Bentley International Limited

Thursday, 24 January 2008

MARKET ANNOUNCEMENT

December 2007 Half Yearly Report from Investment Manager

We enclose the Half Yearly Report for 31 December 2007 provided by the Investment Manager, Constellation Capital Management Limited.

About Bentley International Limited (BEL)

BEL is an investment company which listed on ASX in October 1986 with the objective of achieving medium to long term capital appreciation together with dividends through investment in securities listed on the world's sharemarkets. BEL's investment portfolio is currently managed by Constellation Capital Management Limited.

Please refer to www.bel.com.au for further information.

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BENTLEY INTERNATIONAL LIMITED

HALF YEARLY REPORT

December 2007

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HALF YEARLY MARKET SUMMARY

Portfolio Performance

Returns To: 31/12/2007	1mth (%)	3mths (%)	6mths (%)	1yr (%)	2yrs (% p.a.)	3yrs (% p.a.)	Incep* (% p.a.)
Gross Portfolio	0.4%	0.6%	0.5%	3.2%	7.3%	9.9%	10.0%
Benchmark**	0.3%	0.6%	0.8%	4.4%	7.5%	10.4%	10.6%
MSCI ex Australia	-0.5%	-1.5%	-3.5%	-2.1%	4.7%	8.8%	9.2%
Net Funds Flow, $ '000	0	0	-250	-1050	-2350	-2600	-2600

** Inception Date for performance: 30 Septen*
*** HomeGlobal™ Index*

International Market Returns
International markets, as measured by the MSCI World ex Australia Index fell slightly with a return of –0.1% in USD terms for the half-year ended 31 December 2007.

When account is taken of the rise in the $A from $US0.848 to $US0.878 over the period, the MSCI World ex Australia Index when expressed in $A fell 3.5%.

Country Returns
The major markets generally delivered negative returns in their local currencies as provided in the table below. The standout performer was Hong Kong that reflected the more substantial uplift from the China theme.

Market	Return (local currency Jun07-Dec07)
US S&P 500	-2.3%
US Dow Jones Industrials	-1.1%
UK FTSE 100	-2.3%
German DAX	0.8%
France CAC40	-7.3%
Japan Nikkei 225	-15.6%
HK Hang Seng	27.7%

Source: IRESS

Sector Returns
Sector returns were mixed with the sub-prime crisis and its negative impact on Financials and the Consumer Discretionary sectors offsetting advances in a majority of sectors. The 35% surge in oil prices to $US95/bbl was reflected in the advance in the energy sector, and across the sub sectors including oil and gas producers, oil equipment services and distribution.

MSCI World ex Australia for six months to December 31, 2007

Sector	$US returns %
Energy	9.3
Industrials	-1.1
Consumer discretionary	-9.7
Consumer staples	8.6

Health care	-0.3
Financials	-11.8
Information Technology	4.8
Telecommunications	6.4
Utilities	10.5
Materials	7.4

Source DataStream: Capital values.

Portfolio Composition and Re-balancing
The portfolio did not require re-balancing in the half-year ending 31 December 2007 as a major re-balance was undertaken just prior to the conclusion of the 2006-2007 financial year.

Portfolio Performance
The Bentley portfolio returned 0.5% in $A with the greatest performance contributions coming from Oil & Gas Producers, Software & Computer Services, and Electricity sectors. For the six-months to December 31, 2007 the Bentley portfolio out-performed the commonly used MSCI ex Australia benchmark by 4%.

The table below provides more detail regarding sector exposures and contributions to portfolio returns in $A.

Sector	Weight (Jun07)	Return (Jun07-Dec07)	Contribution to Return** (Jun07-Dec07)
OIL & GAS PRODUCERS	7.7%	9.7%	0.75%
SOFTWARE & COMPUTER SERVICES	7.0%	7.3%	0.52%
ELECTRICITY	6.1%	5.4%	0.33%
MOBILE TELECOMMUNICATIONS	4.3%	7.0%	0.30%
CHEMICALS	2.7%	10.4%	0.28%
TOBACCO	2.2%	9.0%	0.20%
FOOD PRODUCERS	3.3%	5.8%	0.19%
FIXED LINE TELECOMMUNICATIONS	3.0%	6.3%	0.19%
LEISURE GOODS	2.4%	6.5%	0.15%
OIL EQUIPMENT, SERVICES & DISTRIBUTION	1.3%	11.2%	0.15%
AEROSPACE & DEFENCE	3.0%	3.1%	0.09%
GAS, WATER & MULTIUTILITIES	0.6%	11.7%	0.07%
HEALTH CARE EQUIPMENT & SERVICES	2.3%	2.7%	0.06%
PERSONAL GOODS	2.4%	1.7%	0.04%
ELECTRONIC & ELECTRICAL EQUIPMENT	3.7%	1.0%	0.04%
NONEQUITY INVESTMENT INSTRUMENTS	0.2%	0.0%	0.00%
HOUSEHOLD GOODS	2.9%	-0.3%	-0.01%
NONLIFE INSURANCE	0.4%	-7.6%	-0.03%
INDUSTRIAL ENGINEERING	4.3%	-2.5%	-0.11%
LIFE INSURANCE	2.4%	-5.2%	-0.12%
GENERAL INDUSTRIALS	3.6%	-4.5%	-0.16%

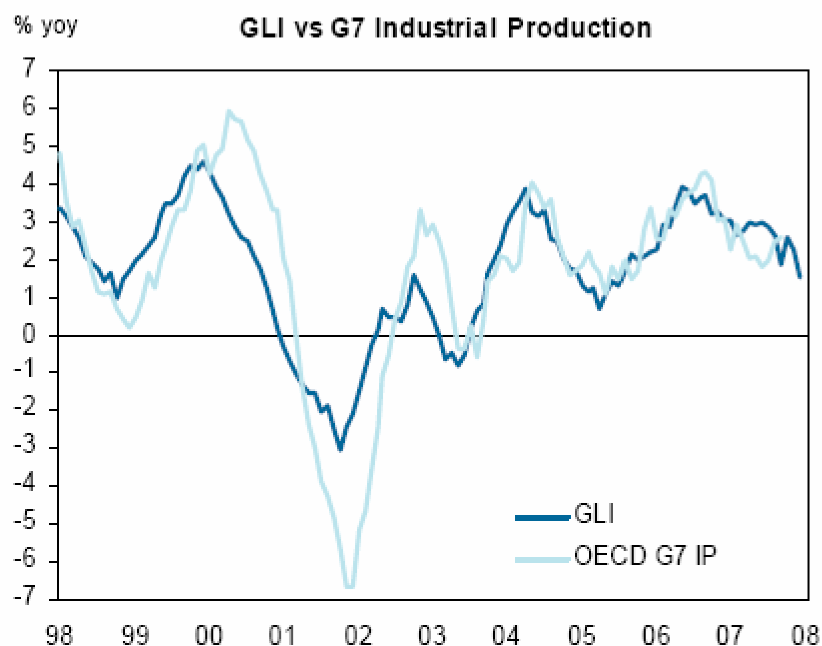
Source: DataStream, Constellation, FTSE
*** approximate due to changes in sector weights*

Comparative Performances

When reviewing the portfolio performance, we note that the Bentley portfolio held significant weights in Oil and Gas producers, Utility and Software related sectors, all of which contributed to Bentley's out-performance. The Bentley portfolio also benefited from zero exposure to the Banking sector that fell in the half year in response to the sub-prime crisis. This illustrates the diversification benefits of the HomeGlobal™ strategy and its complementarity to typical domestic equity portfolios.

Outlook

At this time last year we noted that the market outlook was dependent on the consumer (especially in the US, given the negative wealth effect caused by the housing downturn) and the ability of key emerging economies (like China) to foster conditions for steady, long-term growth. Since then the US housing/consumer related sub-prime crisis has dominated market attention and infected global financial markets via heightened risk aversion (one measure of increased risk aversion is the VIX indicator, which measures volatility in equity prices and is currently double the level of this time last year) and recessionary fears in the US. Accordingly a key question for the market going forward has been whether the US slowdown will be offset by continued strength in the emerging economies (the "decoupling theory") and whether central banks will succeed in restoring confidence to financial markets in the light of the damage to the capital base of large global banks. Recent results by Citigroup and Merrill Lynch demonstrate the magnitude of losses amongst US financial stocks. Concerted action by central banks to restore liquidity to the financial system and large equity investments by foreign savers, including sovereign wealth funds, into the large financials (esp. US) are reassuring steps in the path to recovery in market confidence.
In respect to the economic outlook, Global leading indicators continue to paint a picture of continued (albeit slowing) growth, including the all-important industrial production (IP) as shown in the chart below:

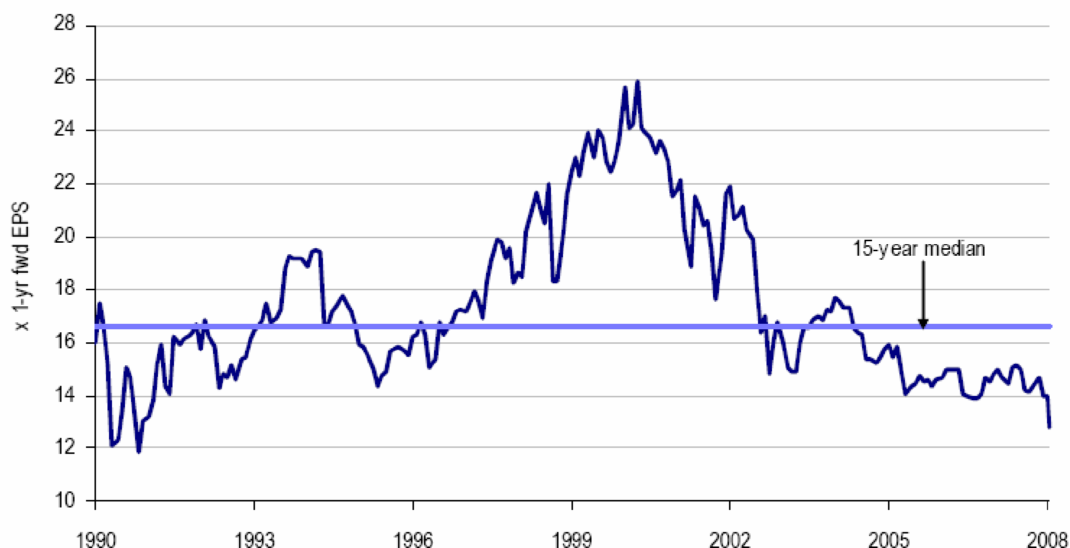


Source: Goldman Sachs

The inter-relationship between the cooling developed economies (eg. US, UK, Euroland, Japan) and the fast growing emerging economies will be a focus over the next six months. In calendar 2007 the Chinese economy contributed as much to world economic growth as that of the US. However, Chinese authorities have via monetary policy and modest currency revaluation sought to cool growth to dampen inflation excesses in China. The risks are that these actions are overly successful at a time of recession in the US and perhaps elsewhere.

From an earnings perspective, slowing economies will be reflected in slowing earnings growth. At this stage, apart from financials, corporate earnings have not been subject to significant downward revisions, which in part reflects confidence towards continued world economic growth for calendar 2008. This confidence will be tested as the year unfolds and lower earnings represent a market risk. For example, Goldman Sachs believes that consensus bottom-up corporate profit forecasts of +16% in 2008 and +11% in 2009 for the US market will be proven to be too optimistic in the light of the current slowdown.

In a more positive light, there is in the world equity market today more "value", as measured by PE multiples, compared to recent past, as shown in the table below.



Source UBS

Lower PE multiples can be directly related to heightened risk aversion, in line with the prevailing market sentiment and may also reflect the market's concern as to the sustainability of current "bottom-up" corporate earnings forecasts i.e. the market is already pricing in the likelihood of lower earnings. Notwithstanding the earnings risk, such relative value appeal from lower PE multiples and the apparent "valuation buffer" provides a sound basis for the long-term attractiveness of the portfolio, which currently offers a broad diversification across a range of stocks and sectors not adequately covered by the Australian market.