



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	1.2%
3 months	0.4 %
6 months	-8.4%
1 year	-0.6%
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	187.6%

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

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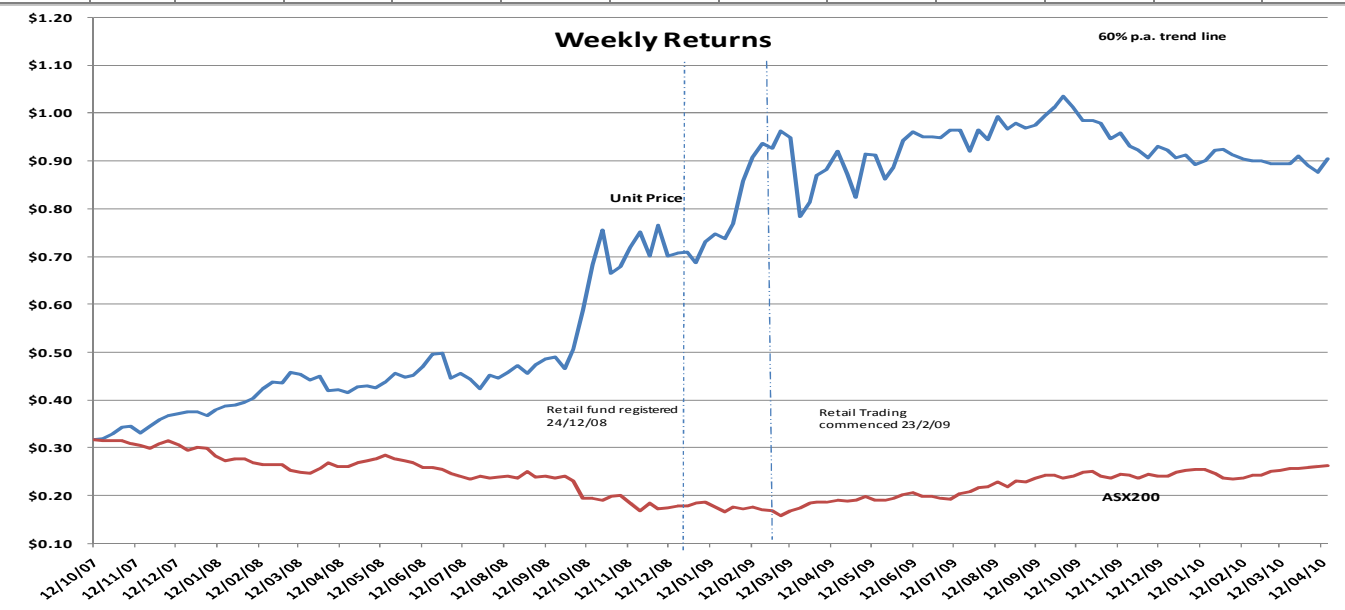
\* Based on the standard deviation of monthly returns. Calculations are based on Friday's published unit price as per the TAM website – [www.titaniumassetmanagement.com.au](http://www.titaniumassetmanagement.com.au)

Prior to 24<sup>th</sup> 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 24<sup>th</sup> 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%	-0.6%**								
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 reporting season in the US has started fairly well, with the main highlights so far as the market was concerned being the strong outlook statements from both JP Morgan and Intel. That has kick started the bulls running again in that market; at least until the announcements on Friday of action by the SEC against Goldman's that hit hard. Wall Street was actually down by 0.2% for the week; all of it on Friday, after having been up for most of the week as the reporting season was underway. Our market, by contrast, was up by 0.7%, but had actually trailed the US market ahead of Friday's drop, and is expected to follow the US down on Monday.

The performance of the Fund has returned to doing-what-it-should over the past two weeks following the completion of the December year-end reporting season, after 6 months of difficulties since the end of the previous reporting season. We were hurt initially by the LGL takeover bid (we were short the stock), but are now close-to positive for the month, and are up by just over 3% since the end of Easter. The market is up by 0.6% over the same period. Interestingly, both sides of the Fund have performed almost equally-well, with the long portfolio contributing 1.3%, and the short portfolio, 1.75%. This is in contrast to the previous 6 months that started with the last week of the previous reporting season, where markets seemed determined to push up stocks with little or no earnings, and penalise companies with good earnings growth expectations. Why the change, and why for such a clearly-defined period? It is one of the great mysteries of markets, but what we do know is that the valuation approach that we use works most of the time. Hopefully, therefore, we are looking at the prospect of a return to good, consistent performance from the Fund from here.

The US reporting season has, in the first week, been superficially good. The outlook statements by both JP Morgan and Intel in particular were decidedly upbeat. However, there are a couple of points to consider when looking at these two bellwether stocks. Intel is currently launching a new range of processor chips that will have a substantial impact on the everyday performance of PCs, and is producing a corresponding boost in demand from manufacturers in anticipation of the upgrade demand for machines. That is yet to be seen, but the point here is that the risk lies with the end-product manufacturer, rather than Intel. So far, the extent of that demand is still to be seen from consumers, and while the outlook is good based on the expected performance improvements, it does not necessarily translate across the industry (or the economy) just yet.

As far as banks go, JP Morgan has produced encouraging profit results, and the prospect for profitability continues based on their current business mix. However, there has only been limited evidence of a significant improvement in the real business of banking (lending money), rather than simply borrowing at almost-zero from the Fed, and buying longer term US government paper, as has been the case for the last 2-3 quarters. It is good for investors in banks, but it still doesn't say a lot for the prospects for the broader US economy, and that is the real issue at present.

Nevertheless, results so far have been ahead of expectations, and that is good, but there are still a lot of companies still to report. Of more real interest at this stage, particularly to the banking industry, is the move by the SEC against Goldman's on Friday. They will report later this week, but that result may well be overshadowed by pronouncements coming from the Obama administration, the Republicans in both the House and the Senate, and the SEC.

As we all know, the US banking system has been heavily dependent on massive operational gearing in order to generate very high revenues (not profits, as too much of it gets paid to the bankers themselves), which until 2 years ago, had been going along quite well. Much of this gearing has been the result of imaginative, off-balance sheet products that can broadly be described as "derivatives" if you stretch the definition a little wider than is strictly correct.

By contrast, the Australian banks have been less keen to gear their operations nearly as far as their US counterparts, and as a result, the reliance on "derivatives" is substantially less. This is the primary reason why our banking system suffered far less than their US (and European) counterparts in the GFC, and why Australia has been one of the main banking markets to adopt the stringent Basle II regulatory environment.

The American banks refused because it would have resulted in derivatives and other off-balance sheet products being used in the calculation of necessary capital, which isn't currently the case.

What is important here is that the Goldman's case is likely to create a substantial justification for why off-balance sheet banking products need to be more aggressively supervised in the US than has been the case in the past, not only in relation to the impact on bank balance sheets (as there has been plenty of evidence for in the recent past), but also from the point-of-view of protecting the consumer, even if the "consumer" is other banks. With the European and UK banking authorities likely to have a significant say in this case, plus the fact that Obama has insisted that greater regulation must be a critical lesson from the GFC (and it is difficult to argue given the funds that have been required to bail out the US banking system over the past 2 years), there is likely to be serious momentum for a new regulatory regime in the US banking system.

However, the Republicans will fight that almost to the death. This is likely to be significantly more difficult to get passed than the health care reforms, even following the gaping financial wounds still fresh in people's minds from the US residential property crisis. The very considerable resources of the banking sector, and the fact that many US politicians come from a banking background, will make achieving substantial reform an extraordinary political exercise, regardless of the obvious need.

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Profile 19th April, 2010

What is important from a market perspective is just when the odds get close to it being a 50-50 prospect, and how much influence popular opinion is likely to have on the expressed views of lawmakers. I suspect every trick in the book will be used to ensure that regulation is considerably weaker than we see in this country, but the issue will be just how much regulation will be able to be achieved. If the sort of restrictions that are in place here were imposed in the US, it would be the biggest fundamental regulatory change in the US since the Great Depression and the Glass-Steagall Act (which some have suggested should be reinstated in some form). If that level of new regulation became a prospect, the market would not take it well, to say the least.

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

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