



TITANIUM
ASSET MANAGEMENT

Titanium Asset Management Limited

Profile 8st 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	-1.1%
6 months	23.3%
1 year	108.7%
2 year average	n/a
3 year average	n/a
Compounded monthly return since incep.	5.4%
Highest monthly return	40.2%
Negative Months in 1 year	1
Rolling average last 12 months p.a.	108.7%
Cumulative returns since inception	197.2%
Annualised volatility*	10.9%

* Based on the standard deviation of monthly returns.

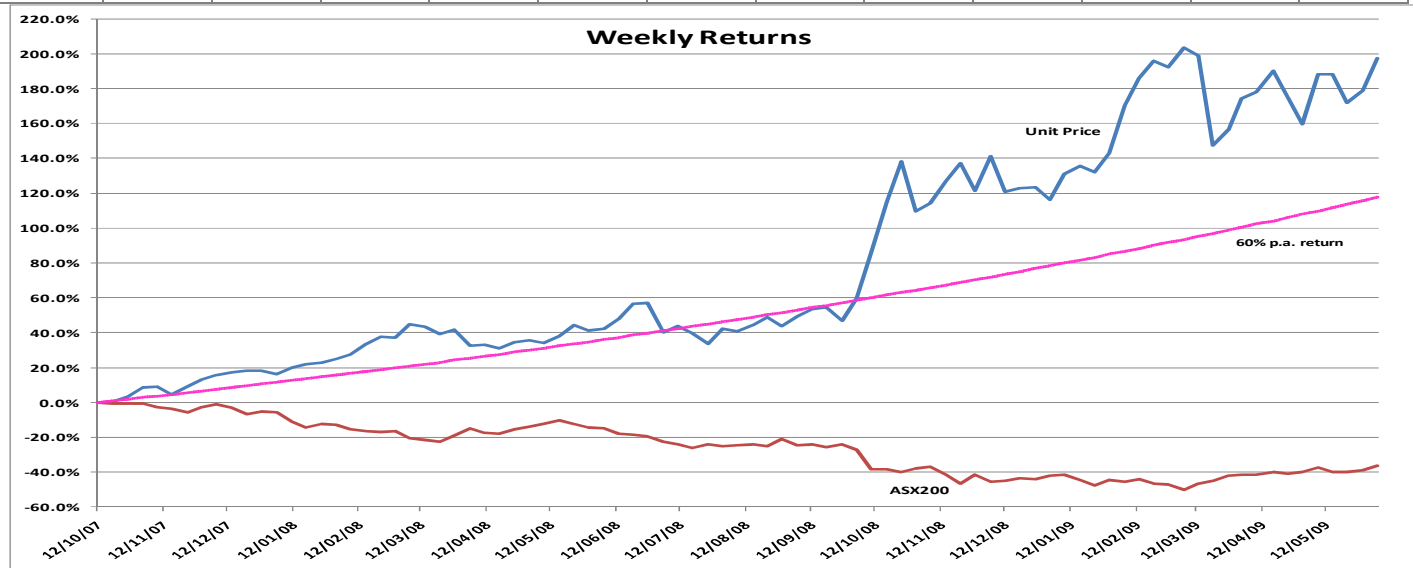
Calculations are based on Thursday's published unit price as per the TAM website.

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%	6.5%**						
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.



Performance Commentary

Markets returned to being reasonably strong this week, with the ASX200 up by 4.2%, and the S&P500 increasing by a more modest 2.3%. Analytically, it is difficult to see why. Numbers released during the week in the US showed tantalising glimpses of something that MAY be prove to be positive in the future-if everything else goes well. The rate of fall in manufacturing in the US is slowing, but still falling; housing construction starts are improving in a market that is absolutely flooded with supply of finished and unoccupied homes; consumer spending is still falling, but not by as fast as it was. This prompted a boost in Wall Street on Monday and Tuesday, and while those factors suggest that economic Armageddon may well not happen in the immediate future, projections of a fall in US GDP for the 2nd quarter of -1.8% is hardly a reason for investment optimism. But who can argue with markets? Just to prove the point, unemployment data released on Friday showed unemployment at a worse-than-expected 9.4%: the worst in almost 30 years.

What is surprising is that we outpaced those moves substantially. There is no doubt that the better-than-expected GDP figures for the 1st quarter (+0.4% growth) helped that, but even the Federal Government was quick to point out the fact that this number was largely boosted by the Government stimulus packages, which helped to produce better-than-predicted retail figures (the CEO's of DJS and WOW were full of praise for those measures). They also suggested that the worst was still to come: do they really believe that, or is this just a case of under-promising and hoping to over-deliver?. The telling indicator, however, of just how fragile these upward moves are, was illustrated on Thursday when the sentiment shifted (and reversed) substantially, but then went positive again on Friday.

Despite all of this, the Fund had another strong week, with the unit price up by 6.5%, putting us ahead of the market by 2.3%. Unfortunately, after a few solid weeks (we have underperformed in only 1 of the last 5 weeks), we may be due for a tough time if the "two-weeks-forward-and-1-week-back" pattern continues to hold. Without a real longer-term fundamental indication of a better economic outlook, the likelihood is that markets will turn soft again next week, and good performers (whether longs or shorts) will be vulnerable.

An indication of just how unusual the current market conditions are was the reaction to news that RIO was planning to reject the Chinalco deal, and replace it with a joint venture with BHP to develop some of their Pilbara iron ore resources and a rights issue of about US\$15bn. The result was a surge in the share price of 13% at the high for the day (and a 10% rise in BHP at the high). This is despite the fact that the stock closed 6.6% lower on Thursday night; that the market had previously boosted the price of RIO after the announcement of the Chinalco deal; that the rights issue represents an almost 18% dilution for shareholders and, while the JV with BHP provides an additional boost to sellable resources, it does nothing to secure buyers for the end product (which the Chinalco deal would have). Sure, the deal removes uncertainty, and the removal of a Chinese partner alleviates many of the political issues associated with the deal and sees the significant cash resources of BHP used on the development of Australian resources. There is no doubt that this sort of market reaction would have made sense 2 years ago when the Big 2 could not produce enough iron ore to meet demand, and prices were going through the roof.

But those days are over (at least, in the medium term). RIO has to sell this extra ore in a soft market. And at what price? From a corporate finance point-of-view, rights issues are expensive relative to debt, so the use of a rights issue of this size to fund expansion suggests that credit markets (even for a company of RIO's size and stature) are still tight. The extra capital will help to ensure that debt covenants are safe, along with ratings (S&P have already placed the rating on "Watch" with a positive bias) which is good if debt markets get tighter, but existing shareholders are the ones footing that bill. A 15+% dilution on EPS and DPS is a substantial fee for that rating. There has to be plenty of future profit increases to justify that level of dilution. That is putting a large amount of faith in the Chinese and their steel demand over the next 5-10 years.

At least, RIO didn't use the "hit and run" approach of most rights issues over the past few months: but none were this big! The point is that the positive mood in the market towards this deal (on both BHP and RIO), while encouraging, is also worrying (particularly, given the immediate reaction to the announcement in London which seemed much more like investment common sense). RIO's '09 P/E just went from 12x to almost 16.7x in one day! This is almost a bull-market reaction, and we simply are not in a global economic bull market. Is it just that there were plenty of hedge funds short of both stocks who were panicked into covering? Or has the market genuinely taken leave of its senses in the short-term, but will change its mood when number-crunching and common sense take over? Either way, it makes for interesting times, and continues to suggest that markets will remain volatile and erratic.

We remain extremely cautious in this environment, and are maintaining our market neutral position even more tightly than usual. The erratic nature of company fundamentals means that we are continually reassessing every stock in our universe (this deal, for example, will result in a substantial shift in our view of RIO, and the relative appeal of BHP), and this remains key to our investment process.

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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