Bentley Capital Limited

Monday, 29 April 2013

MARKET ANNOUNCEMENT

FSP Fund March 2013 Quarterly Report

The March 2013 Quarterly Report from FSP Equities Management Limited (**FSP**) on the performance of its FSP Equities Leaders Fund (**FSP Fund**) is attached.

As at 31 March 2013, Bentley had ~$7.04 million (32.25% of its net assets) invested in the FSP Fund (previous quarter 31 December 2012: ~$6.44 million (33.44%)).

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 March 2013:

- The equity weighting was 90.33% (31 December 2012: 95.98%);
- 86.44% of the equity portfolio is invested in companies contained within the S&P/ASX 200 Index (31 December 2012: 87.39%) with the balance of 13.56% invested in companies outside of the S&P/ASX 200 Index (31 December 2012: 12.61%); and
- The equity portfolio contained 46 holdings (31 December 2012: 46 holdings).

FSP Equities Leaders Fund - Performance

Returns To: 31 March 2013	1mth (%)	3mths (%)	6mths (%)	1yr (%)	2yrs (% p.a.)	3yrs (% p.a.)	Since Inception (% p.a.)
FSP Fund	-1.3%	9.4%	19.3%	17.6%	1.6%	3.8%	9.6%
ASX / S&P 200 Accumulation Index	-2.2%	8.2%	15.7%	20.0%	6.2%	5.2%	8.2%

FOR FURTHER INFORMATION:

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

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

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

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

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March quarter 2013

26 April 2013

Dear Client,

In the March quarter, the FSP Equities Leaders Fund produced a net return of 9.4%, ahead of the benchmark S&P/ASX 200 Accumulation Index return of 8.1%.The Fund's six month return of 19.3% ranks 23rd out of 254 Australian equities funds in its category in the Morningstar survey and compares to the benchmark return of 15.7% over the same period.

Australian equity market returns in the quarter were supported by better than expected corporate earnings reported for the half year to December 2012 and increasing demand for equities in the context of low interest rates and stabilising global growth. The Fund benefited from the performance of holdings in the consumer discretionary and diversified financials sectors and an underweight allocation to the resources sector.

International equity and debt markets remained generally calm over the quarter, with international equities recording positive returns, despite concerns surrounding the Cypriot bailout and political uncertainty in Italy.

The Reserve Bank of Australia remained on hold through the March quarter, with the Board noting that interest-rate sensitive sectors of the economy were responding to the historically low level of lending rates and that these effects likely have further to run. In particular, the Board noted improved consumer confidence and housing market indicators, while public demand is expected to remain modest and mining investment is forecast to peak in the near term. The RBA retains an easing bias should the economy require further support.

Performance history

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year total
2013	4.9	5.6	-1.3										**9.4%**
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%**

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Performance relative to the benchmark (net of fees)

	Fund (%)	Index (%)	Outperformance (%)
3 months	9.4	8.1	1.3
6 months	19.3	15.7	3.6
1 year	17.6	20.0	-2.4
3 years annualised	12.9	13.4	-0.5
Since inception annualised	9.6	8.2	1.4
Since inception total return	173.3	138.1	35.2

Inception date: 9 April 2002

Fund commentary

Stocks which produced strong positive returns in the quarter included REA Group (REA), which returned 54.8%. This return was partly due to strong reported net profit growth of 25.2%, which was ahead of consensus expectations. REA is well placed to continue to deliver strong earnings growth as an increasing share of real estate advertising is spent online. The cost of online advertising remains very low relative to the total transaction costs of selling a home, while online is also significantly cheaper than print advertising. REA has a dominant position in the Australian market and its overseas divisions are reporting strong earnings growth off a low base.

Seek (SEK) also produced a notably strong return of 45.7% in the quarter. Seek's first half result exceeded expectations, with net profit for the December half year up 11.5% despite a soft jobs market. In February it was also reported that Seek plans to float part of its Chinese business for up to A$650m.

BT Investment Management (BTT) gained 34.0% as investors imputed a higher valuation in the context of a rising equity market. The stock also released a positive flows update for the December quarter, with BT's international business, J O Hambro Capital Management, recording $700m of inflows.

Sirtex (SRX) detracted from performance in the quarter as the stock declined -15.7%. The company recorded 31% growth in dose sales over the prior corresponding half, while operating leverage was below expectations due to increased spend on clinical trials and marketing to support future growth.

BHP Billiton also fell during the quarter, returning -10.1%. This was in line with the performance of the materials sector, driven by concerns surrounding Chinese growth. While the stock detracted from the Fund's return, the portfolio is underweight BHP and the resources sector which benefited performance relative to the broad market.

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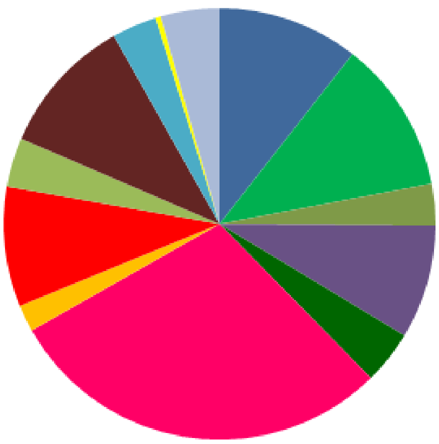
Top 15 Holdings as at 31 March 2013

	ASX Code	Stock Name	Fund weight	ASX200 weight
1	WBC	WESTPAC BANKING CORPORATION	9.6%	7.3%
2	ANZ	ANZ BANKING GROUP	8.8%	6.0%
3	CBA	COMMONWEALTH BANK OF AUSTRALIA	8.6%	8.4%
4	BHP	BHP BILLITON	6.2%	8.1%
5	FLT	FLIGHT CENTRE	3.0%	0.3%
6	SUN	SUNCORP	2.9%	1.2%
7	OSH	OILSEARCH	2.6%	0.8%
8	TCL	TRANSURBAN	2.5%	0.7%
9	HGG	HENDERSON	2.5%	0.1%
10	MMS	MCMILLAN SHAKESPEARE	2.3%	0.1%
11	DUE	DUET GROUP	2.3%	0.2%
12	IVC	INVOCARE	2.2%	0.1%
13	BTT	BT INVESTMENT MANAGEMENT	2.2%	0.0%
14	IFL	IOOF HOLDINGS	2.1%	0.1%
15	APA	APA GROUP	2.1%	0.4%
Total			60.0%	33.8%

Portfolio sector allocations



Portfolio fundamentals	
P/E	14.9x
Dividend yield	4.7%
Return on equity	16.5%
Forecast EPS growth	9.8%

*Of portfolio excluding cash

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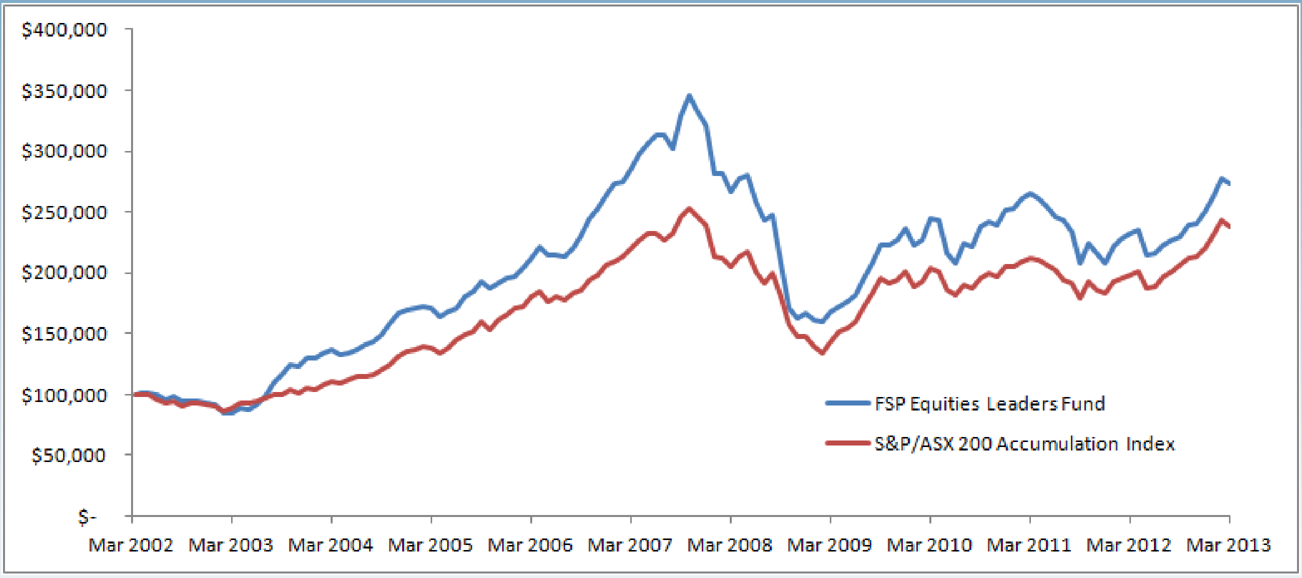
Growth of $100,000 since inception



Market commentary

Through the month of February, Australian listed companies reported earnings for the six months to 31 December 2012. Aggregate results were marginally better than consensus forecasts, which was the first time this has occurred since the half year to 31 December 2010.

The reporting season trends were similar to those seen in the results for the six months to 30 June 2012, with industrial companies reporting the strongest earnings growth, but with only modest growth in revenue. Industrial companies in aggregate reported 3.0% revenue growth, but achieved strong cost control which drove earnings per share growth of 12.0%.

Banks reported earnings per share growth of 2.5% and saw slight earnings upgrades to forecasts for the 2013 financial year, with margins benefiting from mortgage repricing post the RBA rate cuts in late 2012 and bad debts remaining under control.

The resources sector reported a large fall in earnings per share of -35.8%, driven by lower commodity prices and cost pressure. Over the year to 31 December 2012, the Commonwealth Bank A$ Commodity Price Index fell 20.5%. This index was slightly down again (-2.2%) in the March quarter of 2013. The Fund has been underweight the resources sector relative to the broad market since the second half of 2011.

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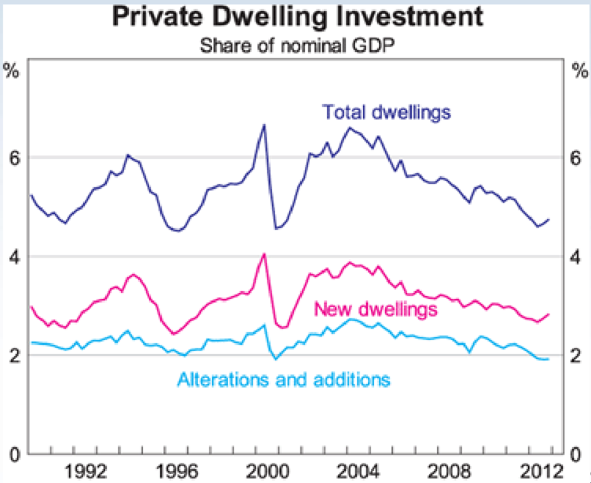
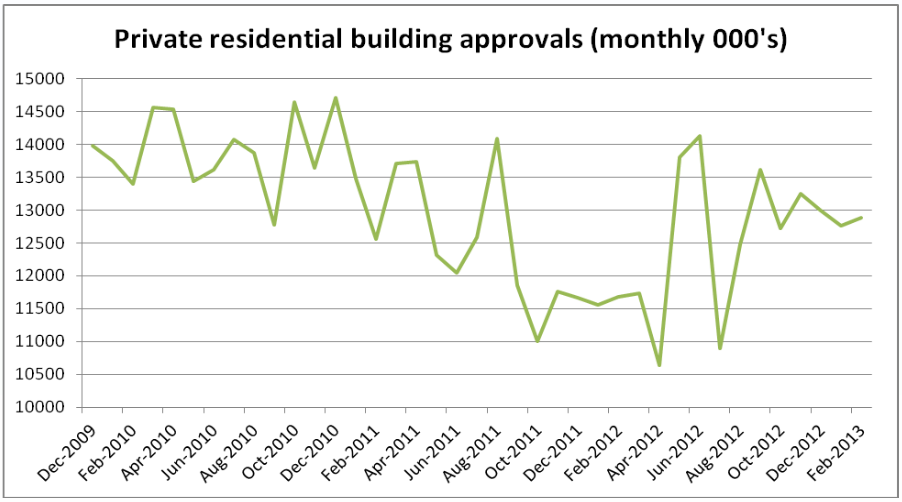
The strongest performing sectors of the Australian market in the quarter were insurance, which returned (+17.1%), consumer discretionary (+16.4%) and banks (+15.5%), while resources (-9.3%), telecommunications (+3.7%) and real estate (+4.5%) recorded the lowest returns.

As mining investment is forecast to peak in the near term and despite continued growth in mining exports, investors are looking to which other parts of the economy are likely to drive growth going forward. One sector of the economy of interest is housing. As the below chart from the RBA highlights, dwelling investment as a share of GDP is currently close to the trough levels seen over the past 20 years. At the same time, indicators such as building approvals have recently improved, as shown in the second chart below, with high-density housing driving the recovery to date. This analysis suggests that housing investment is likely to begin to make a positive contribution to the rate of economic growth in the near term, while the strength of the recovery is less certain.



Source: RBA



Source: Australian Bureau of Statistics

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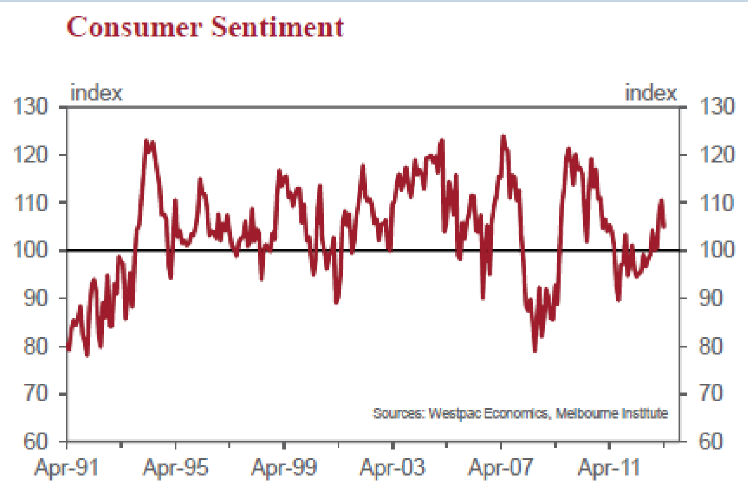
The outlook for consumer spending has also improved, following the 175bp of RBA rate cuts from the peak in November 2011 and the recent rebound in asset prices. This has been reflected in improved retail sales data in early 2013 and an increase in consumer sentiment to above average levels, as shown in the chart below. We note that this improvement in consumer sentiment is likely to be vulnerable to any negative global macro news, as evidenced by the 5% retracement in sentiment in early April post concerns surrounding the Cypriot bailout. The recovery is also likely to be tempered by the fact that household debt relative to income remains only slightly below its high, while this should not prevent spending growth in line with increases in nominal incomes.



International equity markets recorded positive returns over the March quarter, despite some concerns surrounding the Cypriot bailout and political uncertainty in Italy. The MSCI World Index returned 7.7% in US$ (7.5% in A$), which was slightly below the Australian equity market return of 8.1%, as measured by the S&P/ASX 200 Accumulation Index. The Cypriot Government had requested a bailout in June 2012 after its debt was downgraded to below investment grade. This stemmed from the need to support a banking sector impacted by losses on Greek debt. In March 2013 an initial bailout proposal was rejected by the Cypriot Government due to terms requiring a general levy on bank deposits. However, a second agreement was reached in late March without a general deposit levy, but involving the closure of the Cyprus Popular Bank, the country's second largest bank. Shareholder capital in the bank would be wiped out, together with deposits over €100,000 and other creditor claims, depending on the value realised from the bank's remaining assets. During the quarter, Italian political parties were also unable to form a majority government post the February election. As a result, Italian government 10 year bond spreads relative to German bunds increased slightly through the quarter, while they are currently trading at 2.87%, which is below their level as at 31 December 2012 of 3.22%.

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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 nor any related corporation guarantees the repayment of capital or the performance of the FSP Equities Leaders Fund.

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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.

FSP Equities Management Limited ABN 59 102 944 598 AFS Licence No. 246790
Level 39 Australia Square 264 - 278 George Street Sydney NSW 2000
Tel: 61 2 9253 8542 Fax: 61 2 9253 8540 Web: www.fspgroup.com.au Email: funds@fspgroup.com.au