Titanium Asset Management Limited

Profile 1st June, 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	7.7%
3 months	-4.5%
6 months	26.1%
1 year	97.3%
2 year average	n/a
3 year average	n/a
Compounded monthly return since incep.	5.4%
Highest monthly return	42.7%
Negative Months in 1 year	1
Rolling average last 12 months p.a.	97.3%
Cumulative returns since inception	179.2%
Annualised volatility*	10.9%

* Based on the standard deviation of monthly returns.

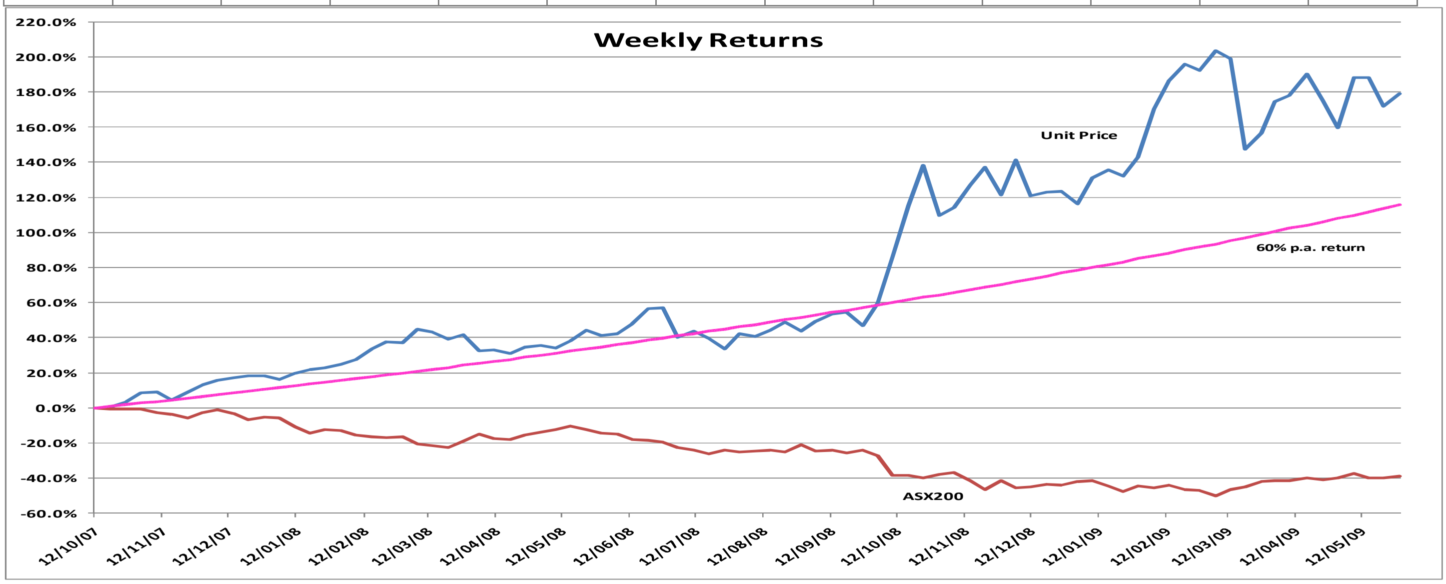
Calculations are based on Thursday's published unit price as per the TAM website.

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%	7.7%							
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

Not unexpectedly, volatility continued to be the key feature of equity markets both here and in the US, but a late surge on Friday afternoon (potentially, some month-end "window dressing") boosted the Australian market to a 1.5% gain for the week. A similar surge in late trading on Wall Street producing a 3.6% rise in the S&P500. Macroeconomic news was thin on the ground, but that did not stop significant swings in both markets over the week. The run-up in prices at the close in markets does not auger well for the start of next week, but the weekend is a long time in the current environment.

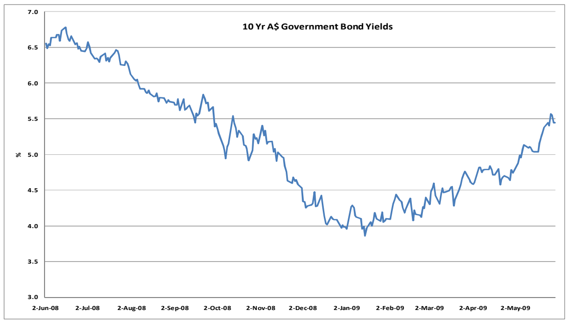
For the Fund, it was a good week, maintaining the "two-steps-forward and one-step-back" pattern that has been evident for much of this year. The unit price rose by 2.9% since last Friday's close, giving us almost double the return of the market for the week. It also gave us a return of 7.7% for the month against a market increase of 1%.

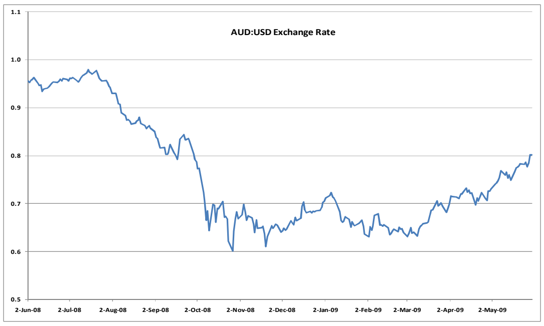
The issue of government borrowing and the potential implications for interest rates and inflation did get a minor airing during the week, but the impact was short-lived when there was reasonable demand at the Treasury auction on Thursday. However, it is hard to see the issue of funding the US Government deficit of US$1.4+ trillion remaining a non-issue for equity markets indefinitely.

The key point at the moment is that short term interest rates have been kept low enough that servicing such debts has not been seen as problematic. Fears of an increase in interest rates started to emerge last week when S&P announced that there was the possibility that Britain may lose its AAA credit rating, bringing a focus back onto monetary issues. Regardless of base lending rates, if major sovereign borrowers such as the UK government see downgrades in ratings, there will be increases in interest rates despite domestic monetary policy.

Sovereign debt requirements have begun to increase significantly as fiscal policy has returned as a key policy tool after almost two decades of falling global government debt levels, with the US and Europe the main borrowers. While base interest rates are generally at historic lows, the key threat remains that required risk margins will rise. At this stage, we are yet to see any real signs of a significant boost in long-term bond yields for the US, UK, France or Germany (yields on 10 year paper for all remain below 4%), but given the potential level of borrowing that is likely to be required over the next 3-5 years, it is difficult to not see a steepening of yield curves, and higher bond yields.

Ironically, Australian long term yields have started to rise. We are one of the few countries with yields of greater than 5%, given our significantly-better economic prospects. Rates bottomed at just under 4% in January and have been rising steadily since to be now at almost 5.5% (see Chart). The rates remain low by historical standards, but the magnitude of the increase in 4 months is somewhat concerning. The rate on 10 year bonds is now 37% higher than it was at its low at a time when short term rates remain steady. Interestingly, the bottoming of bond yields and the increase in those yields has coincided with a bottoming and recovery in the AUD/USD exchange rate (as well as the AUD versus STG and the Euro). This suggests that capital is flowing back into the local currency chasing higher yield, suggesting that capital is starting to move from safe haven currencies. If this is indicative of a bigger trend, then it does create the prospect of higher global exchange rates for the major currencies. If that happens, then economic recovery in countries that are relying primarily on government stimulus packages (primarily, the US and the UK) is at significant risk.





While Australia is also in that category to a certain extent, the magnitude of our borrowings relative to GDP is low. However, the volume of foreign exchange trading in the A$ is low enough that the impact on the currency of relatively modest flows is significantly greater than for the US$, STG or the Euro. The critical issue from an equity market point-of-view is that it is the 10 year bond rate that is the critical factor in market pricing, so significant moves in that rate are crucial to market performance, and rising rates are not good.

As such, the performance of the A$, and the trend in A$ bond yields, may well be a lead indicator of broader capital flow trends. The A$ is considered one of the lowest risk, higher-yielding currencies, so it is not surprising that it does tend to be a beneficiary of shifting capital flows, but the implications of inflows may well be greater than it has been in the past.

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.

Chief Investment Officer Peter Rice p.rice@titaniumassetmanagement.com.au

Operations Manager Andrew Blanchette a.blanchette@titaniumassetmanagement.com.au

Head Office: Level 1/125 Argyle Street
Camden NSW 2570
Fax: (02) 4655 5275