Quarterly Investment Report
MARCH 2010

patriot Asset Management

The Patriot Funds are accessible to investors via **Macquarie Wrap, BT Wrap, Asgard, Ausmaq, Beacon Wrap, Synergy, UBS Wealth Management, Commsec Margin Lending, Leveraged Equities and AustChoice Super Platform.**

Portfolio Performance

For the quarter ended 31 March 2010, both the Patriot Small Companies Fund and the Patriot Australian Share Fund out-performed their respective market index benchmarks.

Patriot Small Companies Fund ("PSCF")

The Patriot Small Companies Fund gained 4.38% for the quarter (net of all fees) compared to a loss in the Small Ordinaries Accumulation Index of 1.57% and a loss in the Small Industrials Accumulation Index of 1.32%. For the $4^3/_4$ year period since inception (30 June 2005), the fund has returned 140.66% (net of all fees).

Patriot Australian Share Fund ("PASF")

The Patriot Australian Share Fund gained 1.97% for the quarter (net of all fees) compared to a 1.45% gain in the All Ordinaries Accumulation Index. For the $4^3/_4$ year period since inception (30 June 2005), the fund has returned 40.13% (net of all fees).

Market Review & Outlook

The March quarter saw markets further consolidate the strong gains realised throughout 2009. Global concerns surrounding sovereign debt issues and a potential slowing of growth in Chinese economic activity drove an equity market sell-off in January and early February, before markets staged a solid recovery in late February and March.

The Australian economy continues to show solid signs of growth, a key driver being the terms of trade which have risen appreciably on the back of increasing key commodity prices. Australia's unemployment rate also appears to have peaked at a much lower level than many thought during the GFC with the February and March readings at 5.3%, having reached a high of 5.8% last year. The strength of the domestic economy has seen the RBA raise interest rates again in March and April, with the cash rate now sitting at 4.25%, still below the long term average.

Signs of an economic recovery in the United States economy have continued to emerge albeit without great conviction despite the US manufacturing sector having expanded eight consecutive months to February and consumer spending having risen for five straight months. One of the most important indicators of a sustained recovery however remains unemployment, which has shown some positive signs with net job creation achieved for three months out of the last four, including a significant component of public sector job growth. Notwithstanding this, the headline US unemployment rate remains stubbornly high at 9.7% due to a higher

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participation rate, with a key broader measure of joblessness (U6), which also includes discouraged workers and those working part-time who want a full-time job, rising to 16.9% in February. Moving forward, we see a key challenge facing the US economy being its ability to achieve both sustained GDP and unemployment growth predicated on large government budget deficits. At some stage, higher medium and longer term interest rates flowing from increasing competition (both public and private sector) seeking to access a finite pool of capital, may mean the US government (and possibly other governments as well) faces the difficult task of balancing its budget, i.e. withdrawing stimulus, without impacting on economic growth.

Consistent with the still uncertain global macro economic backdrop, the March quarter saw significant price volatility in key commodities with negative price movements of approximately 15-20% witnessed in copper, lead and zinc in January and early February, reflecting concerns over a potential slowing in Chinese economic growth and over the broader impact of potential sovereign debt defaults. A number of these early losses were however recovered in late February and March with some commodities recording gains for the quarter to 31 March 2010, most notably nickel which finished up 35% as well as aluminium +4% and copper +7%. Notably oil finished the quarter at US$85 per barrel, its highest close since October 2008. The recent volatile price movements of a number of key commodities reinforces our belief that a number of commodity markets are still being driven to a meaningful extent by speculators with ready access to cheap credit and liquidity rather than a significant improvement in fundamentals.

Of significance in commodity markets (and for resource related stocks) was confirmation in March of the end of the traditional iron ore benchmark pricing system that has also featured in other bulk commodities markets over the last 40 years. BHP Billiton announced that it had reached agreement with major Asian steel making customers to shift iron ore contract pricing from the current typically drawn-out annual price negotiations to shorter-term contracts. Initially iron ore prices are expected to change each quarter in line with the average market price of the previous three months, providing scope for companies such as BHP and Rio to experience a greater correlation between their realised selling prices and spot prices. This is likely to provide a near term earnings benefit in the context of relatively high and rising spot prices. In this regard, contract price increases of up to 100% may be achievable given that current spot prices are more than 100% greater than last year's benchmark prices. Notably, there was a further significant structural change that should also positively benefit Australian mining companies in that contract iron ore prices will now be struck on a landed-price basis, meaning those companies will benefit from cheaper relative freight costs given closer proximity to major Chinese customers compared to major competitor Brazilian based Vale.

As expected, the start to calendar 2010 witnessed a step-up in merger and acquisition activity following the recapitalisation of corporate balance sheets throughout late 2008 and 2009. While the absolute number of transactions has not returned to levels seen in 2006 and 2007, a number of large and significant transactions, notably in the energy and resources sector, were announced during the quarter including: Newcrest Mining's bid for Lihir Gold ($9.8 billion), Noble Group, Peabody Energy and New Hope Corporation all bidding for Macarthur Coal ($3.5 billion), Shell/PetroChina's bid for Arrow Energy ($3.5 billion) and Bright Food's bid to acquire CSR's Sugar and Renewable Energy business, Sucrogen ($1.75 billion).

Portfolio Review

The March quarter saw most ASX listed companies report mid-year financial results generally in line with market expectations and a continuation of the earnings upgrade cycle that began in mid-2009. Key issues facing investors now include determining how much of the expected earnings recovery is already factored into share prices and where future earnings growth may come from given that a significant number of companies performed well recently through cost reduction initiatives implemented during the GFC and achieving other efficiency gains. Future earnings growth is now likely to be more dependent on revenue growth, the focus being on identifying those companies able to grow revenues at a greater rate than the prevailing level of economic activity.

In this regard we believe that, as the market under-estimated the operating leverage in many business models on the downside (i.e. as revenues fell), the market now is not fully factoring in the operating leverage of many business models on the upside as economic conditions improve. In particular, we are yet to witness an across the board recovery in reported revenues with many cyclical stocks still reporting negative revenue growth in their 2010 interim results. Subject to macro economic conditions remaining stable or improving, we would expect a number of these companies to report higher earnings over the next 12 months. However as always, we remain wary of the impact of possible exogenous shocks (e.g. a possible sovereign debt default) to both the international and domestic economic environments within which our investee companies operate.

At a sector level, the March quarter saw a general rotation away from resource stocks and into banking stocks consistent with the pullback in investor risk appetite early in the quarter. Major banking stocks performed well after strong earnings and trading updates, the key underlying drivers being the speed of the recovery in bad debts and better than expected margins achieved as a result of their dominant market positioning post GFC. One of the larger drags on the All Ordinaries for the quarter was the Telecommunications sector, driven by Telstra (down 13%). The performance of Telstra reflected ongoing market concerns over the Government's positioning on the National Broadband Network, ongoing declines in the company's fixed line telephone revenue base, and loss of market share in broadband through increased competition.

Companies to report stronger than expected results included Wesfarmers, the highlight being the retail business' 23% increase in EBIT led by Coles which recorded sales growth ahead of rival Woolworths and K-Mart which more than doubled its earnings. CSL also surprised on the upside reporting NPAT growth of 23% with strong margin performance achieved in its Behring and Bioplasma businesses. A notably weaker than expected result was reported by Toll Holdings with NPAT down 32% after larger than expected volume declines in the company's core Australian forwarding business. In the small cap space, The Reject Shop released another strong trading result with new store openings a key driver of earnings. With the commencement of operations at the company's new Queensland distribution centre this half, we expect further improvement in operating efficiencies which should result in further margin improvement going forward.

For the March quarter, positive contributors for the PSCF included TPG Telecom (+37%), Ramsay Health Care (+28%), Navitas (+24%) and REA Group (+22%). Negative contributors included Beach Energy (-20%), Healthscope (-13%) and Mermaid Marine (-10%).

For the March quarter, positive contributors for the PASF included CSL (+12%), ANZ Banking Group (+11%) and Westpac (+10%). Negative contributors for the PASF included QBE Insurance (-19%), Toll Holdings (-15%) and Telstra (-13%).

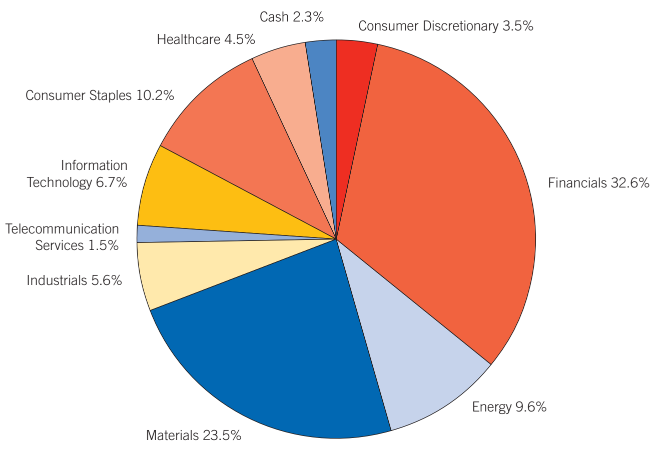
Top Stock Holdings

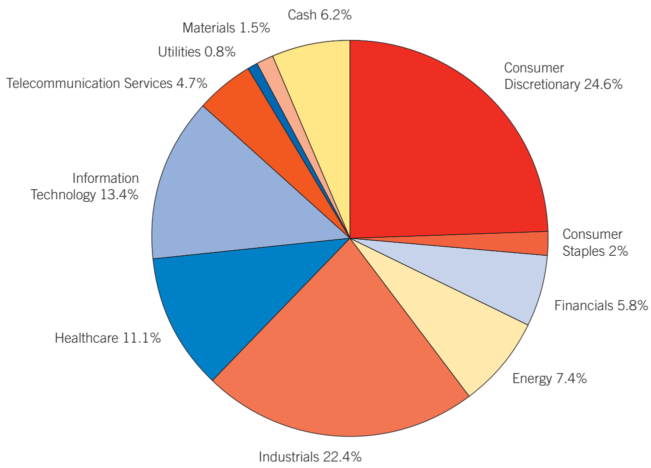
Patriot Australian Share Fund	Business Description
ANZ	Retail and Business Banking
BHP Billiton	Diversified Resources
Commonwealth Bank	Retail and Business Banking
National Australia Bank	Retail and Business Banking
Westpac Bank	Retail and Business Banking

Patriot Small Companies Fund	Business Description
Healthscope	Private hospital operator
Iress Market Technology	Share market and wealth management software
Mineral Resources	Mining services and mineral processing
Ramsay Health Care	Private hospital operator
Reject Shop	Discount retailer

Market Sector Exposure – 31 March 2010

Patriot Australian Share Fund	Patriot Small Companies Fund





Unit Prices

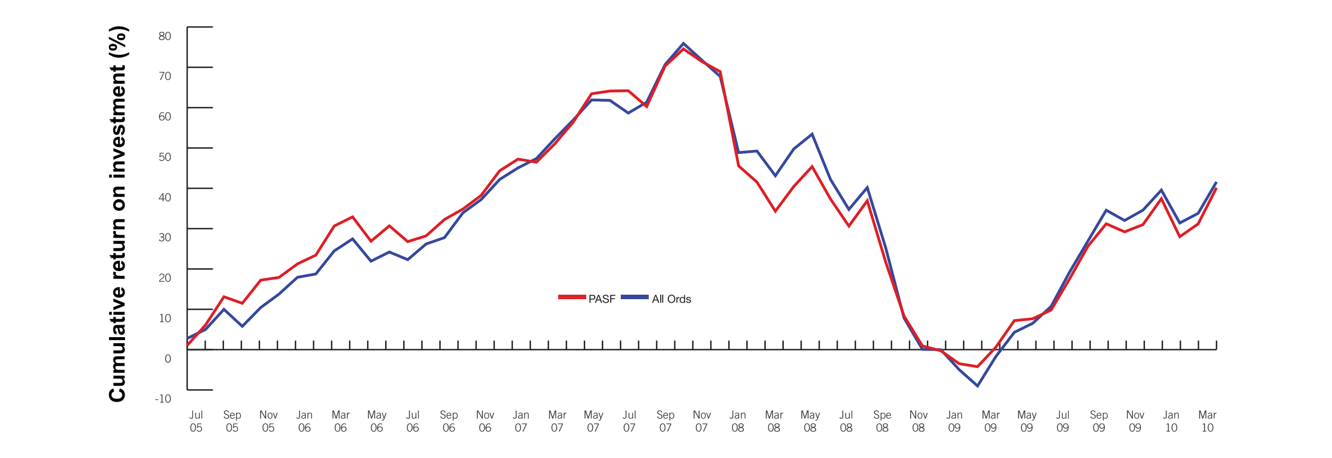
	PASF		PSCF	
	31 Mar 2010	31 Dec 2009	31 Mar 2010	31 Dec 2009
Application Price	1.2912	1.2663 (ex)	2.2219	2.1286 (ex)
		1.2788 (cum)		2.1437 (cum)
Redemption Price	1.2835	1.2587 (ex)	2.2086	2.1159 (ex)
		1.2712 (cum)		2.1308 (cum)

Performance

	PASF	All Ordinaries Accum Index	PSCF	Small Ords Accum Index
3 months to 31 March 2010				
Unit Price - 31 March 2010	1.2835	34,188	2.2086	5,661
Unit Price - 31 December 2009 (ex distribution)	1.2587	33,699	2.1159	5,752
3 month performance (net of all fees)	1.97%	1.45%	4.38%	(1.57)%
Fund Size	$53.4m		$53.1m	
5 Year Commonwealth Bond Rate	31 Dec 2009 5.17% p.a.	31 Mar 2010 5.51% p.a.		

Patriot Australian Share Fund

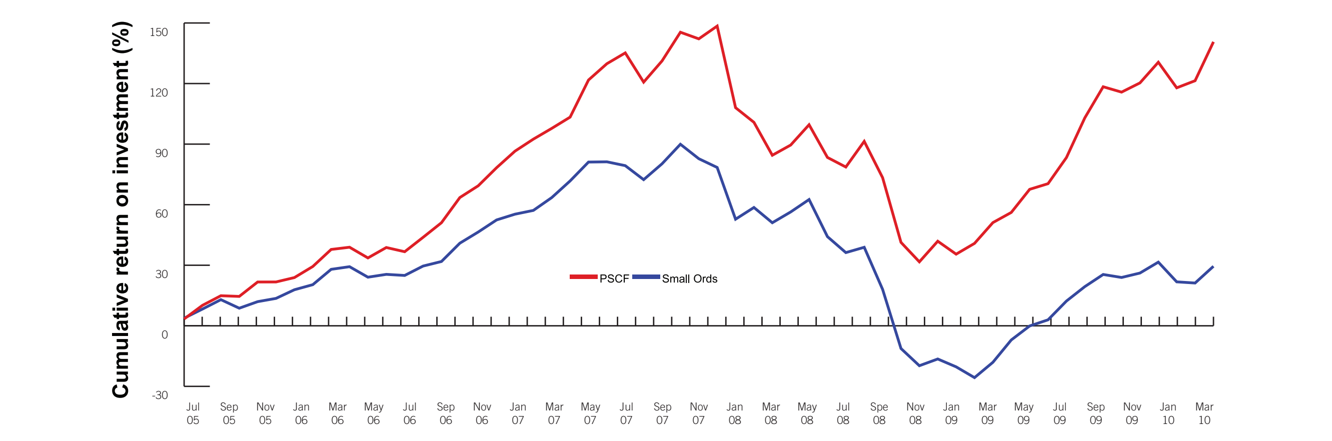
Performance (net) as at 31 Mar 2010	1 month	3 months	6 months	1 year	3 year (p.a.)	Since Inception (p.a.)[6]
Patriot Australian Share Fund	6.83	1.97	6.81	39.25	(2.46)	7.36
All Ordinaries Accumulation Index	5.83	1.45	5.22	44.01	(2.39)	7.59
Out-performance	1.00	0.52	1.59	(4.76)	(0.07)	(0.23)



PASF VS ALL ORDS ACCUM INDEX

Patriot Small Companies Fund

Performance (net) as at 31 Mar 2010	1 month	3 months	6 months	1 year	3 year (p.a.)	Since Inception (p.a.)[6]
Patriot Small Companies Fund	8.70	4.38	10.19	59.25	6.75	20.29
S&P/ASX Small Ordinaries Accumulation Index	6.84	(1.57)	3.23	58.06	(7.48)	5.59
Out-performance	1.86	5.95	6.96	1.19	14.23	14.70



PSCF VS SMALL ORDS ACCUM INDEX

Notes

1. Unit Prices refer to Redemption Prices (i.e. fund exit prices) and are net of all fees. 2. PASF is the Patriot Australian Share Fund. 3. PSCF is the Patriot Small Companies Fund.
4. Performance figures are net of all fees and are before tax. 5. Past performance is not a guide to, or an indication of, future performance. 6. Fund inception date: 30 June 2005

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Copies of the current Product Disclosure Statement may be downloaded from this site or by contacting Patriot on the above telephone number

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