



TITANIUM
ASSET MANAGEMENT

Titanium Asset Management Limited

Profile 22th 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	4.2%
3 months	22.2%
6 months	34.3%
1 year	91.1%
2 year average	n/a
3 year average	n/a
Compounded monthly return since incep.	5.5%
Highest monthly return	40.2%
Negative Months in 1 year	1
Rolling average last 12 months p.a.	91.1%
Cumulative returns since inception	199.4%
Annualised volatility*	10.9%

* Based on the standard deviation of monthly returns.

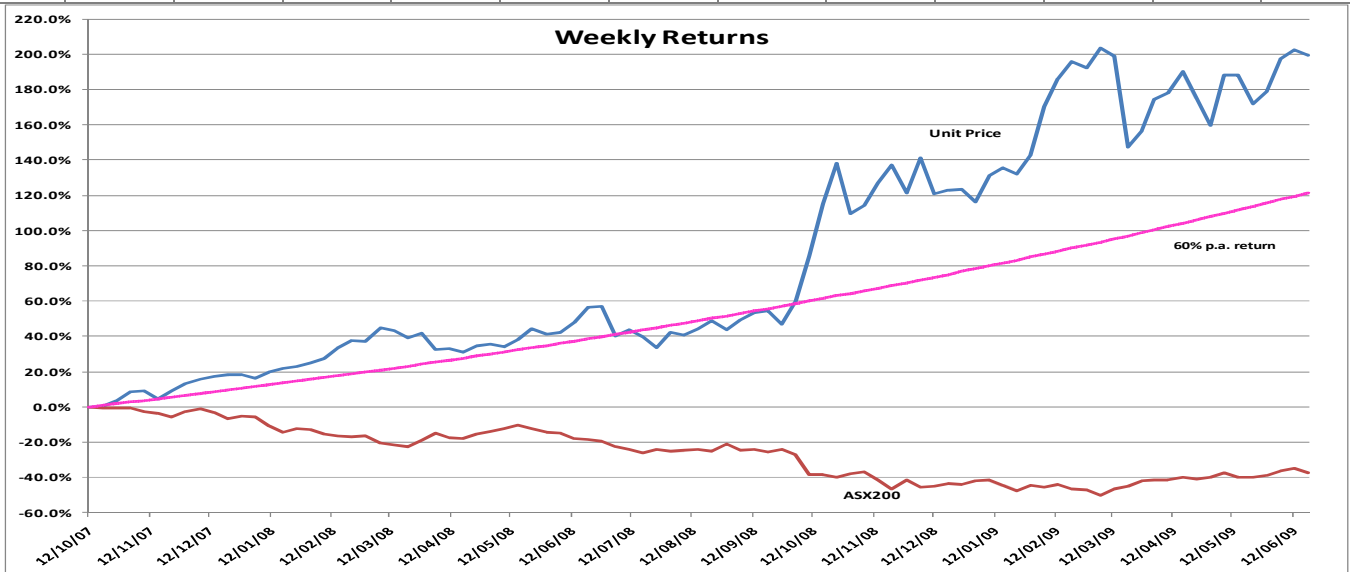
Calculations are based on Thursday's published unit price as per the TAM website.

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%	7.3%**						
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

The market giveth and the market taketh away! After a couple of good weeks, sentiment shifted considerably over the past few days. The ASX200 fell by a considerable 4%, while the S&P500 also shed 2.6%. The justification for the move by Wall Street was predominantly soft industrial production data released early in the week which raised questions over the optimism that has been building over a general economic recovery. Weak production suggests that maybe some of the optimistic leading indicators of demand are not resulting in equivalent new orders at the factory floor. To be honest, this should not be a surprise as the greater likelihood should have been a reduction in inventories before too much in the way of new production was necessary, but markets have been looking to justify a major rally of almost 40% for Wall Street since March when the market was clearly oversold. As such, any disappointment was likely to hurt, and the rally has left the market vulnerable to that kind of disappointment. We have been concerned about this for some time.

The greater fall in the Australian market has been directly attributable to concern over commodity markets following the rally since March in that sector. We discussed this last week, and the markets made us look fairly good as far as timing goes. The issues raised in the last report have largely reflected what seems to have transpired this week, but obviously any concern over the level of US (and World) industrial demand must, at this stage, have an impact on commodity markets. Given our market's exposure to resources, a bigger fall is not a surprise.

It was another reasonably good week from the perspective of the Fund. The unit price fell by a modest 1% with the market down by 4%. As a result, return for the month to date remains a strong 7.4% against a market return of 2.1%. Given the strong performance since the beginning of June, such a small reversal can only be considered a strong result for the Fund. In the month so far, 55% of the return has come from the outperformance of the long portfolio, and 45% from the shorts, which continues to validate the process in these volatile conditions.

Looking back at the US, there were even bigger issues that were largely glossed over by the market. The most important of these was the beginning of what is likely to be protracted debate over the regulatory environment of the US and global banking sectors. The Obama administration has started with the proposed streamlining and centralising of the domestic banking environment (which was never going to be too controversial), and then threw in a few minor pointers such as the ability to intervene directly into operations deemed too big to be allowed to fail.

That is likely to be only the start. The Big Deal will be when the regulators try and implement restrictions on bank business operations. It is difficult to see how there will not be externally (and strictly) imposed lending regulation of some kind. It also seems difficult to avoid the issue of off-balance sheet risk management. This was a key feature of the Basel II regulatory regime which the US banks generally refused to accept initially, but which has been at least partially implemented since 2006. Australia has been ahead of most of the World with the implementation of Advanced Basel II accreditation and this has been seen as a major reason why our banks suffered less than most. Unfortunately, the US banking market is far more complex than ours and this has created the opportunity for the process to be less consistently applied.

It seems difficult to come to any other conclusion from the financial mess that has precipitated the current global problems than the fact that the current US regulatory environment is totally inadequate. In addition, it has shown that self-regulation (the "buzz word" amongst bankers whenever stricter regulation has been proposed in the past) is a complete fallacy and ineffective. As such, that means that there is a need for a powerful and effective body that will have to be in a position to control the operation of the banks on an on-going basis.

The issue of a new risk management regime in the US, post the Credit Crisis, means that there will need to be strict limitations on the products and processes of US banks, and that is not going to be well received. It will therefore take enormous amounts of lobbying and arguing before planning and implementation: let us not all hold our breaths. As such, the announcement this week is likely to be only the start of a long, drawn-out and, at times, acrimonious process. Let us hope that the end result is going to make a real difference so that the current situation is not possible again in the foreseeable future.

It cannot be overestimated just how difficult this will be, but until it is achieved, the risk of a recurrence of the mess that we have seen over the past 18 months will hang over the global banking industry. There seems little doubt that interbank spreads will stay relatively high, possibly for decades. That will ultimately mean higher loan rates for the major corporate; in particular, the big global borrowers (in Australia's case, that starts with BHP, RIO, FMG, NWS, etc.).

However, the bigger threat remains the prospect of higher Government bond rates. The demand on capital to fund a recovery is such that it is almost impossible to see long term rates not rise significantly in all major currencies (US\$, Euro and Yen), and that is the biggest single risk to an economic recovery and markets. If the recovery does not come before those rates rise substantially, we could be in for a very rough start to the new decade, but we will have to wait and see.

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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