Titanium Asset Management Limited

Profile May 25 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	4.5%
3 months	-7.2%
6 months	22.5%
1 year	91.7%
2 year average	n/a
3 year average	n/a
Compounded monthly return since incep.	5.3%
Highest monthly return	42.7%
Negative Months in 1 year	1
Rolling average last 12 months p.a.	91.7%
Cumulative returns since inception	171.2%
Annualised volatility*	10.9%

* Based on the standard deviation of monthly returns.

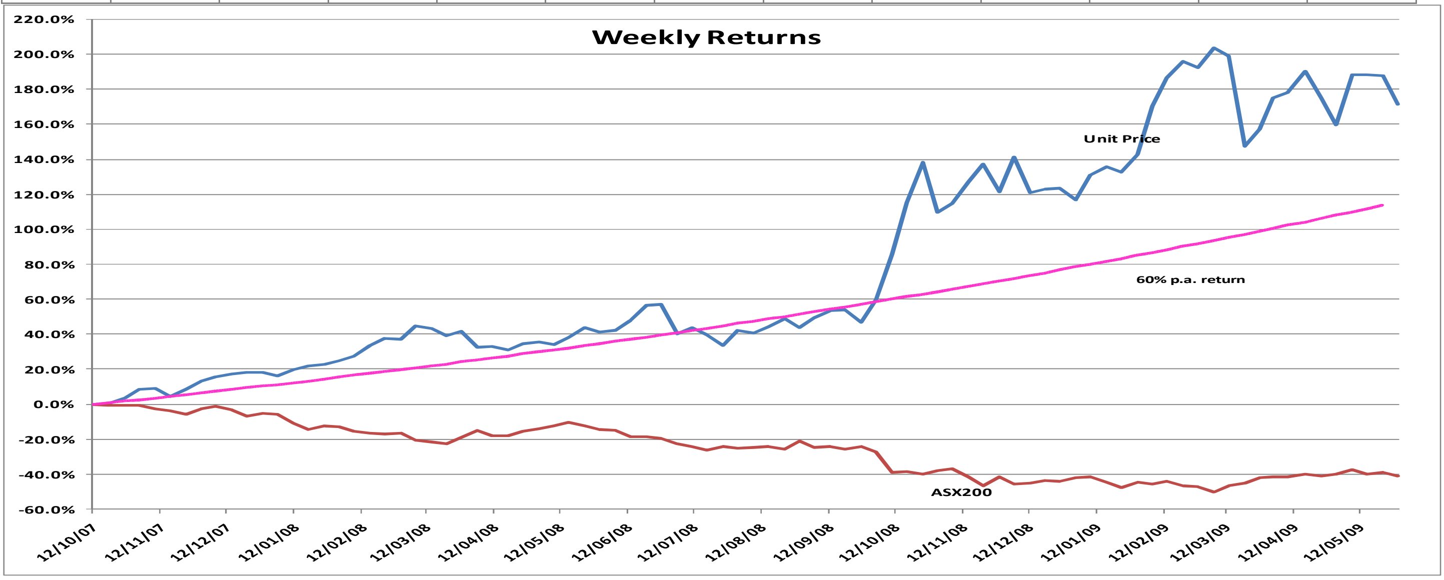
Calculations are based on Thursday's published unit price as per the TAM website.

The Table A calculations have been based upon the published unit price of the Fund and application of the investment approach and strategies set out in the appendix to the ASX200 All Weather Fund PDS. Refer to the website.

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

Class A: Retail *(since inception October 2007, based on pre-distribution NAV)* *** MTD return.*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009	8.6%	20.5%	-12.2%	1.1%	4.4%**							
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%



Declaration: **Titanium Asset Management Limited ASX 200 All-Weather Fund.** Whilst every care has been taken in the preparation of this document by Titanium Asset Management Limited ABN 60 132 768 382, AFSL 331088 and ARSN 134596302, the opinions expressed in this document are simply our opinions based on our observation of the market, which may not necessarily be shared by the reader. This information is supplied for the purposes of providing general advice only, and is not specific advice. It does not take into account your individual objectives, financial situation or needs. The offer to invest in the ASX200 All-Weather Fund ("The Fund") is made in the Product Disclosure Statement ("PDS"). Anyone who wishes to invest in the Fund should read the PDS carefully. and /or consult with your financial advisor. A copy of the PDS may be obtained from your adviser. The ASX200 All-Weather Fund is a registered investment scheme of Titanium Asset Management Limited, AFSL 331088.

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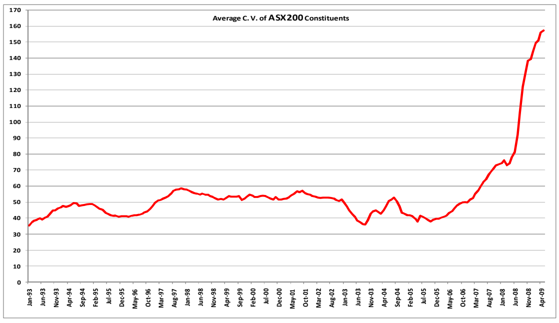
Performance Commentary

Markets again closed the week barely changed, although it didn't feel like that. As we have seen over the past month or so, sentiment shifted significantly during the week as markets reacted to relatively minor and conflicting news. The US market ended up by 0.5%, while the Australian market ended down by 0.4%. On the fundamental front, the main issue for Wall Street was unemployment but reports did nothing to clarify the situation. The Fed updated its forecast to a peak of 9.6% nationally, which was worse than previously expected and belies the optimistic outlook put forward by Chairman Bernake over the past month. Interestingly, Japan announced 1st quarter GDP data during the week that set the current year fall in GDP at a massive 15% p.a.; the greatest since the end of the second World War. It hardly raised an eyebrow in the US, but it has significant implications for just how much the "real" world economy is hurting at present.

The other major issue was the announcement that the UK may well lose its S&P AAA debt rating. Potentially, this has enormous implications from a wider perspective. Debt levels have been boosted in order to try and spend out of the economic crisis. The implications of that, however, have not generally been fully considered by markets. If Britain loses it's AAA status, the risk also increases for many more countries. A reduced rating boosts borrowing costs, which will start to lift domestic interest rates. Once the ball starts rolling, it will hit all economies and rising interest rates are the last thing that the world needs right now. This is an issue that we have mentioned since 16th February, but a cut in the credit rating of a country such as the UK may well bring it more to the fore for equity markets.

For the fund, it was a poor week, with a fall of approx. 6%, mainly on Thursday and Friday. While this has been concerning, return since the 1st May is still 4.4% in a market that is down by 0.5%. It follows the two-steps-forward and one-step-back pattern that has been a feature of the stocks in the Australian market over the past few months, if not the market itself.

The weak performance on Thursday and Friday was predominantly in our Long Portfolio that had generated 8.3% of the 11% gain against the market in the previous two weeks (2.7% for the Short Portfolio). This week, the Long Portfolio underperformed by 4.6%, and the Short Portfolio by 1.4%. While something that we are far from happy about, it is a current feature of a nervous, trader-driven market where there remains little confidence in the outlook, either positively or negatively. We knew that it was coming, but we don't like it. Primarily, the important issue for the fund is if the overall returns remain positive, but it may be nerve-wracking in the meantime.



We highlighted the sharp jump in volatility of the constituents of the ASX200 in the *Investment Report* 27/4/09. The chart to the right shows the measure (the month-end weighted average coefficient of variation of the ASX200 constituent stocks) since 1993. We calculate the measure based on the volatility of the previous 6 month average market-relative price. As such, this measure does not reflect Index volatility, but only the volatility of the stocks relative to the market index (in this case, the ASX200).

Volatility creates an opportunity for all market participants, but it is something traders find more attractive than investors given the impact on return variations. This is something that all equity investors and funds managers are dealing with in the current market environment regardless of their methodology (unless they are "Indexers"), including us. It is not desirable, but it is a fact of life at present.

This level of volatility will clearly not be maintained, but it will require a degree of economic certainty before there is a substantial drop. Ironically, even a more pessimistic view of the economic environment will help to bring the volatility down and stabilise returns, and particularly so in our case with our ability to achieve returns in a falling (as well as rising) market.

The other phenomenon that has become a major issue for investors over the past few weeks has been the spate of capital raisings in the market. The boost in the Index since March has given many companies the opportunity to raise much-needed equity capital that they did not expect to have for some time. In the month of May to date, companies have made rights issues of A$8.7bn which is a record for the Australian market (the previous record was A$5.3bn in July '07 according to Citibank). What is unusual is the way such capital raisings have been done. Virtually all have been non-traded discounted rights issues; generally at a discount to the current market price of around 25%. Investors are given little choice over the taking up of the rights: the stocks are suspended, and resume trading ex-rights. Investors either have to take up the discounted rights or lose out, with no opportunity to trade out the position. This has only been possible with the return of a degree of optimism, but may well point to a belief by the companies that we are at a medium-term high for the Index. This approach to capital-raising is not something that will be sustainable for very long for the simple reason that investors will begin to lose patience with being blind-sided with such cash calls. That is probably not too far away now.

you would like further information please visit our website at www.titaniumassetmanagemens ft.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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