

# MARKET ANNOUNCEMENT

## FSP Fund June 2010 Quarterly Report

The June 2010 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 2010, Bentley had ~46% (~\$13.48 million) of its net assets invested in the FSP Equities Leaders Fund (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 2010:

- The equity weighting was 99.5% (previous quarter 31 March: 99%);
- 81.4% of the equity portfolio is invested in companies contained within the S&P/ASX 200 Index (31 March: 78.3%) with the balance of 18.6% invested in companies outside of the S&P/ASX 200 Index (31 March: 21.7%); and
- The equity portfolio contained 46 holdings (31 March: 52 holdings).

### FSP Equities Leaders Fund - Performance

Returns To:	1mth	3mths	6mths	1yr	2yrs	3yrs	Since Inception
30/06/2010	(%)	(%)	(%)	(%)	(% p.a.)	(% p.a.)	(% p.a.)
FSP Fund	-3.2%	-14.6%	-11.9%	14.8%	-10.1%	-12.7%	9.3%
ASX / S&P 200 Accumulation Index	-2.6%	-11.1%	-9.9%	13.1%	-4.9%	-7.8%	7.5%

### 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

**Company Secretarial 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 2010

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

28 July 2010

Dear Client,

For the 12 months to 30 June 2010, the FSP Equities Leaders Fund ("Fund") returned a net 14.8%, which was 1.7% ahead of its benchmark. This was assisted by a return to net profit growth for most sectors of the Australian market in the second half of 2009, against a backdrop of recovering credit markets and economic growth globally.

In the June quarter, equity markets were sharply lower as heightened sovereign debt concerns increased macro-economic uncertainty. Since the escalation of sovereign debt concerns in May, economic data has been more mixed, including a decline in consumer confidence and housing market indicators in Australia. However, the labour market continues to strengthen and compared to one year ago, the outlook has significantly improved. In early July the IMF upgraded its forecast for global growth in 2010 by 0.4% to 4.6%, due to better than expected activity in the first half of the year. This was the fourth consecutive upgrade and compares to the IMF's 2010 forecast given this time last year of 2.5%.

The focus of the Fund in the coming quarter will be the company reporting season, detailing earnings in the period to June 30 and providing outlook commentary for the coming year. The Fund views current valuations as very attractive, with the weighted average 12 month forward PE of the portfolio 11.2 times at June 30 based on FSP forecasts. This is slightly below the market multiple of 11.5 times and compares to the 20 year average for the market of 14.5 times (see the chart under Market Commentary)<sup>1</sup>.

We are also pleased to report that July has been a very strong month to date, with the Fund having gained approximately 7% at the time of writing.

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1. UBS research

# The FSP Equities Leaders Fund

## Performance history

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

## Return since inception

	Fund	S&P/ASX 200 Accumulation Index
Net return (annualised)	9.3%	7.5%

Inception date: 9 April 2002

## Fund commentary

For the 12 months to 30 June 2010, the FSP Equities Leaders Fund returned a net 14.8%. In the June quarter share prices were broadly lower, with stocks in the financial and mining services sectors having the greatest impact.

Within the financial sector the Fund holds Commonwealth Bank and Westpac, which are domestically focused and very well capitalised. They are also the most profitable of the domestic banks, with an expected return on equity for the 2010 financial year of 18.8% and 16.1% respectively, compared to 14.5% and 12.9% for ANZ and NAB. In the current half in particular, the banks face margin pressure due to rising funding costs and the Fund is underweight this sector as a whole compared to the market, while we view these holdings as offering attractive medium term value.

## The FSP Equities Leaders Fund

Stocks which supported performance in the quarter included Mineral Resources, which gained 9.0% and represented 3.4% of the portfolio as at June 30. Mineral Resources has a strong growth outlook for the 2011 financial year, driven by new iron ore and manganese production coming on stream as well as continued growth in contract crushing volumes.

The Fund exited its position in MacArthur Coal during the quarter for an average price of \$14.85, which compares to the average purchase price of \$6.18. MacArthur Coal has been the subject of competing takeover bids from Peabody Energy and New Hope Corporation. The holding represented 2.0% of the Fund at the start of the quarter.

After June 30, Centennial Coal (2.9% of the Fund) announced that it had received a recommended takeover offer from Thailand's largest coal producer, Banpu Plc. The offer price of \$6.20 cash per share, excluding the final dividend if declared, represents a 100% premium to the Fund's average purchase price and a 42% premium to the June 30 close.

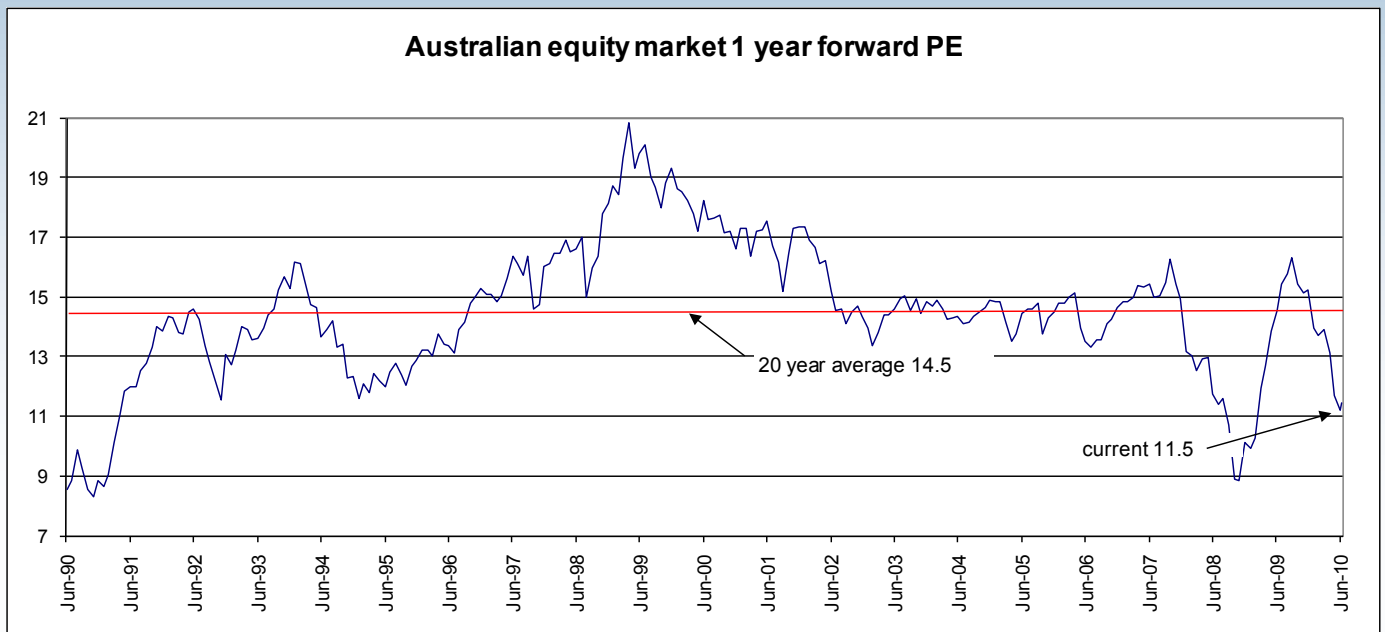
### Top 15 Holdings as at 30 June 2010

	ASX Code	Stock Name	Fund Weight
1	BHP	BHP BILLITON	11.0%
2	CBA	COMMONWEALTH BANK	8.8%
3	WBC	WESTPAC	8.7%
4	SMX	SMS MANAGEMENT	4.9%
5	FLT	FLIGHT CENTRE	4.4%
6	MIN	MINERAL RESOURCES	3.4%
7	JBH	JB HIFI	3.4%
8	OST	ONESTEEL	2.9%
9	CEY	CENTENNIAL COAL	2.7%
10	UGL	UNITED GROUP	2.5%
11	OSH	OIL SEARCH	2.5%
12	AGO	ATLAS IRON	2.4%
13	DJS	DAVID JONES	2.4%
14	BSL	BLUESCOPE STEEL	2.3%
15	TPM	TPG GROUP	2.3%
Total			64.7%

# The FSP Equities Leaders Fund

## Market commentary

In aggregate the Australian market is trading on a weighted average FY11e PE of 11.5 times at the time of writing, which compares to the 20 year average of 14.5 times<sup>2</sup>. The Fund considers there to be moderate downside risk to the 16% earnings growth for the All Industrials implied in these forecasts, with aggregate forecast revisions slipping by a slightly negative 0.8% over the past two months. Nonetheless, the market multiple is significantly below the 20 year average and the Fund views valuations as very attractive at these levels.



Source: UBS

In early July, the IMF upgraded its forecasts for global growth in 2010 by 0.4% to 4.6%, driven by stronger-than-expected growth during the first half of the year. The IMF notes that “industrial production and trade posted double-digit growth... and employment growth resumed in advanced economies”. However, the IMF also commented that downside risks to the outlook have increased due to the heightened uncertainty around sovereign risk, while there has been limited evidence to date of negative spillovers at a global level.

Recent economic data released for Australia has been mixed, with monthly hours worked in June compared to a year earlier up by a very strong 4.2%, while housing finance approvals, consumer and business confidence have all softened in recent months. The IMF left its forecast for Australian GDP growth in 2010 unchanged at 3.0%.

2. UBS research

# The FSP Equities Leaders Fund

## IMF global growth forecasts released 7 July

	2009	2010	2010 Change from April forecast	2011
World	-0.6	4.6	+0.4	4.3
US	-2.4	3.3	+0.2	2.9
Euro Area	-4.1	1.0	0.0	1.3
United Kingdom	-4.9	1.2	-0.1	2.1
China	9.1	10.5	+0.5	9.6
Japan	-5.2	2.4	+0.5	1.8
Australia	1.3	3.0	0.0	3.5
New Zealand	-1.6	3.0	+0.1	3.2

In the RBA's Monetary Policy Statement released on 6 July, the Governor comments that growth in Australia over the year ahead is likely to be about trend. This is supported by a terms of trade which is approaching the peak reached two years ago and a labour market that has continued to improve gradually, while the effects of earlier expansionary policy measures are diminishing. On the outlook for further interest rate rises, the Governor comments that underlying inflation is likely to be in the upper half of the target range over the next year. Monetary policy is currently resulting in interest rates to borrowers around their average levels of the past decade, which the RBA views as appropriate pending further information about international and local conditions for demand and prices.

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.