist management, which simply means that the boost in monetary aggregates by central banks globally is going to require a boost in interest rates in order to manage inflation when demand picks up.

If demand doesn't pick up, then the world is in a mess.

The other point that needs to be made is one that stockbrokers, real estate agents, and others try to skip over: rising interest rates mean lower financial asset values, all other things being equal. Traditionally, brokers try and argue that when rates are rising, it is absolute levels of rates that matter, which is rubbish. Generally, the argument that rates are rising, but still below "average" or "normal" that things are still "good". Rising rates may not cause financial assets (stocks, bonds and property) to fall, but they do reduce the positive impacts of other return drivers. This is the key as to why central banks use rates as a management tool, and the key to monetarist economic theory: to increase the cost of borrowing to slow demand, but also to increase the appeal of risk-free (interest earning) assets reduce the value of risky financial assets (like stocks and property) and reduce the size of financial asset "bubbles". This is the basis of monetary economic management, and a major threat to markets.

The real question is, what if that happens at a time when governments are stuck with the overhang of massive debt? In other words, how do we manage a combination of monetary and government spending (Monetarist and Keynesian stimulus) at the same time? This is unprecedented, and the problem that the entire world faces, and why markets seem unable to work out just what is going on.

Europe is a particular example, with Greece the current focus. Without going through this issue again, the problem that Greece presents, and most of Europe, is simply that they are not in a position to both stimulate their economies through government spending, and keeping monetary determinants under control. Something has to break. While it may be possible to solve the problem with Greece via the IMF, what about Portugal, Spain, Italy, Poland, Austria, etc?

The simple fact is that the world is trying to paper over too many cracks at the same time. Eventually, and soon, there will be too many cracks and not enough paper. When that happens, markets will be hit, and hit hard.

Let us look to the upcoming reporting season in the US: if companies have actually bought the "all is good" story, there will need to be extensive expenditure to expand productive capacity after the cuts in capacity seen over the past 6 quarters. The result: disappointing results, and potentially, a big drop in the market, If they haven't, then results are likely to be in-line, and the market will hold up.

Which is more promising for the long term prospect for markets?

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Clearly, heavy expenditure on adding capacity again, but it is unlikely. Instead, markets will focus on the bottom line, and most companies will remain conservative, and the markets will remain little-changed in the immediate future. The irony is that doing nothing is likely to be considered more positive than spending on expanding future capacity as the world continues to be turned on its head from an economic perspective.

From the perspective of the Fund, our only real problem for the week was the takeover move by NCM on LGL, which we were short and cost us about 1.7%. The unit price fell by 1.6% for the week. The encouraging thing from our perspective is that there seems to have been a renewed focus on the key issues of earnings and dividends at an individual stock and sector level, which has been missing since September. We therefore expect to see better performance from the Fund in the near future.

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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