

# MARKET ANNOUNCEMENT

## FSP Fund June 2011 Quarterly Report

The June 2011 Quarterly Report from FSP Equities Management Limited (FSP) on the performance of its FSP Equities Leaders Fund (FSP Fund) is attached.

As at 30 June 2011, Bentley had ~75.6% (~\$21.77 million) of its net assets invested in the FSP Fund.

### About The FSP Equities Leaders Fund (FSP Fund) <sup>1</sup>

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 30 June 2011:

- The equity weighting was 97.93% (previous quarter ending 31 March 2011: 96.98%);
- 81.1% of the equity portfolio is invested in companies contained within the S&P/ASX 200 Index (31 March 2011: 74.1%) with the balance of 18.9% invested in companies outside of the S&P/ASX 200 Index (31 March 2011: 25.9%); and
- The equity portfolio contained 54 holdings (31 March 2011: 54).

### FSP Equities Leaders Fund - Performance

Returns To:	3mths	6mths	1yr	2yrs	3yrs	Since Inception
30 June 2011	(%)	(%)	(%)	(% p.a.)	(% p.a.)	(% p.a.)
FSP Fund	-7.2%	-2.5%	17.8%	16.3%	-1.7%	10.2%
ASX/ S&P 200 Accumulation Index	-4.0%	-0.9%	11.7%	12.4%	0.3%	8.0%

### FOR FURTHER INFORMATION:

Farooq Khan  
Chairman  
T | 1300 762 678  
E | info@bel.com.au

Victor Ho  
Company Secretary  
T | (08) 9214 9757  
E | vho@bel.com.au

<sup>1</sup> Based on information provided by FSP Equities Management Limited.

[www.bel.com.au](http://www.bel.com.au)

**Corporate Office:**  
Level 14, The Forrest Centre  
221 St Georges Terrace  
Perth Western Australia 6000  
**Local T** | 1300 762 678  
**T** | (08) 9214 9757  
**F** | (08) 9322 1515  
**E** | info@bel.com.au

**ASX Code:** BEL  
A.B.N. 87 008 108 218



**Registered Office:**  
Suite 202, Angela House  
30-36 Bay Street  
Double Bay New South Wales 2028

**T** | (02) 9363 5088  
**F** | (02) 9363 5488

# The FSP Equities Leaders Fund

## June Quarter 2011

25 July 2011

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

Dear Client,

For the twelve months to 30 June 2011 the FSP Equities Leaders Fund returned a net 17.8%, which compares favourably to the S&P/ASX 200 Accumulation Index return of 11.7%.

We are pleased to report that the Fund was the 3rd best performing long-only Australian share fund out of 135 funds in the Mercer survey for the year to 30 June.

This time last year the Australian equity market had experienced a volatile June quarter, which was then due to an escalation of European sovereign debt concerns and the proposed resources tax. That period was accompanied by a softening of domestic economic data, including business and consumer confidence and housing market activity.

Domestic economic data was again softer than expected in the 2011 June quarter. This was partly attributable to global factors including European sovereign debt concerns, higher food and energy prices and the tragic events in Japan. There were also a number of Australia specific factors including further strengthening of the exchange rate, weaker house prices, the prospect of a carbon tax and a slower than forecast recovery from flooding on the east coast.

The most positive feature of the period was the continued strength in prices for Australia's key commodity exports, including coal, iron ore, gold and copper. This was against a backdrop of moderating but continued solid GDP growth in China (9.5% in the June quarter on the previous year). A central focus for this market has been the balancing of growth and inflationary pressures. There were some positive signs in June, with non-food prices stable on the previous month and up 3.0% on a year earlier. Food price inflation has been higher, including a short-term increase in pork prices. We note that share prices for mining companies were generally lower in the quarter despite commodity prices remaining strong.

### Performance history (%)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Year total
<b>FY2011</b>	7.5	-1.3	7.4	1.9	-1.0	5.2	0.6	3.1	1.3	-1.2	-2.5	-3.7	<b>17.8%</b>
<b>FY2010</b>	7.3	6.7	7.0	0.4	1.7	4.2	-5.7	1.6	7.6	-0.4	-11.4	-3.2	<b>14.8%</b>
<b>FY2009</b>	-5.7	1.7	-16.3	-17.7	-5.0	2.7	-3.1	-0.7	4.9	2.8	2.2	2.9	<b>-29.7%</b>
<b>FY2008</b>	-0.2	-3.2	8.7	5.0	-3.7	-3.6	-12.3	0.2	-5.4	4.1	0.8	-7.8	<b>-17.6%</b>
<b>FY2007</b>	-0.3	2.9	4.8	6.1	3.3	4.6	3.6	0.2	3.9	4.5	2.7	2.3	<b>46.0%</b>
<b>FY2006</b>	5.5	2.1	4.7	-3.4	2.2	2.2	1.2	3.2	3.9	4.4	-2.9	0.0	<b>25.1%</b>
<b>FY2005</b>	2.1	2.3	3.9	6.3	5.4	1.5	0.8	0.7	-0.9	-3.8	2.5	1.9	<b>24.8%</b>
<b>FY2004</b>	7.5	11.2	6.7	6.9	-1.4	5.4	0.9	2.3	2.7	-2.8	0.6	2.6	<b>50.4%</b>
<b>FY2003</b>	-4.0	2.6	-4.4	1.1	-0.6	-0.9	-2.2	-6.9	0.4	4.6	-1.8	4.0	<b>-8.4%</b>
<b>FY2002</b>										0.7	1.2	-2.2	<b>-0.3%</b>

# The FSP Equities Leaders Fund

## Performance relative to the benchmark (net of fees)

	Fund %	Index %	Outperformance %
3 months	-7.2	-4.0	-3.2
6 months	-2.5	-0.9	-1.6
1 year	17.8	11.7	6.1
2 years annualised	16.3	12.4	3.8
5 years annualised	2.7	2.4	0.3
Since inception annualised	10.2	8.0	2.2

Inception date: 9 April 2002

## Fund commentary

Stocks which contributed positively to performance in the June quarter included Equinox Minerals, which gained 39.5%. In April, Chinese company Minmetals announced its intention to make a takeover offer for Equinox at C\$7.00 per share, a 23% premium to the previous closing price. Subsequently, Canadian miner Barrick Gold submitted a higher cash offer of C\$8.15 per share. This was unanimously recommended by the Equinox board and the Fund exited its position, crystallising a 120% return on the initial purchase made in September 2009.

DKN financial group returned 31.7% in the quarter, as it was also the subject of takeover activity. Following recent share price weakness, larger peer IOOF Holdings offered to acquire the company for \$0.75 per share in cash via scheme of arrangement. As a key shareholder, FSP was one of the funds which indicated to IOOF's corporate advisor that the initial offer was below our valuation. IOOF subsequently increased the offer by 10%.

GrainCorp gained 9.5% in the quarter after it reported a strong first half result in May and provided a significant upgrade to full year guidance (from \$115-\$135m to \$145-\$165m). A large amount of grain carried over from last year's winter harvest, combined with increased plantings and good initial growing conditions have provided the foundations for another strong earnings result in the year to September 2012.

Despite continued strength in commodity prices, mining stocks generally detracted from performance in the June quarter. This was driven by increased investor risk aversion in the context of Greek debt concerns. Among the Fund's holdings in this sector was Bathurst Resources, which returned -17.3%. Bathurst has proposed the development of a long-life, high quality coking coal project on the west coast of the South Island of New Zealand. The current focus for the stock is the resource consent process, with a decision expected imminently following the recent hearing. If the application is approved interest groups will then have an opportunity to appeal.

Automotive Holdings (AHE) also made a negative contribution in the quarter, with the stock returning -20.4%. AHE announced a capital raising in the period to fund the acquisition of two logistics businesses, while short-term trading has also been impacted by supply chain disruptions from the Japan disaster and soft demand in Queensland.

# The FSP Equities Leaders Fund

## Top 15 holdings as at 30 June 2011

	ASX Code	Stock Name	Fund Weight	ASX200 Weight
1	CBA	COMMONWEALTH BANK	7.2%	6.9%
2	BHP	BHP BILLITON	7.2%	11.8%
3	WBC	WESTPAC	7.1%	5.6%
4	RIO	RIO TINTO	5.9%	3.0%
5	MIN	MINERAL RESOURCES	5.5%	0.2%
6	FLT	FLIGHT CENTRE	4.4%	0.2%
7	SMX	SMS MANAGEMENT	4.3%	0.1%
8	ANZ	ANZ BANKING GROUP	4.1%	4.8%
9	AGO	ATLAS IRON	3.5%	0.3%
10	BTU	BATHURST RESOURCES	3.2%	0.1%
11	OSH	OIL SEARCH	2.5%	0.7%
12	HGG	HENDERSON GROUP	2.3%	0.1%
13	UGL	UGL	2.2%	0.2%
14	BDR	BEADELL RESOURCES	2.2%	-
15	MML	MEDUSA MINING	1.7%	0.1%
Total			63.2%	34.0%

## Market commentary

Some of the factors which detracted from growth in the first half of the year are now gradually abating, including with the recovery of coal mining on the east coast of Australia and the availability of fruit and vegetable crops in Queensland and Western Australia. Industrial production in Japan is also expected to reach its pre-crisis level in the current quarter. It is estimated that this disaster will subtract 2.4% from 2011 GDP growth in Japan<sup>1</sup> and associated supply chain disruptions are estimated to have subtracted 0.5% from US GDP growth in the June quarter<sup>2</sup>.

Other factors, including the higher Australian dollar and food and energy prices, may reflect a more persistent adjustment. Aggregate disposable incomes in Australia have continued to grow despite higher food and energy prices and interest rates, however consumer caution and a desire to reduce debt levels have held back spending. Consumer as well as business confidence will therefore be important to growth outcomes over the next year.

The Fund continues to focus on identifying quality businesses which are trading at attractive valuations. The portfolio is also positioned to benefit from record planned mining investment over the next few years, which is illustrated on the chart overleaf. This investment is driving production expansion for many of the Fund's holdings in the mining sector and large contract wins for mining services companies.

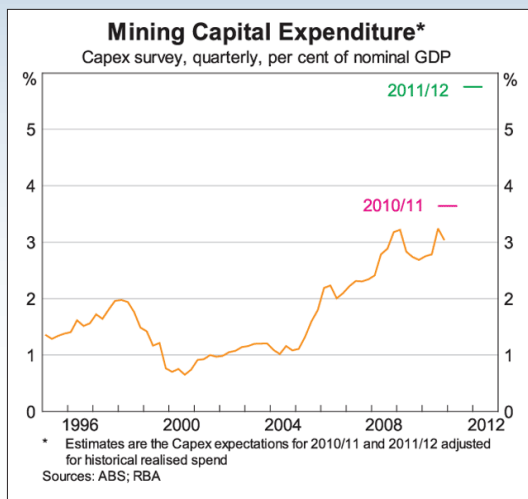
1. IMF, World Economic Outlook Update, June 2011; Asia and Pacific Regional Economic Outlook, April 2011.

2. Goldman Sachs Research.

# The FSP Equities Leaders Fund

The Reserve Bank’s central scenario continues to be strong medium-term growth in the Australian economy, driven by high prices for Australia’s commodity exports and very strong growth in investment, led by the resources sector. The extent to which this strains the economy’s productive capacity is expected to be a key determinant of inflation. However, the Board noted in its July minutes that the flow of recent information suggested that there was now more time to assess the likely strength of inflationary pressures.

The Fund has reduced its exposure to the discretionary retail sector, which has been the most affected by current conditions. The Fund’s largest investment in this sector is Flight Centre, which provided a minor upgrade to its earnings guidance in July. Flight Centre has experienced strong trading as outbound international travel has continued to grow as illustrated below.



Yours sincerely,

**Ronni Chalmers**  
Investment Director

**Important information and disclaimer:**

Performance is influenced by market volatility over time. Past performance is not necessarily indicative of future performance. Neither FSP Equities Management Pty Limited nor any related corporation guarantees the repayment of capital or the performance of the FSP Equities Leaders Fund.

The contents of this report have been prepared without taking into account your individual objectives, financial situation or needs. Because of that, before acting you should consider the appropriateness of what is included here, having regard to your own objectives, financial situation and needs and see your qualified financial adviser before making any investment decision.

This report may include statements (including opinions) about particular financial products or classes of financial products in which the FSP Equities Leaders Fund is or has invested – these statements are not intended to influence any person in making a decision in relation to these financial products or classes of financial products and hence do not constitute financial product advice.