TITANIUM ASSET MANAGEMENT

Profile 28th 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	4.4%
3 months	3.9 %
6 months	4.9%
1 year	-0.6%
2 year average	n/a
3 year average	n/a
Compounded monthly return since incep.	-0.02%
Negative Months in 1 year	4
Rolling average last 12 months p.a.	-0.6%
Cumulative returns since inception	-5.5%

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

(12 mth avge.) monthly volatility*	1.7%

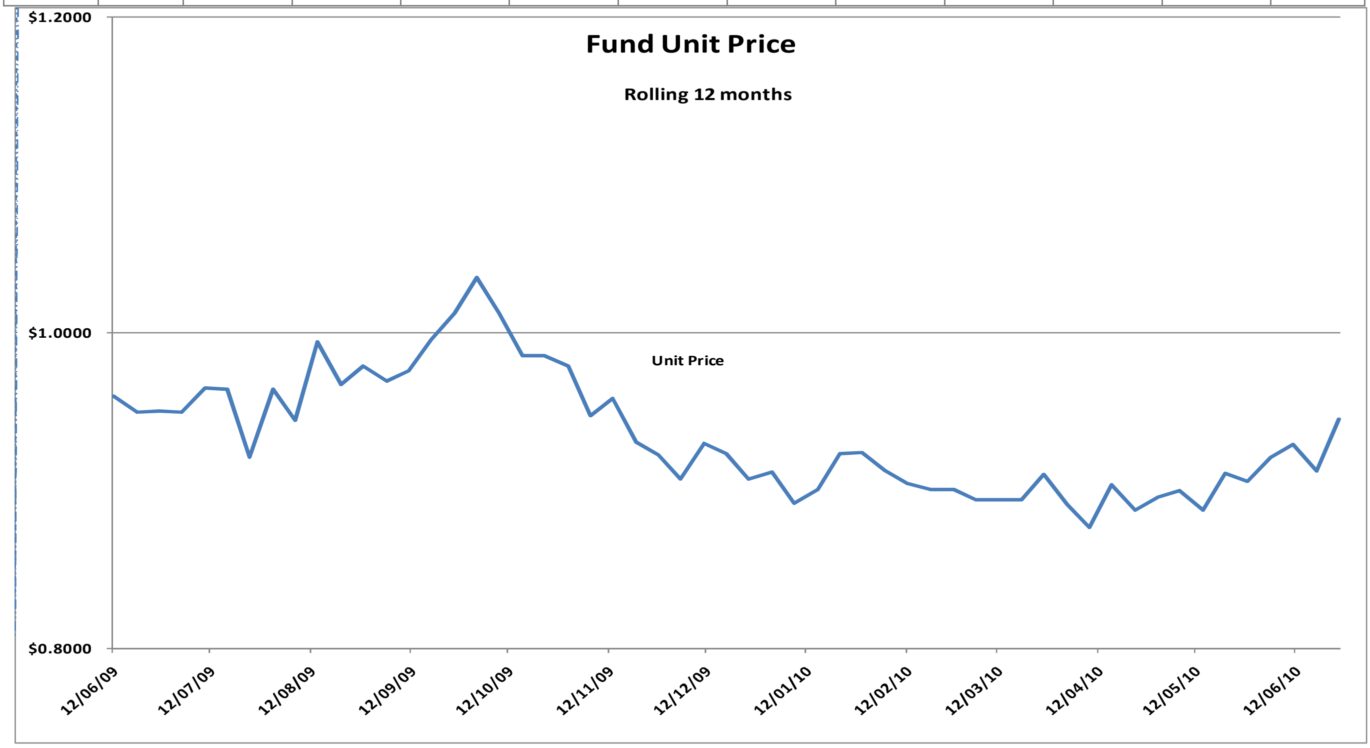
* Based on the standard deviation of monthly returns.
Calculations are based on Friday's published unit price as per the TAM website – www.titaniumassetmanagement.com.au

All returns are calculated net of all fees and charges.

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

Class A: Retail *** 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%	4.3%**						
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.)***

There was a little more economic news for the US market to digest this week, but it managed to give markets more indigestion than sustenance, and that followed through into our market. Wall Street was down by 3.6%, while our market was off by 3%. As we suggested last week, the China news boosted the markets early on, but it didn't last for long.

The minutes of the last Fed Reserve meeting unveiled a less-than inspiring economic outlook as far as the central bank was concerned, despite the desire to present upbeat prospects. The data released over the past two weeks appears to be confirming the Fed's view, and threatening the equity markets' much more optimistic opinion.

Interestingly, the Fund has had its best week for almost 9 months, with the unit price up by 3.5% after all fees and costs as the market started to look at realistic, rather than optimistic, value at the individual stock level. Understandably, the short portfolio contributed more than the long portfolio (2.3% v 1.2%), but both components of the Fund portfolio did their respective jobs, which is encouraging. Hopefully for all concerned, this return to investment realism will continue for some time, but the sentiment of the market is likely to be dictated by overseas influences: in particular, the tone dictated by the US market.

What is interesting over the past week is that the data seems to finally be getting through to the market that the growth presumptions built into the 70% rally from March '09 to the recent high is completely unrealistic. Even the Fed's conservative view of 3-3.5% growth is now starting to look optimistic at the end of this week.

We had already seen retail sales falling for the first time since March '09; record-low existing home sales; a major fall in new home sales in May; and then, a further downward revision in 1st quarter GDP from 3% p.a. to 2.7% due to lower actual retail sales versus earlier estimates. Add the fact that much of the growth was contributed by a build up in inventories, and the optimism created by the initial 1st quarter GDP estimates is ebbing away quickly.

The problem now is that it is looking more and more likely that the 2.7% (annualised rate) 1st quarter GDP growth may well be the peak for the year if the May retail sales data trend is confirmed in June. If we see further falls in June, then GDP growth will struggle to exceed 2% in the 2nd quarter. There is likely to be further cuts in stimulation spending by the Obama administration as the elections approaches, and that will hamper growth in the 3rd and 4th quarters as well. How far that will hurt the recovery, we will have to wait and see, but Europe certainly isn't going to help (see this report two weeks ago), with early indications from the current G20 meeting in Toronto suggesting that there is unlikely to be any reversal of the cut backs in government spending and tax increases announced over the past month or so, despite the protests of the US.

At a rough guess, that will put the four-quarter average at barely over 2%, which will substantially disappoint Wall Street. Just to rub salt into the wound, the next reporting season (due to start in late July) is looking increasingly ominous as the number of companies making profit warnings over both 2nd quarter's profits, and prospects for the second half of the year, increase.

It will be corporate profits, or the lack of them, in the reporting season that is the biggest threat to markets. If results are significantly below market expectations, things could get fairly ugly given where the market is now, and the correction that we have seen to date will look very modest.

In reality, it is likely that most companies will do whatever they can to keep reported profits as high as possible for this quarter, but beyond that, it is going to be extremely difficult to maintain market expectations of profit growth. Much of the optimism that was evident 3 months ago, and has been evidenced by the strong industrial production numbers this year, will quickly disappear if June's retail sales data is again weak. At this stage, that appears a better-than a 50/50 chance. If that happens, then companies will have no alternative but to cut back production, or risk leaving unsold goods on shelves and in warehouses. If that occurs, then the major bright spot in the US economic equation will become a drag on growth.

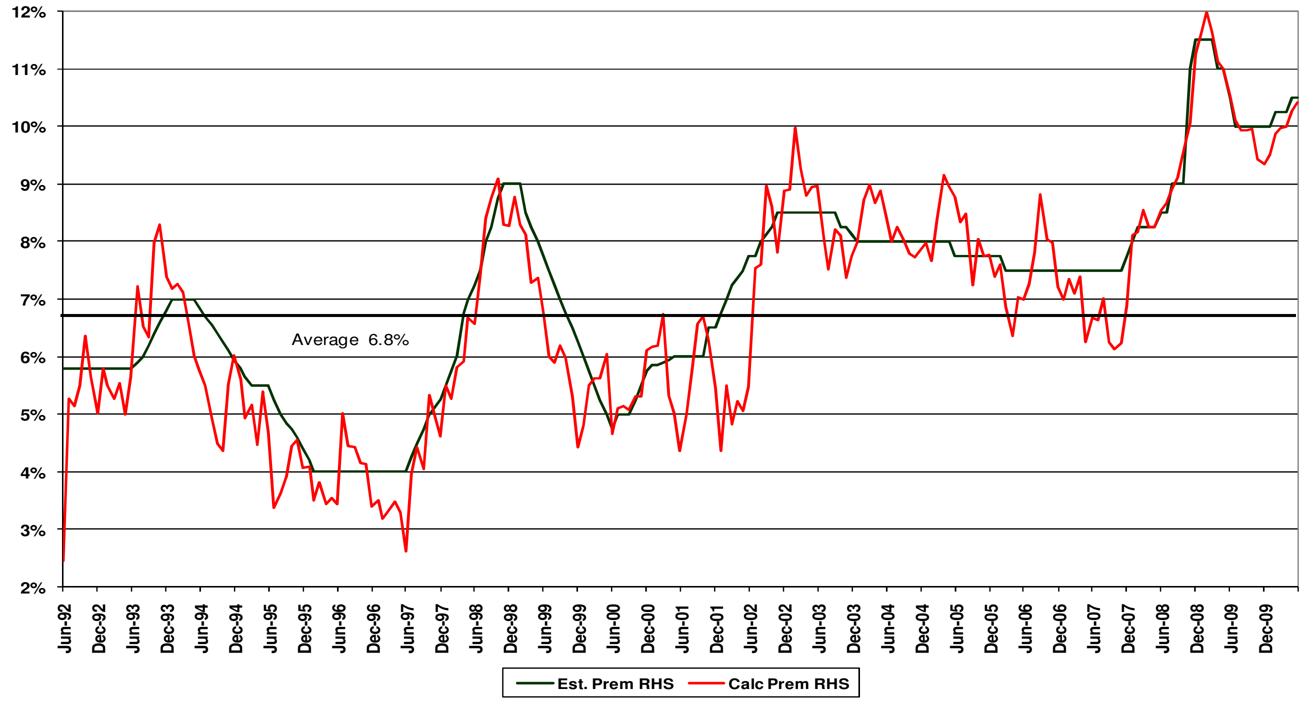
Of course, this could prove to be overly pessimistic, but there does appear to have been a marked shift in sentiment over the past couple of weeks, although it has failed (as yet) to start any form of market panic. The question is simply that markets seem reluctant to admit that they have been too optimistic on the economic outlook for the US. However, the more that articles such as the following are published, the more likely that the realisation will dawn on traders and investors:

http://finance.yahoo.com/news/Economy-faces-tough-road-apf-1988566378.html?x=0&sec=topStories&pos=9&asset=&ccode=

While it is tempting to say that "we saw this coming", and have expected an economic scenario along these lines for 12 months or so, being ahead of the market is almost as big a sin as being behind the market. However, if there is a major correction, and/or a double dip recession, our sin of being too early will look less onerous. This is the great dilemma for funds managers, but the fact that sentiment in markets can shift dramatically, and the trigger for such a shift is highly unpredictable, leaves us all in a position where it is better to be ahead of the market than behind, even if there can appear to be short-term penalties for doing that. This is essentially the difference between a trader and an investor.

Of course, our economy has few of the problems facing either the US or Europe at present. Retail sales here are far less important to the economy than they are in the US, and so softness in that sector (which is still evident) is far less critical to overall GDP growth. We continue to have strong demand for housing that, if anything may be getting too strong for the Reserve Bank. As a result, unemployment is not a major problem, and the continued strength of the resources sector adds another dimension to our economic growth. Our deficit is much smaller as a % of GDP than any major country in Europe or the US, and government debt

remains very small despite the spending seen over the past 18 months.
BUT will that growth withstand another hit from overseas if US growth drops closer to zero (we think that it is unlikely that the US will go back into recession), and Europe does have a secondary recession? It seems highly unlikely that our economy would remain completely unscathed, but it is likely to do as it did last year: growth will slow, but recession is likely to be avoided.
Equity markets are not likely to fare as well, for the simple reason that such a scenario MUST raise the risk premium on equity even if growth was to remain the same, and that means falling market values. We have already seen the start of this effect as stocks with a higher perceived risk suffering more during the recent correction.
Below are our estimates of the actual implied equity market risk premium for the ASX200 since June 1992:



It seems that the appointment of our first female prime minister is unlikely to influence that terribly much, based on trading over the later part of the week, although there will be some reduced pessimism towards the miners: at least, in the short term.

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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