

# MARKET ANNOUNCEMENT

## FSP Fund September 2012 Quarterly Report

The September 2012 Quarterly Report from FSP Equities Management Limited (**FSP**) on the performance of its FSP Equities Leaders Fund (**FSP Fund**) is attached.

As at 30 September 2012, Bentley had 30.04% (~\$5.90million) of its net assets invested in the FSP Fund (previous quarter 30 June 2012: 28.85% (~\$5.77 million) (cum income distribution)).

### 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 September 2012:

- The equity weighting was 93.96% (30 June 2012: 97.5%);
- 83.41% of the equity portfolio is invested in companies contained within the S&P/ASX 200 Index (30 June 2012: 81.81%) with the balance of 16.59% invested in companies outside of the S&P/ASX 200 Index (30 June 2012: 18.19%); and
- The equity portfolio contained 48 holdings (30 June 2012: 57 holdings).

### FSP Equities Leaders Fund - Performance

Returns To:	1mth	3mths	6mths	1yr	2yrs	3yrs	Since Inception
30 September 2012	(%)	(%)	(%)	(%)	(% p.a.)	(% p.a.)	(% p.a.)
FSP Fund	0.9%	6.1%	-1.4%	10.2%	-1.7%	1.0%	8.2%
ASX/ S&P 200 Accumulation Index	2.2%	8.8%	3.7%	14.8%	2.5%	1.8%	7.1%

### 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

### September Quarter 2012

23 October 2012

Dear Client,

In the September quarter, the FSP Equities Leaders Fund produced a net return of 6.1%. At the time of writing, the fund has returned approximately 4.0% in the month of October. The performance in the September quarter benefited from a focus on stocks which are achieving earnings growth notwithstanding the economic environment and/or which offer attractive dividend yields. Relative to the benchmark, the portfolio was well positioned as underweight resources, but was negatively impacted by a fall in stock prices for mining services companies and the outperformance of the consumer staples sector in which the fund was underweight. During the quarter, the fund reduced its holdings of mining services stocks based on lower expectations for mining capital expenditure beyond 2013.

#### Performance history (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year total
<b>2012</b>	6.2	3.5	1.6	1.2	-8.6	0.5	3.5	1.6	1.0				10.1%
<b>2011</b>	0.6	3.1	1.3	-1.2	-2.5	-3.7	-0.9	-3.7	-11.2	7.8	-3.6	-3.6	-17.3%
<b>2010</b>	-5.7	1.6	7.6	-0.4	-11.4	-3.2	7.5	-1.3	7.4	1.9	-1.0	5.2	6.4%
<b>2009</b>	-3.1	-0.7	4.9	2.8	2.2	2.9	7.3	6.7	7.0	0.4	1.7	4.2	42.3%
<b>2008</b>	-12.3	0.2	-5.4	4.1	0.8	-7.8	-5.7	1.7	-16.3	-17.7	-5.0	2.7	-48.2%
<b>2007</b>	3.6	0.2	3.9	4.5	2.7	2.3	-0.2	-3.2	8.7	5.0	-3.7	-3.6	21.4%
<b>2006</b>	1.2	3.2	3.9	4.4	-2.9	0.0	-0.3	2.9	4.8	6.1	3.3	4.6	35.5%
<b>2005</b>	0.8	0.7	-0.9	-3.8	2.5	1.9	5.5	2.1	4.7	-3.4	2.2	2.2	15.1%
<b>2004</b>	0.9	2.3	2.7	-2.8	0.6	2.6	2.1	2.3	3.9	6.3	5.4	1.5	31.2%
<b>2003</b>	-2.2	-6.9	0.4	4.6	-1.8	4.0	7.5	11.2	6.7	6.9	-1.4	5.4	38.3%
<b>2002</b>				0.7	1.2	-2.2	-4.0	2.6	-4.4	1.1	-0.6	-0.9	-6.5%

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

	Fund %	Index %	Outperformance %
3 months	6.1	8.8	-2.7
1 year	10.2	14.8	-4.6
3 years annualised	1.0	1.8	-0.8
Since inception annualised	8.2	7.1	1.1
Since inception total return	129.2	105.8	23.3

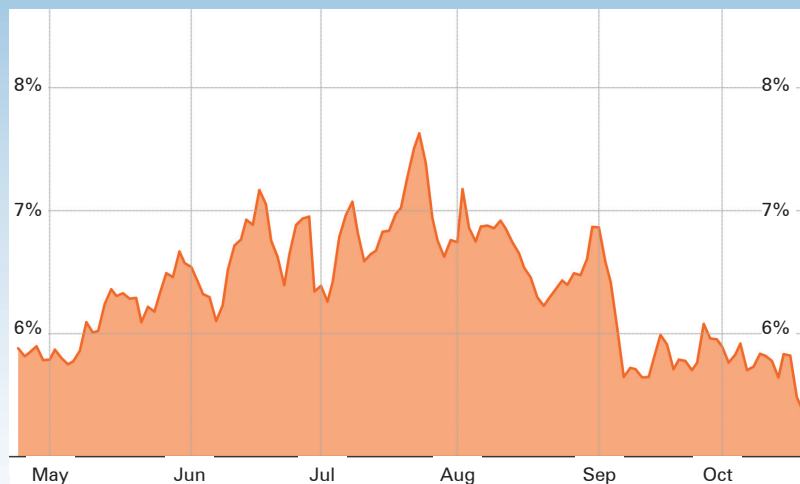
Inception date: 9 April 2002

The strength in equity markets in September was supported by reduced investor risk aversion in the context of substantial stimulus packages being announced globally. The US Fed announced a third round of quantitative easing, with a commitment to inject US\$40b per month for as long as is required. In Europe, the ECB outlined details of its "Outright Monetary Transactions", another version of quantitative easing designed to support peripheral European growth. The Chinese central bank also provided 365b Yuan (approximately US\$58b) of liquidity to commercial banks, while the Bank of Japan announced an extension to its bond-buying program.

## The FSP Equities Leaders Fund

The policy action in Europe was reflected in lower sovereign bond yields for Spain, as shown in the chart below. Spain's 10 year bond yield peaked at 7.6% in July 2012 and is currently below 5.5%.

### Spanish government 10 year bond yield



### Fund commentary

Stocks which produced strong returns in the quarter included Sirtex (1.1% fund weight), which returned 56.0%. Sirtex provides a form of targeted radiation therapy for treatment of cancers in the liver. Over the past five years the company has achieved a compound annual growth rate in dose sales of 24%, including 23% growth in FY12. It has also been paying dividends for the past three years. Penetration of Sirtex's current target market remains below 10%, while the company is also pursuing clinical trials to expand this market to earlier stage cancer treatment.

Breville Group (0.9% weight) returned 31.6% in the quarter as the company reported FY12 earnings per share growth of 30% and EBITDA which was 11% higher than company guidance provided at the 1H result. The growth has been driven by the expansion of sales into the US, where Breville is expected to continue to win market share while also introducing further product categories.

Flight Centre (2.5% weight), a stock which the fund has held since 2009, returned 28.4% after it reported a strong FY12 result. Earnings per share growth for the year was 18%, which was 7% ahead of the company's initial guidance.

Stocks which detracted from performance in the quarter included UGL, which returned -12.7%. UGL reported an FY12 result in line with consensus expectations, but gave guidance for relatively flat earnings in FY13, which was 8-10% below expectations. The fund exited the stock in the quarter given downside risk to earnings expectations.

Mineral Resources (MIN, 1.4% weight) returned -10.9%. MIN reported FY12 earnings per share growth of 23%, in line with expectations, while the earnings outlook has been impacted by the fall in the iron ore price. This reduces earnings from MIN's own mines and also the likely level of demand for its ore crushing business. We note, however, that the iron ore price has subsequently recovered from its low and is now approximately in line with consensus expectations for FY13.

## The FSP Equities Leaders Fund

During the quarter, the fund initiated a 2.3% position in Suncorp Group. Suncorp is benefiting from positive general insurance industry trends, with rising underlying insurance margins in addition to expected normalisation of claims experience. Suncorp has an A+ stable credit rating from S&P and a core bank comprised 77% of household loans with a strong deposit base. Suncorp's non-core portfolio of commercial loans has been a headwind to earnings in recent years, while this book has been in run off since 2009 and has reduced in size by 75% over that time to \$4.5bn as at June 30 2012. Suncorp holds \$792m of capital above its operational target post the recent payment of a 15cps special dividend. The stock has a forecast fully franked dividend yield of 6.1% for FY2013.

### Top 15 holdings as at 30 June 2012

	ASX Code	Stock Name	Fund Weight	ASX200 Weight
1	WBC	Westpac Banking Corporation	9.6%	6.8%
2	ANZ	ANZ Banking Group	8.7%	6.0%
3	CBA	Commonwealth Bank of Australia	8.5%	7.8%
4	BHP	BHP Billiton	7.0%	9.1%
5	TCL	Transurban	3.3%	0.8%
6	MMS	McMillan Shakespeare	2.9%	-
7	OSH	Oil Search	2.9%	0.9%
8	FLT	Flight Centre	2.5%	0.2%
9	SUN	Suncorp Group	2.3%	1.1%
10	DUE	DUET Group	2.3%	0.2%
11	CPA	Commonwealth Property Fund	2.2%	0.2%
12	SYD	Sydney Airports	2.1%	0.5%
13	IVC	Invocare	2.0%	0.1%
14	APA	Westpac Banking Corporation	1.9%	0.3%
15	AHE	Automotive Holdings	1.7%	6.8%
Total			59.8%	33.9%

### Market commentary

In August, the majority of listed companies reported either full or half year earnings results. On an aggregate basis, earnings were approximately in line with consensus expectations, while cautious outlook commentary prompted the market to revise down FY13 expectations to be more in line with the macro environment.

Across the principal sectors of the market, banks reported earnings per share growth for the half year to 30 June of 0.1% on the prior corresponding period, industrials reported growth of 10.8%, real estate investment trusts grew earnings by 1.7%, while resources earnings fell -23.0% on lower commodity prices.

The most notable feature of these results was the strong second half earnings growth of 10.8% recorded by industrial companies (being all companies excluding banks, resources and REITs). This was the strongest result for this sector since 2007 and reflected a broad range of companies, although discretionary retail and media stocks were notably absent from the positive contributors.

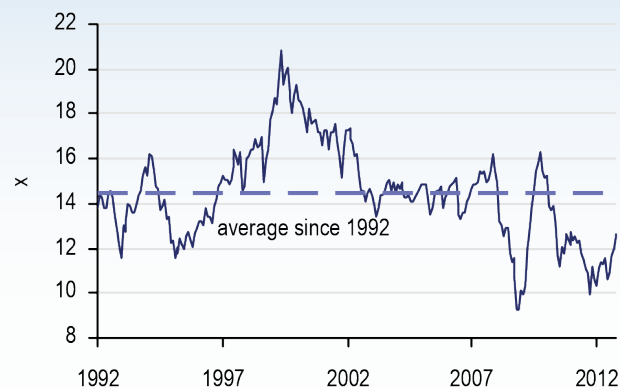
## The FSP Equities Leaders Fund

The performance of the industrials sector in the second half and the revision of earnings forecasts to more realistic levels are positives for the equity market outlook. A number of headwinds remain however, with the A\$ still high, commodity prices lower, credit growth modest and the housing market still subdued.

In the previous newsletter we highlighted the historically low level of the Australian market PE. The market returns over the past quarter have reflected a partial unwinding of this discount, while aggregate earnings expectations have actually been revised downwards as discussed above.

Currently the market is trading at a 15% discount to its historical average PE, as shown below, reflecting below average earnings growth and investor risk aversion. We also note however, that the low inflation and interest rate environment are factors which would support a higher valuation for the equity market.

### Australian market 12 month forward PE



Source: UBS research

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.