

Monday, 10 May 2010

MARKET ANNOUNCEMENT

Appointment of Chief Investment Officer and Implementation of Investment Strategy

In February 2009, the shareholders of Bentley Capital approved a new broad investment mandate. Since then, the Board has deliberated at some length on assessing the potential merits of specific investment areas within the overall mandate and identifying the most effective way to give effect to a more focussed investment strategy. The Company is pleased to announce that the outcome of these deliberations is twofold:

- to appoint a Chief Investment Officer as a full time employee of Bentley Capital to function as a member of the Company's Investment Committee; and
- to direct the Investment Committee to focus its activities on several key well defined investment sectors.

Chief Investment Officer

The Company is pleased to announce the appointment of Joseph Jayaraj as the Company's Chief Investment Officer (CIO).

Joseph has an MBA from INSEAD (France) and a Bachelor of Laws / Bachelor of Commerce from the University of New South Wales, Sydney.

From 2000 to 2002, he was with the Mergers and Acquisitions team in the London and New York offices of Merrill Lynch.

From 2003 to 2006, he was employed in London by RAB Capital plc, a London-based specialist asset manager, as 2IC to Philip Richards, the CEO, CIO and founder of the RAB Special Situations Fund. During its 2003 launch year, the Fund delivered a return of 1,475%, one of only a handful of funds historically to have delivered a return in excess of 1,000%. Between 2003 and 2006, the fund achieved a total return of 2,200% and grew fund assets to a NAV of US\$1.3bn. Joseph's role involved leading the structuring and execution of over 100 pre-IPO investment transactions across a range of sectors and establishing an investment / due diligence team of seven professionals. Primary negotiation and execution support was also provided to the RAB Energy Fund, which achieved a 90% return between its 2004 launch and 2006 (US\$500m NAV).

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In 2006, Joseph returned to Sydney and founded, as Principal, ORB Capital, a Sydney based investment group, with capital support from the RAB Special Situations Fund. ORB assisted small-cap companies in becoming investor-ready and raising expansion capital, often becoming involved at Board level.

Joseph is also currently a non-executive director of Melbourne-based Quantum Litigation Funding, which assists individuals, businesses and insolvency practitioners pursue strong and deserving commercial legal claims across Australia and New Zealand.

As CIO, Joseph will join the Company's Investment Committee, which is responsible for implementing the Company's Investment Strategy. Other members of the Investment Committee are Farooq Khan (Executive Chairman), William Johnson (Executive Director) and Victor Ho (Company Secretary).

Investment Strategy

From 1 May 2010, the Investment Committee will focus its activities on several key well defined investment sectors which it believes offer the opportunity to collectively generate overall returns for shareholders materially in excess of the benchmark ASX All Ordinaries Index (XAO). These sectors are:

- Strategic investments in listed companies with either an active or passive participation;
- Corporate financing;
- Promotion of IPO's; and
- Participation in, and funding of, corporate restructurings.

The nature of the above investment activities is such that the successful identification and execution of any one such investment may take considerable time and effort. Therefore it is anticipated that only a relatively small number of such investments may be made in any one year. However, the collective return on investment from such investments, if correctly executed, is anticipated to have a significant positive impact on the overall performance of the Company.

Currently, the majority of the Company's funds are held under management by FSP Equities Management in the FSP Equities Leaders Fund (**FSP Fund**). The objective of the fund is to outperform the S&P/ASX 200 Accumulation Index over the medium term. The investment manager is "style neutral" and invests in growth stocks, value stocks, stocks with maintainable dividend yields and special situations.

Until such time as the Investment Committee requires funds for particular investments (or to maintain a cash position) consistent with its Investment Strategy, it is the Company's intention to retain the majority of its funds under management with the FSP Fund, a fund with similar investment objectives to the FSP Fund or in direct share investments in predominantly ASX 200 Index stocks.

Performance Bonus Scheme

In order to align the interests of the Investment Committee and shareholders of the Company and to provide an appropriate incentive for the achievement of superior-to-market investment returns, the Company has decided to introduce a Performance Bonus Scheme (the **Scheme**) for members of the Investment Committee.

The key elements of the Scheme are summarised as follows:

- The performance of the Company will be measured each financial half year by comparing the change over the half year in the net asset value of the Company (with internally managed assets valued at the lower of cost or value) with the change in the net assets of the Company that would have resulted if the investment return was equal to that recorded by a Benchmark Index - the ASX All Ordinaries Index (ASX code: XAO).
- 20% of any outperformance in excess of \$250,000 relative to the Benchmark Index is available for distribution to the Investment Committee each half year.
- Any underperformance in a half year will be carried over to the next two half years, such that underperformance in a half year must be 'clawed back' by outperformance before a performance bonus can be paid in the following two half years.
- The terms of the Scheme are to be reviewed annually by the Board.

The Company believes the principles adopted by the Scheme are consistent with or exceed industry best practice, in that:

- A performance bonus on internally managed assets is paid only on realised (and not unrealised) gains. i.e. investments have to be sold (or otherwise crystallised) to contribute to a performance bonus. This eliminates the potential of a performance bonus being paid in a half year by reference to unrealised internally managed investments that may have substantially outperformed over that half year, yet may underperform subsequently.
- The 'clawback' of underperformance means that the Investment Committee will be highly motivated to avoid half years of underperformance.
- To achieve a performance bonus, the Investment Committee must not only outperform the Benchmark Index, but additionally achieve an absolute return in excess of \$250,000 of the Benchmark Index for any half year. In other words, the first \$250,000 of outperformance in any half year does not generate a performance bonus.

With the appointment of the CIO and the refinement of the Investment Strategy of the Company, the Company looks forward to the next phase in its evolution.

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