Bentley Capital Limited

Friday, 29 July 2016

MARKET ANNOUNCEMENT

CBG Fund June 2016 Quarterly Report

The June 2016 Quarterly Report from CBG Asset Management Limited (**CBG**) on the performance of its CBG Australian Equities Fund (Wholesale) (**CBG Fund**) is attached.

As at 30 June 2016, Bentley had ~$4.85 million (31.2% of its net assets) invested in the CBG Fund (31 March 2016: ~$6.32 million (38.3%).

About the CBG Fund [1]

The CBG 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.

CBG Fund details as at 30 June 2016:

- The equity weighting was 93.65% (31 March 2016: 92.8%);
- 85.7% of the equity portfolio is invested in companies contained within the S&P/ASX 200 Index (31 March 2016: 85.9%) with the balance of 14.3% invested in companies outside of the S&P/ASX 200 Index (31 March 2016: 14.1%); and
- The equity portfolio contained 45 holdings (31 March: 46 holdings).

CBG Australian Equities Fund – Performance

Returns To: 30 June 2016	1mth (%)	3mths (%)	6mths (%)	1yr (%)	2yrs (% p.a.)	3yrs (% p.a.)	Since Inception (% p.a.)
CBG Fund	-4.2%	-0.2%	-7.4%	2.0%	3.2%	9.2%	9.3%
ASX/S&P 200 Accumulation Index	-2.5%	3.9%	1.1%	0.6%	3.1%	7.7%	7.8%

FOR FURTHER INFORMATION:

Farooq Khan
Chairman
T | (08) 9214 9757
E | info@bel.com.au

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

1 Based on information provided by CBG Asset Management Limited.

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THE AUSTRALIAN FUND MANAGER AWARDS

The CBG Australian Equities Fund (Wholesale)

June quarter 2016

28 July 2016

The Directors of Bentley Capital Limited
Level 2, 23 Ventnor Avenue, West Perth
Western Australia 6005

In the June quarter of 2016, the CBG Australian Equities Fund (Wholesale) returned -0.2%, compared to the S&P/ASX 200 Accumulation Index return of 3.9%.

For the twelve months to 30 June 2016, the fund returned 2.0%, compared to the benchmark return of 0.6%. Over the three year period to 30 June 2016, the fund returned 9.2% per annum, outperforming the benchmark return of 7.7% per annum.

International equity markets largely generated positive returns in the June quarter, despite volatility associated with the Brexit vote. Australian equities outperformed, assisted by a strong performance for the resources sector and a 25bp reduction in the official cash rate to 1.75% in May. The fund remains underweight the resources sector given a high degree of earnings uncertainty and consequently the fund did not participate in the rally for this sector. The reduction in the cash rate followed a negative -0.2% inflation figure for the March quarter, which brought year rolling inflation to 1.3%, well below the RBA’s 2%-3% target range.

Across the Australian equity market industry sectors in the June quarter, resources (+11.5%), AREITs (+9.3%) and consumer discretionary (+4.4%) led the gains, while insurance (-3.6%), staples (-3.6%) and banks (+0.9%) underperformed.

Returns across international equity markets were: S&P 500 (+1.9%); Shanghai Composite (-2.5%); Nikkei 225 (-7.1%) as the yen rallied strongly post the Brexit vote; German DAX (+-2.9%); FTSE 100 (+5.3%) given GBP depreciation with 70-80% of revenues generated offshore; NZX 50 (+1.6%).

Net performance history (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year total
2016	-6.0	-4.7	3.5	0.1	4.1	-4.2							-7.4%
2015	3.7	6.6	-0.3	-2.4	0.2	-6.8	5.4	-5.7	-0.3	5.0	3.4	2.5	10.4%
2014	-2.3	5.8	1.8	0.8	0.2	-1.5	3.6	1.0	-5.1	3.9	-1.2	2.2	9.3%
2013	4.9	5.6	-1.3	5.6	-3.5	-2.6	5.6	1.9	3.7	4.2	-1.1	1.3	26.6%
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%

The CBG Australian Equities Fund (Wholesale)

Performance relative to the benchmark (net of fees)

	Fund (%)	Index (%)	Outperformance (%)
3 months	-0.2	3.9	-4.1
1 year	2.0	0.6	+1.4
3 years annualised	9.2	7.7	+1.5
5 years annualised	7.6	7.4	+0.2
Since inception annualised	9.3	7.8	+1.2
Since inception total return	253.3	189.7	+63.6

Inception date: 9 April 2002
The benchmark is the S&P/ASX 200 Accumulation Index.

Fund commentary

Stocks which contributed positively to performance in the June quarter included Class (CL1), which returned 42.1%. CL1 is the dominant provider of cloud based SMSF administration software in Australia. While only c25% of total SMSF administration is now occurring on cloud based platforms, this service is growing rapidly at the expense of desktop solutions providing a strong growth platform for the business. CL1 also recently launched “Class Portfolio” which is tailored for accountants working on family trusts. CL1 believes this product has strong cross selling opportunities and better ability to increase pricing than Class Super.

Eureka Group (EGH) also contributed positively, returning 27.4%. EGH is a provider of affordable rental accommodation to retirees. During the quarter, the company announced the acquisition of 4 further sites, in addition to a partnership with not-for-profit care provider, Blue Care, which will complement EGH’s existing product offering. By offering Blue Care’s services to residents, EGH is likely to retain residents for longer as their care needs increase with age.

Stocks which detracted from performance in the June quarter included Henderson Group (HGG), which returned -20.1% as the Brexit vote reduced confidence in UK and European equity market returns and increased the likelihood of near term outflows. Henderson is a globally diversified funds management business, although European equities have been a key source of recent inflows. The business also has a small UK property funds management business, accounting for 4.5% of assets under management.

BT Investment Management (BTT) returned -16.9% in the quarter for similar reasons to Henderson Group. UK equities are a key competency of BTT’s J O Hambro Capital Management (Hambros) subsidiary, accounting for 50% of the assets under management of Hambros. The fund had reduced its position in BTT over the past 12 months and reduced it further post the Brexit vote.

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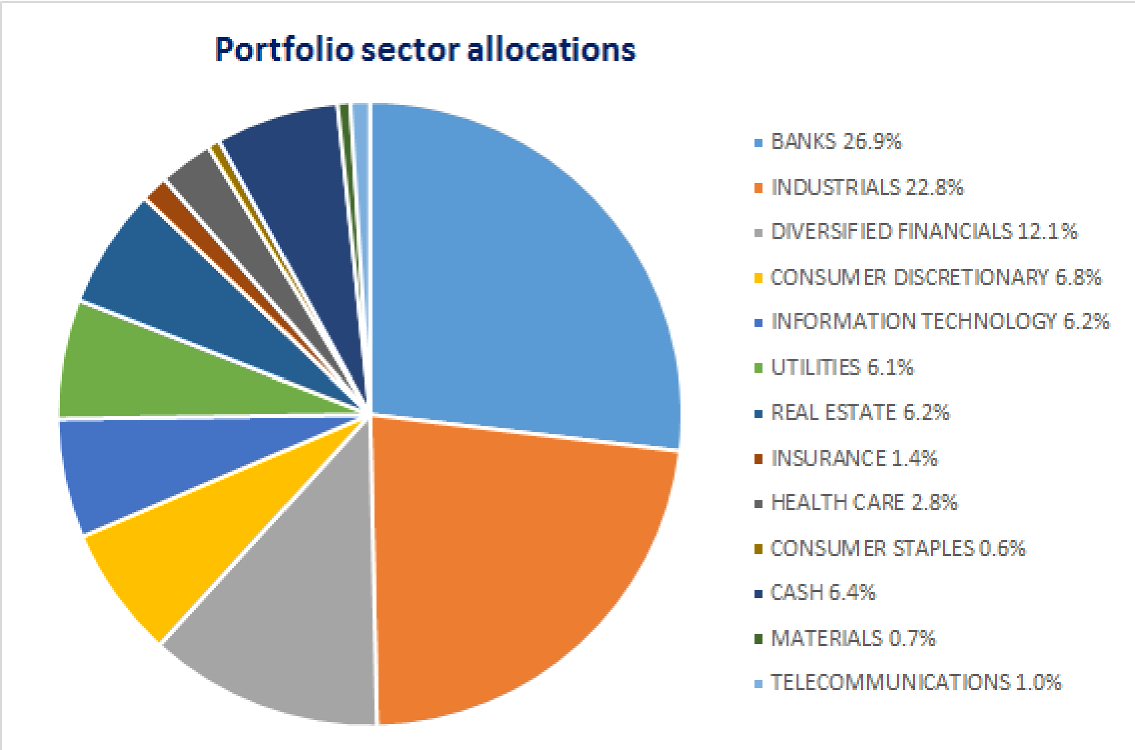
The CBG Australian Equities Fund (Wholesale)

Top 15 Holdings as at 30 June 2016

	ASX Code	Stock Name	Fund weight	ASX200 weight
1	CBA	COMMONWEALTH BANK OF AUSTRALIA	10.8%	9.3%
2	WBC	WESTPAC BANKING CORPORATION	7.9%	7.1%
3	TCL	TRANSURBAN GROUP	5.9%	1.8%
4	MQA	MACQUARIE ATLAS ROADS GROUP	5.4%	0.2%
5	ANZ	ANZ BANKING GROUP LIMITED	4.7%	5.1%
6	HGG	HENDERSON GROUP	3.9%	0.2%
7	MFG	MAGELLAN FINANCIAL GROUP	3.8%	0.2%
8	SYD	SYDNEY AIRPORT	3.7%	1.1%
9	AIA	AUCKLAND INTERNATIONAL AIRPORT LTD	3.5%	0.0%
10	NAB	NATIONAL AUSTRALIA BANK LIMITED	3.5%	4.9%
11	DUE	DUET GROUP	3.1%	0.4%
12	APA	APA GROUP	3.0%	0.8%
13	LLC	LENDLEASE GROUP	2.9%	0.5%
14	ACX	ACONEX LIMITED	2.5%	0.1%
15	EGH	EUREKA GROUP HOLDINGS LIMITED	2.4%	0.0%
Total			67.0%	31.7%



CBG Asset Management Limited ABN 12 098 327 809 AFS Licence No. 246790
Level 3, 8-10 Loftus Street, Sydney NSW 2000
Tel: 61 2 8599 1160 Web: www.cbgam.com.au Email: enquiries@cbgam.com.au

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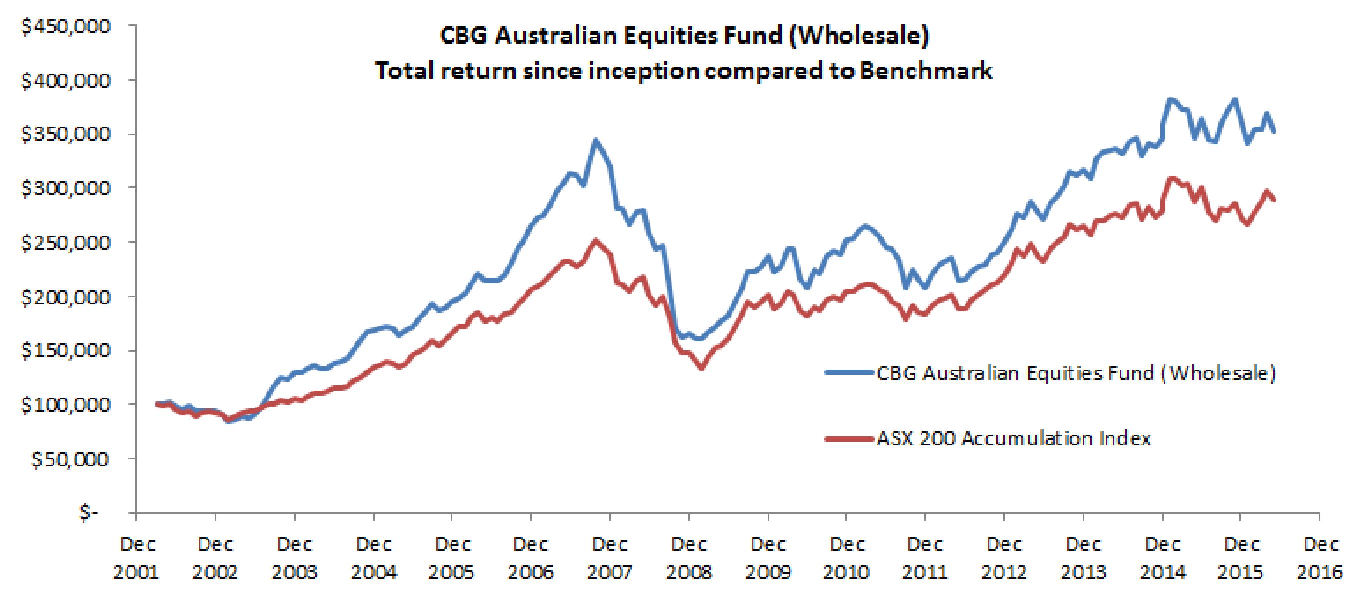
The CBG Australian Equities Fund (Wholesale)

Growth of $100,000 since inception (net of fees)



Inception date: 9 April 2002

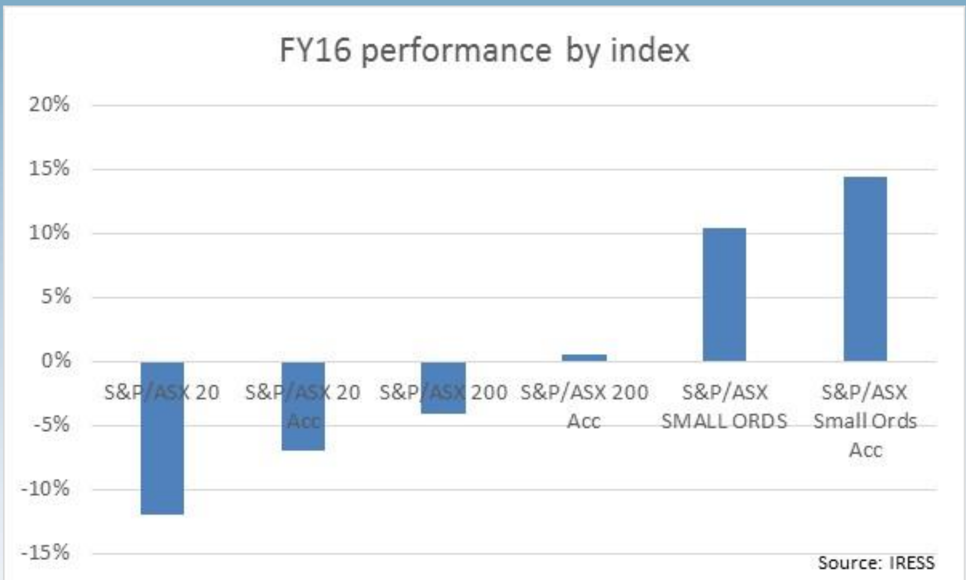
Market commentary

Australian economic data surprised to the upside in the June quarter with a stronger than expected 1Q16 GDP outcome, increasing by 0.9% for the quarter and 3.2% for the 12 months to 31 March 2016. Employment increased by +17.9k positions in June, ahead of the consensus +15.0k, although the unemployment rate and participation rate remained steady at 5.7% and 64.8% respectively. While data points are generally pointing to steady conditions, with inflation widely expected to remain below the RBA's 2-3% target, current market expectations are for a further 25bp rate cut in August (to 1.5%).

In the US, the Federal Reserve left rates on hold during the quarter. Futures markets currently imply less than a 50% probability of an increase this calendar year, given increased uncertainty post the Brexit vote, despite broadly positive economic data releases recently.

In Europe, the UK voted to leave the EU after 43 years of membership, with UK Prime Minister David Cameron subsequently announcing his intention to resign from office. This caused significant uncertainty for markets at the end of June, with most commentators expecting a negative flow through for investment and economic growth in the UK in the near term. The BoE and ECB both issued statements expressing their commitment to maintaining monetary and financial stability, which supported a partial recovery in equity markets by the end of June.

The CBG Australian Equities Fund (Wholesale)



For the 2016 financial year, the ASX 200 price index declined 4.1%. Including dividends, the ASX 200 produced a modest positive return of 0.6%. 2016 saw a strong divergence in performance between large and small cap stocks with the ASX20 declining 11.9% (-7.0% accumulation) while the Small Ords advanced 10.4% (+14.4% accumulation). This divergence highlights the benefits of investing with a flexible investment mandate. On a sector-by-sector basis, healthcare and A-REITs performed most strongly (+18.8%), followed by Utilities (+18.5%) while Financials x-REITs (-13.9%) and Materials (-8.1%) lagged the market.

Looking into financial year 2016/17, issues such as Brexit and its economic consequences, a potential Trump presidency, the US Fed's rate hike path and China's ongoing economic transition are all issues that are likely to cause uncertainty in the market and potentially impact market EPS growth. We believe that such global uncertainty is likely to see further stimulus in certain economies and the US Fed push out its rate hike path in the short to medium term. We therefore expect rates to continue to remain lower for longer and the Fund remains positioned to benefit from this thematic.

Yours sincerely,

Ronni Chalmers
Investment Director

The CBG Australian Equities Fund (Wholesale)

Important information and disclaimer:

Performance is influenced by market volatility over time. Past performance is not necessarily indicative of future performance. Neither CBG Asset Management Limited nor any related corporation guarantees the repayment of capital or the performance of the CBG Australian Equities Fund (Wholesale).

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.

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