TITANIUM ASSET MANAGEMENT

Profile 7th June, 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	2.1%
3 months	2.8 %
6 months	1.3%
1 year	-2.5%
2 year average	n/a
3 year average	n/a
Compounded monthly return since incep.	-0.4%
Negative Months in 1 year	4
Rolling average last 12 months p.a.	-2.5%
Cumulative returns since inception	-8.1%

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

(12 mth avge.) monthly volatility*	1.8%

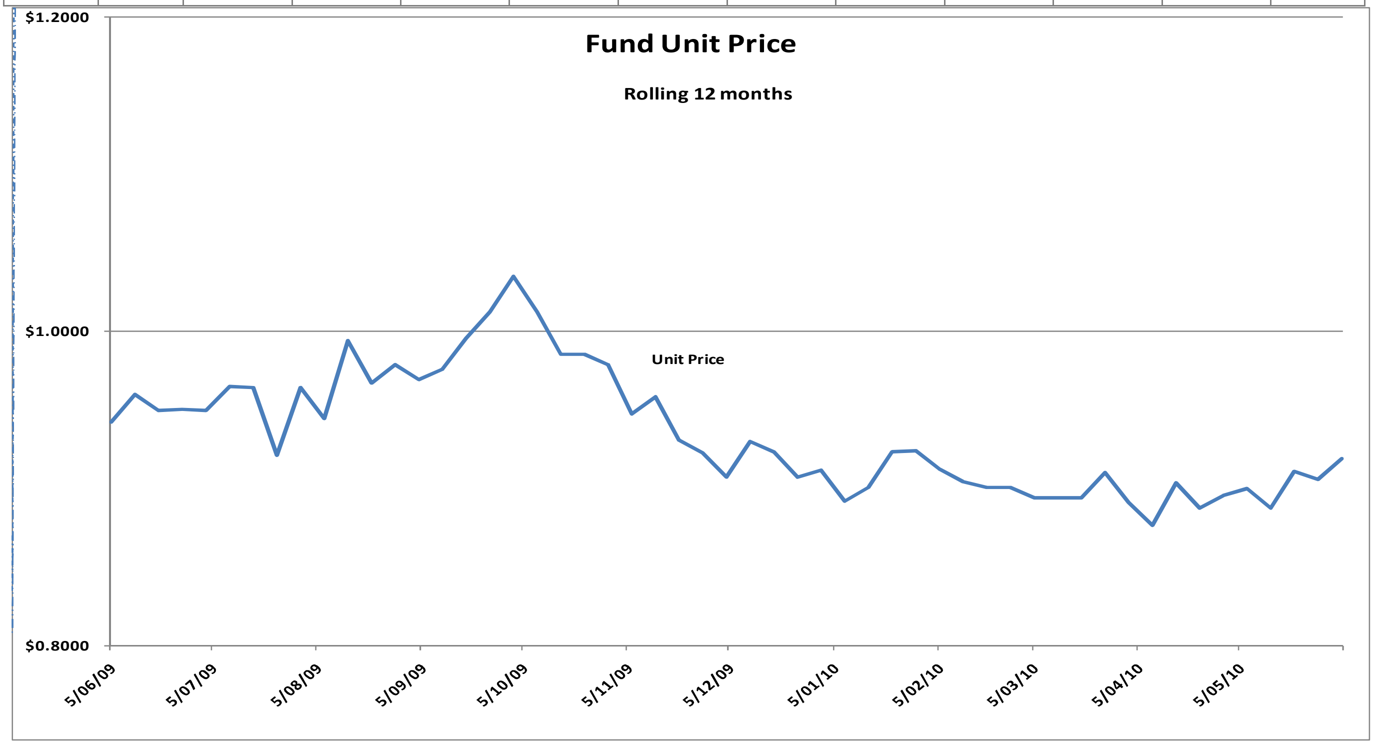
* Based on the standard deviation of monthly returns.
Calculations are based on Friday's published unit price as per the TAM website – www.titaniumassetmanagement.com.au

All returns are calculated net of all fees and charges.

***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%	-1.4%	1.7%	1.2%**						
2009			-12.2%	1.1%	7.7%	7.8%	0.9%	2.6%	5.6%	-6.6%	-4.5%	-3.3%



Weekly Summary ***Author – Peter Rice (C.I.O.)***

Everything had gone fairly quietly in markets over the past week, until Friday in New York. There had been little-or-no new news from Europe, and as usual, that meant that equity markets were starting to forget about the issue and getting bullish again. By the end of Thursday's close on Wall Street, the S&P500 was up by 1.2%, and the ASX200 had fallen by an insignificant 0.2% after catching up with the weak close on Wall Street from the previous Friday. All seemed to be well with the world; at least, on a relative basis compared to the past few weeks. Then, there was Friday.

For those that had been hoping that Europe was going to become increasingly seen as a largely irrelevant annoyance to an ongoing recovery in the US and global markets, the new prime minister of Hungary announced that it, too, was in serious financial trouble, signalling just how wide the financial problems in Europe are becoming. And just to top things off, the US May jobs report came in weaker than expected. The US market fell by more than 3%, and the loss for the week became 2%, and we are likely to start next week with a substantial loss.

Looking briefly at Europe first: the key threat is that we (and the markets) know that there are substantial problems with several economies that are still trying desperately to keep markets relatively calm: Spain and Italy are probably the biggest threats, but the UK, Ireland and Austria are not too far behind.

It is interesting to look at the issues facing Spain. There is a major concern that there will be a collapse in Spanish property prices which have skyrocketed over the past few years, as the use of the Euro has encouraged buyers from Germany, the Netherlands, Sweden, France, etc. to buy what were bargain priced properties in the sun. This was based on their currencies' conversion rate to the Euro. Banks have been falling over themselves to lend on such properties, but the ability of locals to buy and service the debt at these inflated prices (relative to what they were before) has been stretched to the limit. The result is an increasing expectation of a US-style collapse in prices, and a corresponding hit to the banks. The magnitude of the problem is potentially huge, with one major bank already closed, and many more in serious trouble. Italy has more of a problem with outright government borrowing and spending, as does the UK (mainly because their banks were hit harder by the US bank issues than others).

These are all economies that make the problems in Greece, Portugal and Hungary seem like small change. But the big fear is that the trade cooperation that has been facilitated by the Euro and the European Union, that has seen the continent gain substantial economic power as a coordinated entity, is looking increasingly as though it will have the opposite effect when things are tough. And they are becoming increasingly tough, with the economic problems spreading, and spreading quickly.

The point is that none of these issues is going to be sorted out easily, in any country, as we have said *ad nauseum*.

What was also interesting was the reaction to the May job report. Was Wall Street really expecting a better report than what was released?? It has been said repeatedly (and we have quoted incessantly) that the US needs GDP growth of 5+% for unemployment to fall by 1%. Growth is well below that, and consumer spending (which is the dominant driver of the US economy) remains subdued. Is it a surprise, then, that unemployment has remained relatively flat?

Clearly, Wall Street prices are too high (based on previously-inflated growth expectations) when markets behave the way that they did on Friday to these numbers. And expect there to be an increasing number of these days as data confirms that previous growth expectations were too high.

To get back to something a little less removed from our markets (and to stop effectively repeating what we have now been harping on for what-seems-like months), we decided to have a look at some trends at a stock level in the ASX200. As (I hope) most who follow our work know, one of the key components of our stock valuation process is to attempt to quantify market perception of risk at any point in time, and to use that to estimate an individual cost of equity. This is then used in our valuation of each stock, and along with index-relative momentum indicators, helps us to decide which stocks to hold long and which to short. The risk rating relates to the listed stock, rather than the company, and as such, includes factors such as trading volumes, market capitalisation and market-relative stock volatility, as well as debt to equity ratios and interest cover, cash generation, EPS growth performance, ROE, price-to-book, etc. These factors are then compared to Index averages, scaled and aggregated.

Our valuation process does not only look at risk, but also incorporates dividend and EPS expectations, current share price, and oth23 factors. However, by looking at our estimate of the market's perception of risk, and comparing that to market-relative performance, we will get an idea of investor appetite for, or aversion to, perceived risk in the current equity market climate.

What we have done below is to show the 30 lowest and highest risk-rated stocks in our coverage of the ASX200 based on our process, and their recent market-relative performance as indicated by the "Momentum Indicator" ("Index Rel. Mom."). The stocks listed below in both categories DO NOT represent an implied view on any stock in either list, and we DO NOT necessarily hold any stock in either list either in our long or short portfolios. As we mentioned above, our ultimate view on a stock, and the decision as whether or not to hold it long or short uses a significantly greater number of factors.

Having said that, the quantification of risk is an interesting component in the behaviour of equity markets at both the stock and market level, and is an area that has been extremely difficult to identify and quantify on a general basis. Table 1 shows the 30 lowest risk stocks based on the TAM Investment Process, in ascending order of estimated risk, along with the corresponding ASX200 index-relative momentum indicator. Table 2 shows the 30 highest risk stocks in descending order, based on the same process. For details on these measures, refer to the “Investment Methodology” section of the TAM website.

Table 1: Lowest Risk Rated Stocks	Est. Cost of Equity %	Index Rel. Mom.
WOOLWORTHS	8.4	+
BHP BILLITON	8.9	-
NEWS CORP.	9.8	+
SING TELECOM	9.9	+
TELSTRA	10.1	+0
OIL SEARCH	10.2	+
WOODSIDE PETROLEUM	10.2	+
NEWCREST MINING	10.3	+
CSL	10.4	0
WESFARMERS	10.7	+0
ORIGIN ENERGY	11.1	0
RESMED	11.1	+
OZ MINERALS	11.3	0
RIO TINTO	11.4	-
MACARTHUR COAL	11.7	0
COCHLEAR	11.7	+
LEIGHTON HOLDINGS	11.9	-
SANTOS	12.1	0
SEEK	12.4	+
DAVID JONES	12.5	0
COCA-COLA AMATIL	12.7	+
LIHIR GOLD	13.0	+
JAMES HARDIE INDS.CDI.	13.1	+
FOSTERS GROUP	13.1	+0
AUST.GAS LIGHT	13.2	+
INCITEC PIVOT	13.2	0
COMPUTERSHARE	13.3	-
STOCKLAND	13.5	+0
WESTFIELD GROUP	13.5	+
ERA	13.6	-

Table 2: Highest Risk Rated Stocks	Est. Cost of Equity %	Index Rel. Mom.
INFIGEN ENERGY	32.5	-
PAPERLINX	31.6	-0
DUET GROUP	31.5	-
ELDERS	31.4	-
GUNNS	30.4	-
BENDIGO BANK	30.0	-
ENVESTRA	29.6	0
VALAD PROPERTY GRP	29.2	0
VIRGIN BLUE	28.6	-
AWB	27.6	0
SOUTHERN CROSS	27.1	-0
FKP PROPERTY GROUP	27.0	+
ALESCO	26.7	-
ISOFT HEALTH GROUP	26.7	0
EMECO HOLDINGS	26.0	-
HASTINGS DIVERS.	26.0	+
AUSTRALIA AG.	25.1	0
TRANSPACIFIC INDS.GP.	25.1	0
HASTIE GROUP	25.0	-
BANK OF QLND.	24.7	0
CHALLENGER FINL.SVS.	24.0	-0
TOWER AUSTRALIA	24.0	-0
ING INDL.FUND	23.9	-
STRAITS RESOURCES	23.8	0
SUNDANCE RES.	23.7	-0
PACIFIC BRANDS	23.7	-
KAGARA ZINC	23.5	-
AUSENCO LIMITED	23.3	-
W. AUST.NEWSPAPER	23.0	-0
CRANE GROUP	22.9	0

There are a couple of key points to take from this analysis:

1. From Table 1, only 5 of the 30 lowest risk-rated stocks in the ASX200 are underperforming the market, regardless of EPS growth or dividend forecasts, and surprisingly, 2 of those are BHP and RIO;
2. From Table 2, only 2 of the highest 30 risk-rated stocks are outperforming the market.

Conclusions that can be drawn from that:

1. we are in a market where there is a clear preference for lower risk stocks; and
2. our risk measure seems to be reasonably accurately reflecting the market’s perception of risk associated with traded stocks in the ASX200; at least, at the top and bottom ends.

The macro conclusion is that investors are no longer viewing us as being in a bull market, caution and low risk is again the key to stock picking. As a result, we have performed well recently, with the Fund up by 2.1% over the past month, and those gains look set to continue 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:

Company: **Titanium Asset Management Limited**

Author: Peter Rice (CIO) Email: enquires@titaniumassetmanagement.com.au

Postal Address: P.O. Box 1110 Ph: 1300 785 276

Camden NSW 2570 Fax: (02) 4655 5275