



Ironbark Karara Australian Share Fund

Monthly Investment Report

June 2010

The Fund returned -4.58% net for the month, underperforming the benchmark by 1.98% net

Market Review

In Australia, defensive, gold, infrastructure, telecoms and consumer staple sectors traded flat to high, while financials, consumer discretionary and transport fell and in some instances quite heavily

Markets remain transfixed by complex global issues including the European sovereign debt, the nature of China's slowdown and the sustainability of the US recovery. Oil spills, a dramatic change of Prime Minister and a smattering of earnings disappointment only added to general market disquiet in June.

US economic data through June was disappointing and served to validate bear concerns on the fragility of the US recovery. Treasuries rallied strongly, equity investors looked for shelter in defensive sectors and gold touched record highs.

Yet amongst this news there was some evidence that the crisis is forcing some positive rebalancing of the global economy. Significant labour market reforms were announced across Europe, while China loosened its currency link to the USD.

In Australia, defensive, gold, infrastructure, telecoms and consumer staple sectors traded flat to high, while financials, consumer discretionary and transport fell and in some instances quite heavily.

The overall market decline was limited by the prospect of the resolution of regulatory uncertainty on two fronts; the watering down of the mining tax (which eventually arrived) and Telstra's agreement to migrate its fixed line network to the Government's NBN Co.

The banking sector was weaker on recognition of an emerging constraint on the supply of cheap offshore finance. While only a small change at the margin, this suggested higher financing costs for consumers and lower growth in credit and bank profitability over time. The reliance on foreign capital reflects Australia's ongoing current account position and the capital inflow required to finance investment (including residential property).

There were profit downgrades from Toll Holdings and Elders. In general terms, the corporate profit environment is a little softer than our expectations reflecting the impact of fading fiscal stimulus and higher interest rates on the domestic consumer and a patchy global recovery.

News Corp announced a cash bid for the minorities in its UK subsidiary BSKyB. This was greeted with some relief as a relatively conservative use of excess cash.

Performance as at 30 June 2010

Fund size:
\$38.44 million

Exit Price:
\$1.0780

Inception date:
30 June 2005

	Net Fund Return (%)	Benchmark (%)
1 month	-4.58	-2.60
3 months	-13.81	-11.04
6 months	-12.11	-9.74
Financial year to date	9.99	13.78
1 year	9.99	13.78
2 years (pa)	-6.22	-5.88
3 years (pa)	-9.71	-8.00
4 years (pa)	-1.95	0.35
Since commencement of Fund* (pa)	3.85	4.72

Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution.

Retail investors should refer to net returns. If investing through an IDPS Provider, the total after fees performance return of your investment in the Fund June be different from the information in this report.

*This figure represents the annualised performance of the Fund since inception.



Ironbark Karara Australian Share Fund

Monthly Investment Report

June 2010

Performance Review & Portfolio Activity

The broad investment strategy for the Fund is to be well weighted to those companies leveraged to an ongoing economic expansion and market recovery, as opposed to those stocks with very defensive characteristics. This strategy has been at odds with the risk avoiding behaviour of investors over recent months.

The Fund's performance was disappointing over the month. Approximately half the underperformance reflected the market rotation away from more cyclical exposures towards more defensives sectors. Companies exposed to the US were particularly weak.

To this end, declines in stocks such as James Hardie and News Corp, impacted portfolio performance, as did nil or underweight positions in Newcrest, Telstra, Coca-Cola Amatil and Woolworths.

Brambles underperformed as cyclical concerns were compounded by the loss of a US customer. We expect new management to succeed in re-engineering the business and see the current share price offering attractive value.

The balance of the underperformance came from the position in engineer Downer EDI (-43%). Downer revealed a cost blowout on a legacy contract to build trains for the NSW government. This comes on top of earlier concerns regarding the financing structure of this project and has badly damaged management credibility.

Assessing the DOW situation closely, we see the panic to sell has been overblown. While further negative news is possible, the price does not recognise the size and diversity of the groups' operations, their market positions and the positive outlook for their industries. The write-down announced by the company is material but the market value of the company has dropped from its peak by ten times this amount. While the recovery may take some time and some risks remain, we see the stock as very significantly undervalued and have increased our holding as the share price declined.

Positive contributions came from good stock selection in bank and energy sectors. Notable strong performers were Ansell, Amcor and Crown. Nil holdings in BlueScope Steel, Leighton and Toll were also beneficial.

We bought Harvey Norman in June. We have been following underperformance of the stocks in the retail sector for some time. While current retail spending is subdued the outlook for retail spending looks reasonable for FY11. Conditions in Ireland and NZ have also started to turn for the better. Harvey Norman's business is relatively mature but we like the company's balance sheet – rather than leasing, it owns most of its stores outright – and the fact that market expectations are low.

We added to the positions in QBE and Brambles as their prices declined. We also sold part of the holding in Computershare and a residual holding in Sonic Healthcare.

Top 5 Holdings

Security Name	Sector	% of Fund
BHP Billiton Ltd	Materials	12.0
National Australia Bank Ltd	Financials	8.7
Australia & New Zealand Banking Group Ltd	Financials	7.8
Rio Tinto Ltd	Materials	5.6
QBE Insurance Group Ltd	Financials	4.3



Ironbark Karara Australian Share Fund

Monthly Investment Report

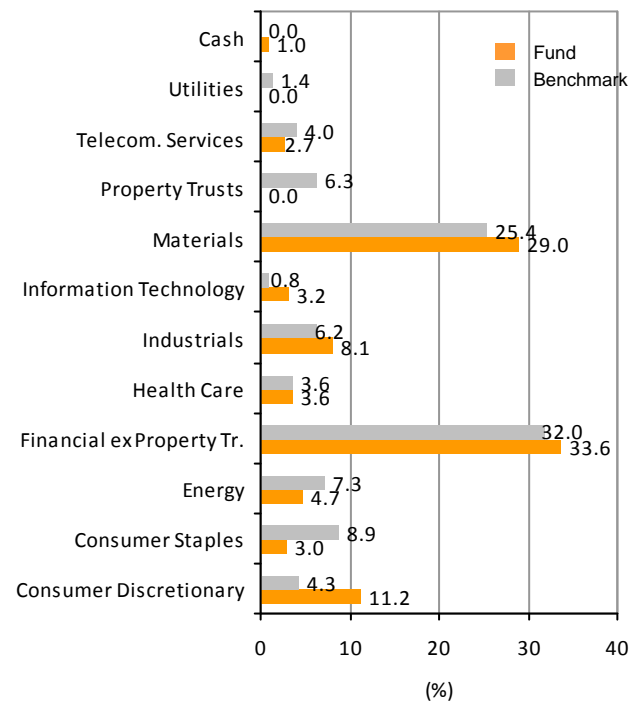
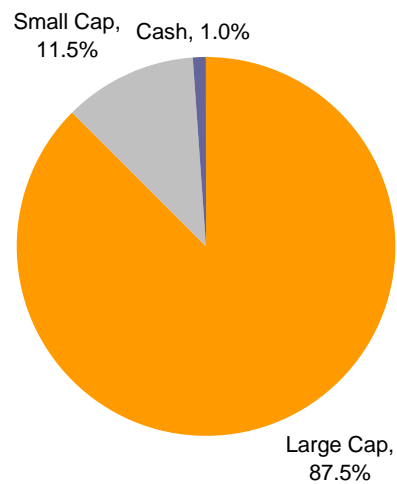
June 2010

Key Contributors & Detractors

Top 5 Contributors	Active Position
Ancor Ltd	Overweight
Ansell Ltd	Overweight
Westpac Banking Corp	Underweight
Commonwealth Bank of Aust.	Underweight
Mineral resources Ltd	Overweight

Top 5 Detractors	Active Position
Downer EDI Ltd	Overweight
Brambles Ltd	Overweight
Macquarie Group Ltd	Overweight
James Hardie Industries SE	Overweight
Newcrest Mining Ltd	Underweight

Asset Allocation as at 31 June 2010





Ironbark Karara Australian Share Fund

Monthly Investment Report

June 2010

Market Outlook

A quarter ago investors were confidently looking forward to a recovery growing in strength. The speed of the U-turn in consensus has been remarkable and most now seem resigned to economies trapped indefinitely in an over-leveraged groove.

It is clear that we have now passed the point of maximum inventory rebuilding and so the rate of the economic expansion will start to moderate from high levels. This is a challenging time of the cycle as overly optimistic earnings forecasts are trimmed and some investors to sell risky assets. This process could take another quarter or two to play out. This may continue to create impatience and markets seldom correct by going sideways.

Looking through this 'changing of the gears' we see the forces of recovery as remaining strong. While the focus is on public sector finances, the private sector position is improving quickly. Global growth is slowing yet remains at around 4% with major emerging economies such as China, Brazil, Turkey etc expanding at two to three times this pace. There has been a significant reduction in global interest rates, and for the troubled Europeans, this has been accompanied by a significant weakening in the Euro. The long journey to improving Europe's competitive position has begun and the Chinese currency adjustment will play a role in reducing their current account surplus and encouraging local consumption.

We expect that bond investors will continue to keep the pressure on policy makers to reform in Europe. Barring emergence of signs of contagion, equity markets are expected to be less sensitive to these developments. We also continue to watch closely the slowdown in China as there are concerns that some constraints on longer term growth are emerging.

Market levels now imply significant downgrades to FY11 earnings. Measures of risk aversion have also moved back to elevated levels. While earnings estimates potentially have a little further to fall, there is scope for the market to rally as the macro outlook becomes less uncertain. In the meantime investors can take comfort from very strong balance sheets, attractive dividend yields and reduced prospect of further interest rate rises. We believe the market now offers value and good opportunities exist for disciplined stock selection.

Important information

Contact details

Individual investors:
1800 034 402

**Advisers, Corporate
and Institutional
investors:**
1800 678 519

www.ironbarkam.com

Issued by Ironbark Asset Management Pty Limited ABN 53 136 679 420 AFSL 341020 ("Ironbark"). This document is not an offer of securities or financial products, nor is it financial product advice. As this document has been prepared without taking account of any investors' particular objectives, financial situation and needs, you should consider its appropriateness having regard to your objectives, financial situation and needs. The Fund referred to is issued by Patriot Asset Management Ltd ABN 94 106 888 662 AFSL 284442. To acquire units in the Fund, complete the application form that accompanies the current PDS, which you can obtain from www.ironbarkam.com or by calling client services on 1800 034 402. You should consider the PDS in deciding to acquire or to continue to hold the Fund. Although specific information has been prepared from sources believed to be reliable, we offer no guarantees as to its accuracy or completeness. The information stated, opinions expressed and estimates given constitute best judgement at the time of publication and are subject to change without notice to you. This document describes some current internal investment guidelines and processes. These are constantly under review, and June change over time. Consequently, although this document is provided in good faith, it is not intended to create any legal liability on the part of Ironbark or any other entity and does not vary the terms of a relevant disclosure statement. Past performance is not an indicator of future results. All dollars are Australian dollars unless otherwise specified. All indices are copyrighted by and proprietary to the issuer of the index.