Bentley Capital Limited

Wednesday, 26 October 2011

MARKET ANNOUNCEMENT

FSP Fund September 2011 Quarterly Report

The September 2011 Quarterly Report from FSP Equities Management Limited (**FSP**) on the performance of its FSP Equities Leaders Fund (**FSP Fund**) is attached.

As at 30 September 2011, Bentley had 23.9% (~$5.56 million) of its net assets invested in the FSP Equities Leaders Fund (**FSP Fund**) (previous quarter 30 June: ~75.6% (~$21.77 million)).

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 September 2011:

- The equity weighting was 92.25% (30 June: 97.93%);
- 74.64% of the equity portfolio is invested in companies contained within the S&P/ASX 200 Index (30 June: 81.1%) with the balance of 25.36% invested in companies outside of the S&P/ASX 200 Index (30 June: 18.9%); and
- The equity portfolio contained 50 holdings (30 June: 54 holdings).

FSP Equities Leaders Fund - Performance

Returns To: 30 September 2011	1mth (%)	3mths (%)	6mths (%)	1yr (%)	2yrs (% p.a.)	3yrs (% p.a.)	Since Inception (% p.a.)
FSP Fund	-11.2%	-15.3%	-21.4%	-12.4%	-3.3%	0.1%	8.0%
ASX/S&P 200 Accumulation Index	-6.1%	-11.6%	-15.1%	-8.6%	-4.1%	-0.1%	6.4%

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1 Based on information provided by FSP Equities Management Limited.

FSP Equities Management

A brighter future.

The FSP Equities Leaders Fund

September Quarter 2011

19 October 2011

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

Dear Client,

For the twelve months to 30 September 2011 the FSP Equities Leaders Fund returned a net -12.4% return. This reflected the volatile conditions in equity markets over the six months from April 2011. Market concerns have been centred on the challenges faced by European policy makers to address sovereign credit risks and restore fiscal sustainability to the weaker euro zone members, as well as the potential implications for European banks and the global economy.

We are pleased to report that at the time of writing the Fund has gained approximately 7% in the month of October to date. This has been largely in response to the pledge of a further policy response by the leaders of Germany and France to deal with the crisis and recapitalise European banks.

Exchange traded commodity prices came under greater pressure in the September quarter as investors sought the relative safety and liquidity of US government bonds. This led to sharp falls in prices for many resource companies and a number of the Fund's holdings which produced strong performances over the preceding 12 months detracted from performance in the quarter.

Performance history (%)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Year total
FY2012	-0.9	-3.7	-11.2										**-15.3%**
FY2011	7.5	-1.3	7.4	1.9	-1.0	5.2	0.6	3.1	1.3	-1.2	-2.5	-3.7	**17.8%**
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%**

Performance relative to the benchmark (net of fees)

	Fund %	Index %	Outperformance %
3 months	-15.3	-11.6	-3.7
1 year	-12.4	-8.6	-3.8
2 years annualised	-3.3	-4.1	0.8
3 years annualised	0.1	-0.1	0.2
5 years annualised	-2.0	-0.7	-1.3
Since inception annualised	8.0	6.4	1.6
Since inception total return	108.0	79.3	28.7

Inception date: 9 April 2002

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The FSP Equities Leaders Fund

Fund commentary

Stocks which produced resilient performances in the quarter included Aston Resources (AZT), which gained 14.8%. This company has continued to make solid progress in developing its world class Maules Creek coking coal project, located in New South Wales. During the quarter, AZT released the definitive feasibility study for the project, which showed bottom quartile forecast operating costs, a mine life in excess of 30 years and with ~84% of production in the first 20 years coming from higher margin coking coal. AZT is targeting first coal production by mid 2013. On 3 October, the company announced that it had sold a 10% stake in the project to J-Power, a Japanese based power company, for A$370m, which was a further affirmation of the quality of the project and continued demand for coal from Asian end users.

Coca Cola Amatil (CCL) returned 6.4% over the quarter as it reported 5.5% earnings growth for the financial year, despite difficult trading conditions. CCL has an enviable market position in Australia and has a track record of achieving earnings growth in all operating environments. The business has an ongoing program targeting efficiency gains, "Project Zero", and has consistently been able to secure price increases ahead of cost inflation.

Transurban (TCL) gained 3.6% in the quarter as it reported a solid FY11 profit result, with group EBITDA increasing 13% to $719m. The result was achieved from a mix of traffic growth, toll increases and cost reductions across TCL's portfolio of toll roads. EBITDA from TCL's key CityLink toll road increased 16%, driven by traffic growth and cost reductions. Over the past 2 years, TCL have removed over $10m in costs at CityLink. TCL provided FY12 distribution guidance of "at least 29cps", which compares with 27cps paid in FY11.

Atlas Iron, which fell (-22.8%), Rio Tinto (-24.9%) and BHP Billiton (-18.9%), each detracted from performance in the quarter as the resources sector came under selling pressure. In the preceding 12 months these stocks produced strong positive contributions, returning (+76.8%), (+26.8%) and (+18.8%) respectively. We remain attracted to these companies given high quality assets, low positions on cost curves, strong balance sheets and the ongoing structural driver of Chinese demand growth.

Henderson Group (-26.2%) and BT Investment Management (BTT) (-20.8%) also contributed negatively to performance in the quarter, given leverage to the performance of equity markets. We view the management of these companies highly and the performance of the underlying funds continues to be strong, while the stocks are trading at historically low valuations. Henderson is trading at 9.5x our forecast FY12 earnings per share and BTT is trading at 10.5x, which compares to a 10 year average PE for UK listed asset managers of 15x and Australian listed asset managers of 16x. These stocks are each providing forecast dividend yields of approximately 7.6%.

BT Investment Management is currently awaiting final regulatory approval for its acquisition of UK based J O Hambro Capital Management. We view this acquisition positively, as it provides exposure to a fast growing equities funds management business with a global client base and enlarged funds capacity, while also diversifying the business across a larger number of funds.

FSP Equities Management

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The FSP Equities Leaders Fund

Top 15 holdings as at 30 September 2011

	ASX Code	Stock Name	Fund Weight	ASX200 Weight
1	WBC	WESTPAC	8.7%	5.9%
2	CBA	COMMONWEALTH BANK	6.9%	6.8%
3	MIN	MINERAL RESOURCES	5.7%	0.2%
4	BHP	BHP BILLITON	4.8%	10.8%
5	ANZ	ANZ BANKING GROUP	4.3%	4.9%
6	FLT	FLIGHT CENTRE	4.1%	0.2%
7	RIO	RIO TINTO	3.2%	2.6%
8	TCL	TRANSURBAN	2.7%	0.8%
9	OSH	OIL SEARCH	2.5%	0.7%
10	AGO	ATLAS IRON	2.3%	0.2%
11	GCS	GLOBAL CONSTRUCTION SERVICES	2.2%	-
12	UGL	UGL	2.2%	0.2%
13	BTT	BT INVESTMENT MANAGEMENT	2.2%	-
14	BDR	BEADELL RESOURCES	2.1%	-
15	AZT	ASTON RESOURCES	2.1%	0.2%
		Total	56.0%	33.6%

Market commentary

In August, Australian listed companies reported earnings for the period ended June 30 2011. Results were not significantly different to expectations, with muted earnings growth for all sectors outside of resources. Resource companies delivered aggregate earnings per share growth of 42% for the 2011 financial year, while industrial companies recorded -2% growth. Commonwealth Bank reported 12% EPS growth, assisted by lower bad debt charges, and the other major banks are expected to report increased earnings with their results in November. Excluding the benefit of lower bad debt charges, Commonwealth Bank earnings increased 2% on the prior year, which reflected soft credit growth and lower markets and wealth management income.

APRA released its proposed framework for the implementation of the Basel III capital rules during the period. Westpac, Commonwealth Bank and ANZ each have a common equity ratio of approximately 7.7% on APRA's measure, which positions them very well to meet the new requirements. APRA will require a minimum common equity ratio of approximately 7.0% from January 2016.

Many companies refrained from providing specific earnings guidance during the reporting season, given an uncertain macro-economic outlook. Mining companies are moving ahead with significant investment over the next few years and the RBA estimates activity in this sector to be increasing in the order of 10 to 15 per cent per annum over this time. The RBA also estimates that the rest of the economy is currently growing at an annual rate of only about 2%.

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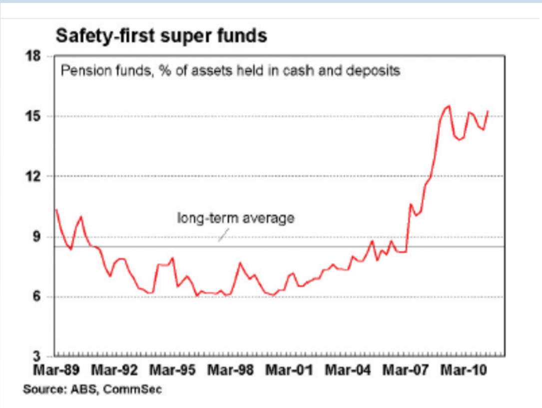
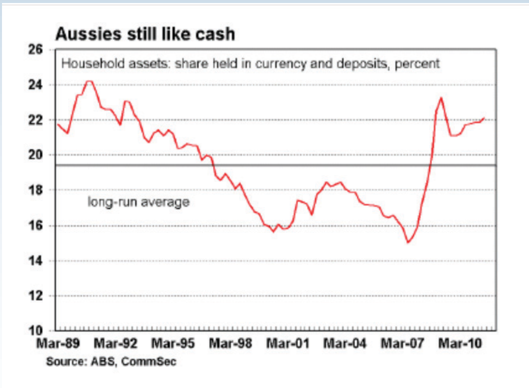
The RBA has kept the official cash rate target at 4.75%, unchanged since November 2010. In its minutes released in early October the board noted an improvement in inflation data, stating that "the path for inflation may now be more consistent with the 2-3 per cent target in 2012 and 2013". If further data supports this view, that "would increase the scope for monetary policy to provide some support to demand, should that prove necessary."

Australian superannuation funds and households are currently holding historically high levels of cash. Super funds are now holding almost double the historical average, at over 15%, as shown in the chart below. Consumer saving and reticence to borrow is having a negative impact on economic momentum, while on the positive side households are increasingly well placed to deal with economic shocks. A return to more normalised levels of cash holdings would result in increasing demand for equities at some point.





After six consecutive negative months the Fund is increasingly finding high quality companies trading at cheap valuations. We are confident that these companies will produce attractive returns over the medium term.

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.

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