Titanium Asset Management Limited

Profile February 23 2009

Titanium Asset Management Limited (TAM) is the Investment Funds Management arm of the **Titanium Financial Services Group**. TAM is fully licensed with ASIC - Australian Financial Service License (AFSL) # 331088), and is the Responsible Entity, Trustee and Manager 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 of a doctoral thesis at a major 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, best-researched and highest-quality 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.

As a result of this process, we have been able to achieve extraordinary and consistent returns in the most difficult of market conditions, with the minimum of investment risk. The concept of the market-neutral fund has been around 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.

Table A

Percentage Returns

1 month	27.3%
3 months	24.7%
6 months	98.4%
1 year	114.4%
2 year average	n/a
3 year average	n/a
Compounded monthly return since incep.	6.8%
Highest monthly return	40.2%
Negative Months in 1 year	None
Rolling average last 12 months p.a.	114.8%
Cumulative returns since inception	195.6%
Annualised volatility*	9.7%

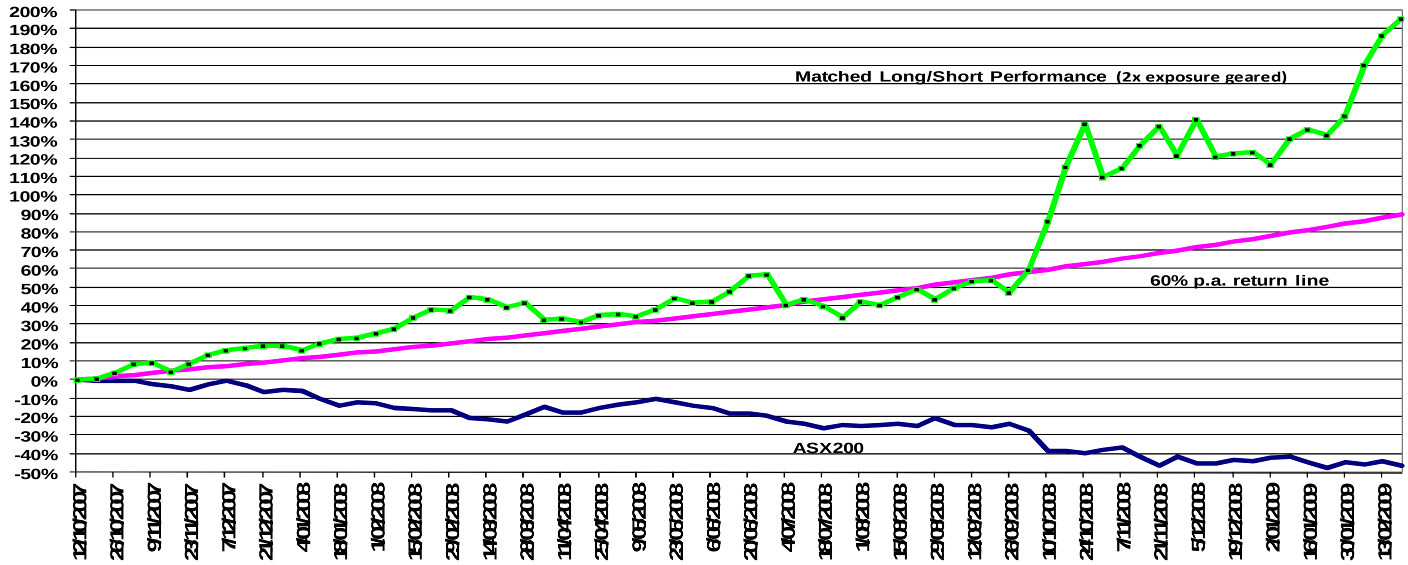
* Based on the standard deviation of monthly returns.

The Table A calculations have been based upon the application of the investment approach and strategies more particularly set out in our published document titled 'Volume and Momentum Monitor' and annexed to our PDS.

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

Class A: Retail *(since inception October 2007, based on pre-distribution NAV, distributions exceeded earnings in select periods)*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009	8.6%											
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	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.6%	12.2%



Performance Commentary

After 2 weeks where the main driver of the markets was the progress of fiscal stimulus packages through parliament in both Australia and the US, and the optimism that came from the ultimate approval of both packages, markets returned to the more sobering issues that have followed from the recent reporting seasons and the bigger fears that come from concern over the effectiveness of either/both plans. The S&P500 fell by a massive 6.9% to take total losses for the year so far to almost 14%, while the Australian market fell by just over 4.1%. As a result, the ASX200 is now down by 9% since the 1st January.

By contrast, we continued the strong run that we have seen over the period, with an increase in value of 4.8%. The effective unit price of the fund has now increased by over 30% for the year to date. Part of the improvement in performance appears to have come from the use of an alternative source of consensus data since January that seems to be more reflective of the market view of individual stock prospects.

The sharp falls in markets seen this week is not good news going forward: it has not been the result of any new hard macroeconomic data. It does seem, however, that the main factor has been a refocussing on the current reporting season, but more importantly, there are serious questions being asked of the ability of governments to do more than moderate the real impact of this crisis. As we mentioned last week, there is no current evidence to give anyone but the most optimistic politician confidence that the huge expenditures being planned will work and stop the US and most of the rest of the world sliding into a major and sustained recession. The fact that extensive and sustained fiscal input during the ‘70s and ‘80s did little but leave governments with debt that took much of the ‘90’s to repay gives reason for concern and scepticism.

However, the simple fact is that governments globally are in a position where they can’t afford to sit and wait from a political perspective. The first wave has already hit (the impact on the banks themselves), but we are all still waiting for the potential flow-on from a crippled financial system. Very possibly, this latest reporting season is just the start.

But if that is the case, the real macroeconomic impacts are still to be felt for the US and Australia. So far, all that we have had has been relatively mild. The fear factor has been driven by news from the UK and, in the past week, Japan where the latest data has suggested these economies are contracting at a very rapid pace. The 4th quarter GDP data from the US that was reported recently showed negative growth at an annualised rate of 3.8% that is not too dissimilar from the Japan and UK data. However, this is the economy where it all started, and where the greatest underlying problem still exists: massive residential mortgage losses and plummeting property prices. And that problem is a long way from being solved.

Unfortunately, finding any credible economist to express a view that this is the worst of it is impossible. The simple fact is that the bottom for the world economy is yet to be reached. Just as importantly, there is little indication of how far and for how long economies will have to contract before a recovery can start. The hope from governments is that large scale spending now will do enough to stop things getting too bad, and then they will worry about the long term consequences of the funding issues later. The stimulus packages need to have a massive impact reasonably quickly (within the next 12 months) in order to offset the negative monetary consequences of this level of expenditure. Luckily, government debt levels in Australia, the UK and much of Europe should remain manageable IF stimulus is only required for a relatively short period.

However, the US is a much bigger concern with debt levels already at record levels. The simple fact is that unless the US stimulus package is able to have a massive impact on the economy and prompt a quick recovery within a year or so, that spending will start to push up interest rates, and significantly. If that happens before the economy is back on its feet, the world is in for a long and tough economic time. Hopefully, that will not be the case.

Unfortunately, though, there are very few reasons to be optimistic over the next year or so from a global perspective. Australia will do better than the rest of the developed world economically, but that simply means that we will fall less. Until the rest of the world begins an upturn, we will do well to hold-our-own. In addition, every economic number reported will be studied in depth for its wider implications, and that will mean high market volatility. If the past holds true, what generally happens is that there will be the occasional positive aberrations in data that will prompt exaggerated optimism, followed by heavy selling from those that have been waiting for an opportunity to get out.

A recovery in equity markets will only come when there is a sustained economic recovery, and that will take at least another two years before it is evident. It is unlikely that fiscal stimulus in either Australia or the US will cause that recovery, but both packages may make it easier for the rebound to happen when the crisis finally runs its course, and reduce the depth and width of the hole that we are about to find ourselves in. We will know that it is happening when monetary policy again starts to have an impact, and when the man-in-the-street stops preparing themselves for the impact that they currently fear is coming.

If you would like further information please visit our website at www.titaniumassetmanagement.com.au or by telephoning 1 300 785 276 or email your enquiry to Titanium Asset Management Limited at investments@titaniumassetmanagement.com.au.

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