Bentley Capital Limited

Thursday, 24 January 2013

MARKET ANNOUNCEMENT

FSP Fund December 2012 Quarterly Report

The December 2012 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 2012, Bentley had ~$6.44 million (33.44% of its net assets) its net assets invested in the FSP Fund (previous quarter 30 September 2012: 30.04% (~$5.90million)).

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 30 December 2012:

- The equity weighting was 95.98% (30 September 2012: 93.96%);
- 87.39% of the equity portfolio is invested in companies contained within the S&P/ASX 200 Index (30 September 2012: 83.41%) with the balance of 12.61% invested in companies outside of the S&P/ASX 200 Index (30 September 2012: 16.59%); and
- The equity portfolio contained 46 holdings (30 September 2012: 48 holdings).

FSP Equities Leaders Fund - Performance

Returns To: 31 December 2012	1mth (%)	3mths (%)	6mths (%)	1yr (%)	2yrs (% p.a.)	3yrs (% p.a.)	Since Inception (% p.a.)
FSP Fund	3.8%	9.1%	15.7%	20.1%	-0.4%	1.8%	8.9%
ASX/S&P 200 Accumulation Index	3.4%	6.9%	16.4%	20.3%	3.7%	3.0%	7.6%

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[1] Based on information provided by FSP Equities Management Limited.

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The FSP Equities Leaders Fund
December Quarter 2012

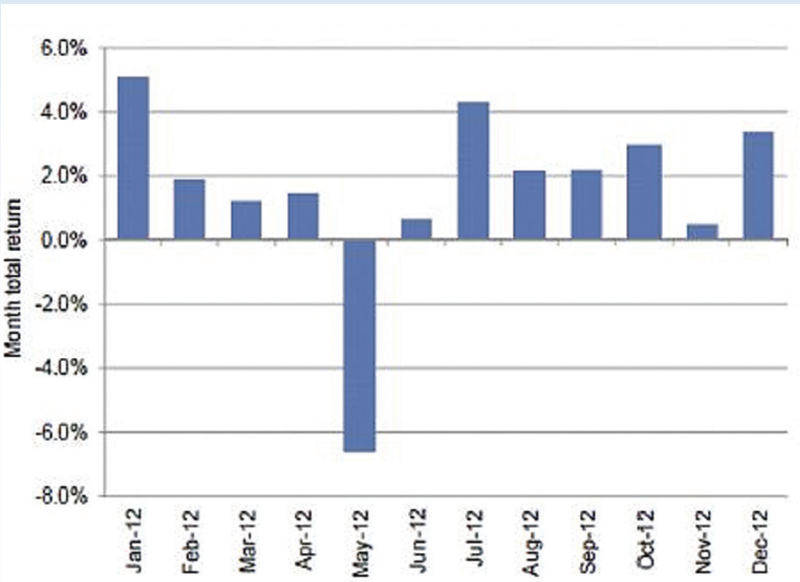
21 January 2013

Dear Client,

In the December quarter, the FSP Equities Leaders Fund produced a net return of 9.0%, ahead of the benchmark S&P/ASX 200 Accumulation Index return of 6.9%. For the 2012 calendar year, the Fund produced a net return of 20.1%, approximately in line after fees with the benchmark return of 20.3%.

The Australian equity market recorded strong returns in the second half of the year as offshore tail risks reduced following the ECB commitment to do ‘whatever it takes’ and growth stabilising or improving in China and the US. Notably, the Australian market was positive in 11 of the 12 months in 2012, falling only in May on European sovereign debt concerns, as shown below.

May was the only negative month for the Australian equity market last year
Monthly total return for the ASX200 Accumulation Index during CY2012



Post the July ECB announcement, Spanish Government 10 year bond yields declined from a peak of 7.6% to 4.9% at the time of writing. This provides one measure of improvement in risk in the eurozone, while economic growth in the region remains under pressure. The ECB recently forecast eurozone GDP to decline 0.3% in 2013. Growth in China has been slowing since 2009, while data released in the second half of 2012 suggest that it is now strengthening, including a return to growth in manufacturing activity. Buying by Chinese steel mills has also driven a significant rally in the iron ore price from a low of close to US$80/t in September 2012 to over US$150/t currently. In the US, housing activity improved through 2012 and the rate of unemployment fell from 8.5% at December 2011 to 7.9% in November 2012. The US economy recorded GDP growth of 3.1% in the third quarter of 2012 on the same quarter in 2011. On 1 January 2013, the US Senate passed an agreement which prevented some, though not all, of the anticipated tax increases and spending cuts, while the government will still need to negotiate an increase to the debt ceiling in the current quarter.

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In the domestic economy, strong resources investment is expected to have supported GDP growth in 2012 at around trend in volume terms. However, a 14% peak to trough decline in the terms of trade will have detracted from national income, while business confidence has remained low. Iron ore prices have recovered strongly from their September low, while a broader based increase in economic activity is likely to be required to offset an expected peak in resources investment in the near term. This should be assisted by the 175bp of reductions in the official cash rate from the peak in November 2011 to the current 3.0%, with the RBA retaining an easing bias. Importantly, the lower cash rate has also increased the valuation appeal of equities.

Given this backdrop, the Fund continues to focus on finding stocks which are trading at reasonable valuations and in which we have confidence in the earnings growth outlook and/or which have attractive and sustainable dividend yields. The weighted average forecast earnings per share growth for the portfolio for the year ending 30 June 2013 is 8.2% with a dividend yield of 5.0%.

Performance history (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year total
2012	6.2	3.5	1.6	1.2	-8.6	0.5	3.5	1.6	1.0	4.3	0.8	3.8	20.1%
2011	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%
2010	-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%
2009	-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%
2008	-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%
2007	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%
2006	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%
2005	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%
2004	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%
2003	-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%
2002				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	9.1	6.9	2.2
1 year	20.1	20.3	-0.2
3 years annualised	1.8	3.0	-1.2
4 years annualised	10.7	10.6	0.1
Since inception annualised	8.9	7.6	1.3
Since inception total return	149.9	120.1	29.8

Inception date: 9 April 2002

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Fund commentary

Stocks which produced strong returns in the quarter included GrainCorp, which returned 41.8% after receiving an indicative cash proposal from Archer Daniels Midland (ADM) to acquire the company. ADM has purchased a 19.9% interest in GrainCorp and subsequently increased its cash offer by 4% to $12.20. The GrainCorp Board remains of the view that the offer materially undervalues the company, while management also outlined a number of productivity initiatives targeted to add approximately 30% to EBITDA over the next 4 years. The Fund initiated its holding in GrainCorp in December 2010 at an average price of $6.61 and has reduced its position post the approach from ADM.

Sirtex Medical returned 39.3% after reporting very strong third quarter dose sales growth of 37% on the prior corresponding period. This was the 33rd consecutive quarter of sales growth. Management also committed to the construction of a manufacturing facility in Europe, which is in addition to the tripling of its existing US manufacturing capacity announced in August 2012. This provided a further indication of management confidence in the medium term growth outlook. During the quarter, Sirtex was added to the S&P/ASX 200 Index.

BC Iron (BCI) gained 34.3% in the quarter, reflecting the execution of a value accretive transaction, as well as a strengthening iron ore price. In December, BCI agreed to acquire a further 25% interest in its Nullagine Iron Ore JV (taking its interest to 75%), while securing additional rail capacity that will enable it to increase production from 5mtpa to 6mtpa.

Stocks which detracted from performance in the quarter included Oil Search, which returned -5.5% after announcing a 21% increase to the estimated capital cost of the PNG LNG Project, while the company is continuing to target first sales in 2014.

New Hope Coal was also slightly down in the quarter, returning -1.2% as the thermal coal price declined approximately 6.0%.

Top 15 holdings as at 31 December 2012

	ASX Code	Stock Name	Fund Weight	ASX200 Weight
1	WBC	Westpac Banking Corporation	9.8%	6.6%
2	CBA	Commonwealth Bank of Australia	9.3%	8.2%
3	ANZ	ANZ Banking Group	8.5%	5.6%
4	BHP	BHP Billiton	7.6%	9.9%
5	MMS	McMillan Shakespeare	3.3%	0.1%
6	FLT	Flight Centre	2.8%	0.2%
7	OSH	Oil Search	2.7%	0.8%
8	SUN	Suncorp Group	2.7%	1.1%
9	TCL	Transurban	2.6%	0.7%
10	HGG	Henderson Group	2.3%	0.1%
11	DUE	DUET Group	2.2%	0.2%
12	SYD	Sydney Airports	2.2%	0.5%
13	APA	APA Group	2.1%	0.4%
14	CPA	Commonwealth Property Office Fund	2.1%	0.2%
15	IFL	IOOF Holdings	2.0%	0.1%
		Total	62.3%	34.8%

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Market commentary

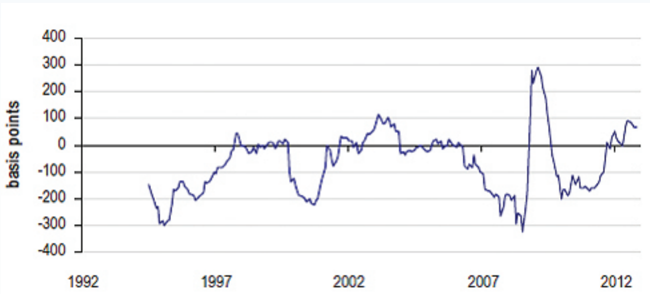
Global equity markets recorded strong returns in 2012 on improved confidence that worst case risks for global growth would be averted. This was supported by the announcement of substantial monetary stimulus packages by central banks in Europe, the US, China and Japan and evidence of stabilising or improving growth in China and the US.

The Australian equity market outperformed global markets in 2012, with the S&P/ASX 200 Accumulation Index returning 20.3%, compared to the MSCI World Accumulation Index return of 15.8% in US$ (14.0% in A$).

The Australian market is currently trading on a one year forward PE of approximately 13.8x, which is a modest discount to the 20 year average of 14.5x. In the context of the current economic environment, we view this valuation as fair, with market returns in 2013 likely to be more dependent on earnings growth being achieved. Current expectations are for the All-industrials ex-financials to achieve earnings per share growth of 5.5% in the year to June 2013, with growth accelerating to 10.0% in the year to June 2014. The resources sector is forecast to report a 20.0% decline in earnings per share for the year to June 2013, while banks and property trusts are expected to report relatively flat earnings.

When viewed relative to returns on offer from term deposits, the current valuation of the market looks more attractive. As shown below, the current spread of the market dividend yield over the 1-year term deposit rate is at an historically high level. With the official cash rate expected to be reduced further in 2013, this could be a factor which supports a higher level for the Australian equity market.

Spread of the Australian market dividend yield over the 1-year term deposit rate



Yours sincerely,

Ronni Chalmers

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