Bentley Capital Limited

Friday, 4 February 2011

MARKET ANNOUNCEMENT

FSP Fund December 2010 Quarterly Report

The December 2010 Quarterly Report from FSP Equities Management Limited (**FSP**) on the performance of its FSP Equities Leaders Fund (**FSP Fund**) is attached.

As at 31 December 2010, Bentley had ~84% (~$26.58 million) of its net assets invested in the FSP Fund.

About The FSP Equities Leaders Fund (FSP Fund) [1]

The FSP Fund is a wholesale fund not open to retail investors. 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.

FSP Fund details as at 31 December 2010:

- The equity weighting was 99.3% (previous quarter 30 September: 97.1%);
- 74.4% of the equity portfolio is invested in companies contained within the S&P/ASX 200 Index (30 September: 80.7%) with the balance of 25.6% invested in companies outside of the S&P/ASX 200 Index (30 September: 19.3%); and
- The equity portfolio contained 57 holdings (30 September: 46 holdings).

FSP Equities Leaders Fund - Performance

Returns To:	1mth	3mths	6mths	1yr	2yrs	3yrs	Since Inception
31/12/2010	(%)	(%)	(%)	(%)	(% p.a.)	(% p.a.)	(% p.a.)
FSP Fund	5.2%	6.1%	20.8%	6.4%	23.1%	-7.8%	11.2%
ASX/S&P 200 Accumulation Index	3.7%	4.4%	12.8%	1.6%	18.0%	-5.0%	8.5%

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1 Based on information provided by FSP Equities Management Limited.

FSP Equities Management

A brighter future.

The FSP Equities Leaders Fund

December Quarter 2010

28 January 2011

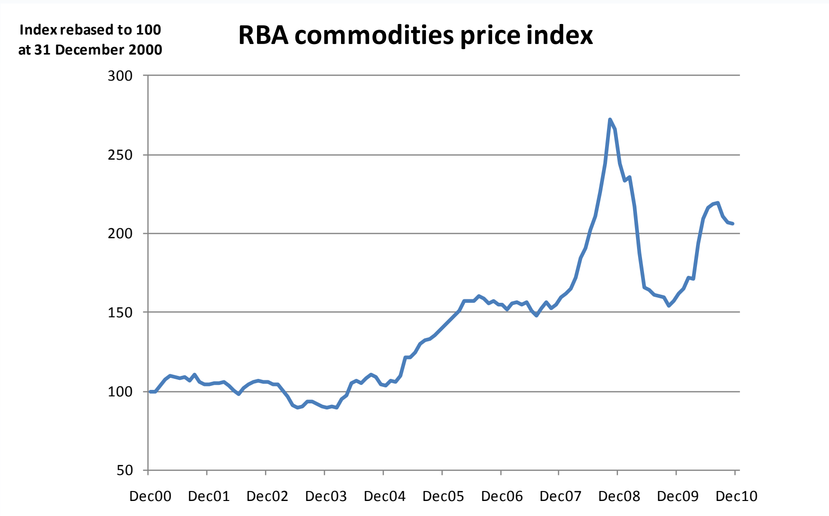
The Directors of Bentley Capital Limited
Suite 202, 30-36 Bay Street
Double Bay NSW 2028

Dear Client,

For the 12 months to 31 December 2010 the FSP Equities Leaders Fund (the 'Fund') returned a net 6.4%. This compares favourably to the benchmark S&P/ASX 200 Accumulation Index return of 1.6%, an outperformance of 4.8%.

In the December quarter the Fund returned a net 6.1%, outperforming the benchmark by 1.7%.

The leading feature of the Australian equity market performance in 2010 was the resources sector, as strengthening global economic growth led to a 27% gain in the Reserve Bank's trade weighted commodities price index over the year. Resources and energy companies are positioned to capitalise on this price strength with significant production expansion underway, particularly in iron ore, coal and LNG, and this is also providing opportunities for mining services companies. The resources sector returned 11.2% over the year.



Outside of resources, industrial companies recorded average earnings per share growth of 9.0% in the financial year to 30 June 2010 and are expected to have recorded further growth in the six months to 31 December. However, earnings for consumer discretionary companies were held back by a cautious consumer, against a backdrop of rising interest rates and macroeconomic concerns in the first half of the year. Industrial companies returned on average 1.1% for investors over 2010 and 1.5% in the December quarter, with earnings growth offset by PE compression as discussed below.

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The FSP Equities Leaders Fund

The banks sector reported strong earnings growth in 2010 as bad debt charges reduced from elevated levels. However, underlying earnings growth was limited due to modest credit growth and renewed pressure on margins. The banks sector underperformed in 2010, returning -2.4% for the year and -0.8% in the December quarter. The Fund benefited from an underweight position in this sector.

The overall performance of the broad market in 2010 reflected an increase in investor risk aversion around the middle of the year, leading to PE compression. The market started the year on a one year forward PE of 15.0x and ended on a PE of 12.8x (please see the chart under Market Commentary). While the possibility of further macro shocks cannot be discounted, increasing confidence in a sustained global economic recovery should allow risk premiums to be reduced. This would see equity market returns supported by PE multiple expansion in addition to earnings growth.

Performance history (%)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Year total
FY2011	7.5	-1.3	7.4	1.9	-1.0	5.2							20.8%
FY2010	7.3	6.7	7.0	0.4	1.7	4.2	-5.7	1.6	7.6	-0.4	-11.4	-3.2	14.8%
FY2009	-5.7	1.7	-16.3	-17.7	-5.0	2.7	-3.1	-0.7	4.9	2.8	2.2	2.9	-29.7%
FY2008	-0.2	-3.2	8.7	5.0	-3.7	-3.6	-12.3	0.2	-5.4	4.1	0.8	-7.8	-17.6%
FY2007	-0.3	2.9	4.8	6.1	3.3	4.6	3.6	0.2	3.9	4.5	2.7	2.3	46.0%
FY2006	5.5	2.1	4.7	-3.4	2.2	2.2	1.2	3.2	3.9	4.4	-2.9	0.0	25.1%
FY2005	2.1	2.3	3.9	6.3	5.4	1.5	0.8	0.7	-0.9	-3.8	2.5	1.9	24.8%
FY2004	7.5	11.2	6.7	6.9	-1.4	5.4	0.9	2.3	2.7	-2.8	0.6	2.6	50.4%
FY2003	-4.0	2.6	-4.4	1.1	-0.6	-0.9	-2.2	-6.9	0.4	4.6	-1.8	4.0	-8.4%
FY2002										0.7	1.2	-2.2	-0.3%

Recent performance relative to the benchmark (net of fees)

	Fund %	Index %	Outperformance %
3 months	6.1	4.4	1.7
6 months	20.8	12.8	8.0
1 year	6.4	1.6	4.8
2 years annualised	23.1	18.0	5.1
5 years annualised	5.2	4.3	0.9
Since inception annualised	11.2	8.6	2.6

Inception date: 9 April 2002

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The FSP Equities Leaders Fund

Fund commentary

Stocks which contributed to the performance in the December quarter included Bathurst Resources (2.0% of the Fund) which gained 36.7% from the Fund's average purchase price. At the time of writing the stock is up a further 39.6% in January. Bathurst owns a long-life, high quality coking coal project on the west coast of the South Island of New Zealand. The company is targeting first production from this mine in late 2011, with a medium term production target of 2mt per annum.

PanAust (0.8% Fund weight) and Medusa Mining (1.7% Fund weight) gained 36.9% and 33.3% respectively in the quarter. PanAust benefited from leverage to a rising copper price, which increased 20.5% in US dollars in the quarter. Medusa Mining approved construction of a new treatment plant and commenced an expansion programme to significantly increase production at its Co-O gold mine in the Philippines.

NRW Holdings (1.3% of the Fund) gained 26.2% in the December quarter as the outlook for earnings continued to strengthen, driven by the capex intentions of key customers including Rio, Fortescue and BHP. Fortescue announced a $4.6 billion rail expansion in the Pilbara at its November AGM, with earthworks to commence in early 2011. Given NRW's strong existing relationship with Fortescue, it is well placed to win associated work. NRW has guided to at least 15% growth in revenue in the 2011 financial year.

BT Investment Management (1.8% of the Fund) returned 21.3% in the quarter as the company reported a strong result for the financial year to 30 September and investors recognised value in the share price. The company increased earnings per share by 14.9% on the prior year and declared a special dividend of 12.5c, bringing full year dividends to 28c.

Retail Food Group (RFG, 1.6% Fund weight), owner of the Donut King, Michel's Patisseries and Brumby's Bakeries, gained 19.8% in the quarter. RFG announced guidance for net profit growth of 10-15% in the 6 months to 31 December 2010 despite challenging retail trading conditions. In January, management provided a detailed update following the Queensland floods. Our revised forecasts are for the company to still achieve 5% earnings growth for the year to 30 June 2011, before a 20% improvement in the 2012 financial year. The stock is trading on a PE multiple of 10.6x FY11 and 8.8x FY12 based on these forecasts.

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Top 15 Holdings as at 31 December 2010

	ASX Code	Stock Name	Fund Weight
1	BHP	BHP BILLITON	8.1%
2	WBC	WESTPAC BANKING GROUP	7.0%
3	CBA	COMMONWEALTH BANK	6.9%
4	RIO	RIO TINTO	6.0%
5	MIN	MINERAL RESOURCES	5.0%
6	FLT	FLIGHT CENTRE	5.0%
7	SMX	SMS MANAGEMENT	4.4%
8	ANZ	ANZ BANKING GROUP	3.5%
9	AGO	ATLAS IRON	2.6%
10	OSH	OIL SEARCH	2.6%
11	UGL	UNITED GROUP	2.3%
12	BSL	BLUESCOPE STEEL	2.2%
13	OST	ONESTEEL	2.0%
14	BTU	BATHURST RESOURCES	2.0%
15	EQN	EQUINOX MINERALS	1.8%
Total			61.5%

Market commentary

The focus for investors in the current quarter will be the half year earnings results and outlook comments over the February company reporting season.

The recent severe flooding on the east coast of Australia has had a significant human and financial cost. In terms of the economic impact, current estimates are for GDP growth for the year to 30 June 2011 to be 0.5-0.75% lower than previous forecasts, but with a strong rebound in activity from the 2nd quarter as exports recover and reconstruction efforts get underway. The temporary reduction in growth is driven principally by lower coal exports and also lost activity in affected areas.

An early survey of consumer confidence post the floods saw an impact similar to that seen after a 0.25% RBA rate increase. Confidence remains around trend however, and more significant for actual consumption is the high savings rate seen throughout 2010. Given strong employment growth over the last year, economists expect retail spending to recover from the weak 4th quarter of 2010, while the sector will face headwinds from expected interest rate rises later this year.

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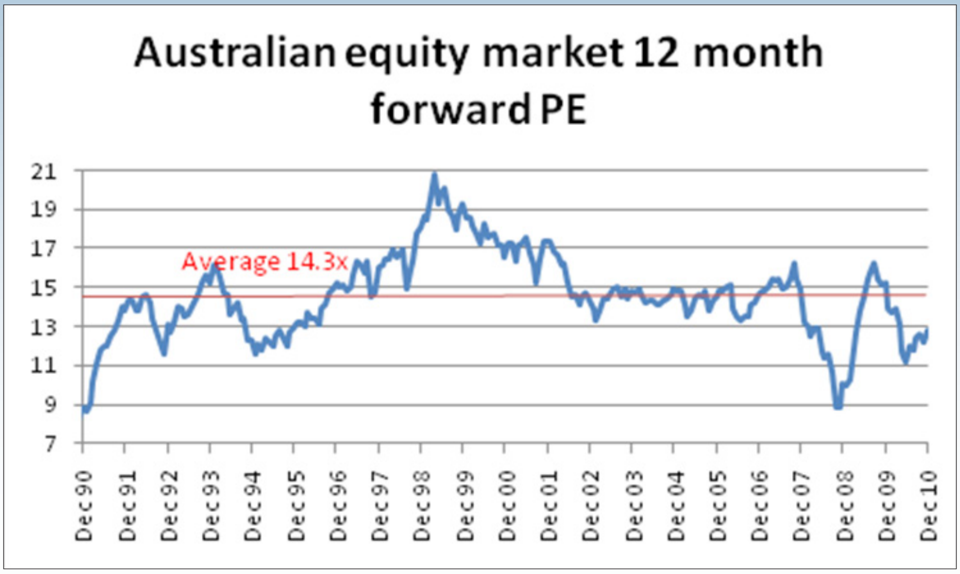
In terms of the aggregate equity market outlook, consensus forecasts are for 14.8% earnings per share growth over the 2011 calendar year. This includes very strong growth of 32.7% for resources, but with industrials also expected to record earnings growth of 9.1% and financials 7.0%. As mentioned and as illustrated below, PE compression was a key driver of the equity market return in 2010, while the current one year forward PE of 12.8x is well below the 20 year average of 14.3x.



Source: UBS

Yours sincerely,

Ronni Chalmers

Investment Director

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