

# MARKET ANNOUNCEMENT

## FSP Fund June 2012 Quarterly Report

The June 2012 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 2012, Bentley had 28.85% (~\$5.77 million) (cum income distribution) of its net assets invested in the FSP Fund (previous quarter 31 March 2012: 25.57% (~\$6.20 million)).

### 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 2012:

- The equity weighting was 97.5% (31 March 2012: 98.63%);
- 81.81% of the equity portfolio is invested in companies contained within the S&P/ASX 200 Index (31 March 2012: 80.38%) with the balance of 18.19% invested in companies outside of the S&P/ASX 200 Index (31 March 2012: 19.62%); and
- The equity portfolio contained 57 holdings (31 March 2012: 58 holdings).

### FSP Equities Leaders Fund - Performance

Returns To:	1mth	3mths	6mths	1yr	2yrs	3yrs	Since Inception
30 June 2012	(%)	(%)	(%)	(%)	(% p.a.)	(% p.a.)	(% p.a.)
FSP Fund	0.5%	-7.1%	3.7%	-12.0%	1.8%	6.0%	7.8%
ASX/ S&P 200 Accumulation Index	0.7%	-4.7%	3.3%	-6.7%	2.1%	5.7%	6.4%

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<sup>1</sup> Based on information provided by FSP Equities Management Limited.

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# The FSP Equities Leaders Fund

June Quarter 2012

25 July 2012

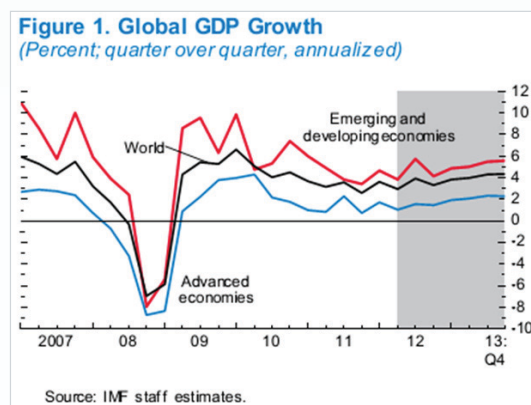
The Directors of Bentley Capital Limited  
Suite 202, 30-36 Bay Street  
Double Bay NSW 2028

Dear Client,

After a stronger than expected first quarter, the global economic recovery showed further weakness in the three months to June 30 in the context of renewed sovereign and banking sector stress in the euro area.

The FSP Equities Leaders Fund produced a net return of -7.1% in the quarter, which compared to the benchmark return of -4.7%. Macro concerns led to lower share prices for many mining and mining services stocks in the quarter. These companies will next report earnings and provide outlook commentary in the upcoming August reporting season.

The RBA reduced the cash rate by 0.75% to 3.50% in the quarter, as benign inflation provided scope to support demand. Interest rates to borrowers were reduced by approximately 0.60% as a result. This is yet to be fully reflected in domestic economic data, but information available to the end of May showed an improvement in retail sales and business demand for credit, while the labour market and housing activity remained subdued. As the RBA Deputy Governor Philip Lowe commented in July, uncertainty surrounding the euro area remains a major factor constraining the spending plans of businesses and households. An improvement in confidence hinges on adequate policy response to put euro area banks and sovereigns on a sound long term footing.



## IMF GDP Growth Forecasts

	2011	2012	2013	2012	2013
World output	3.9%	3.5%	3.9%	-0.1%	-0.2%
Advanced economies	1.6%	1.4%	1.9%	0.0%	-0.2%
Emerging economies	6.2%	5.6%	5.9%	-0.1%	-0.2%
Euro area	1.5%	-0.3%	0.7%	0.0%	-0.2%
Australia*	2.0%	3.3%	3.2%	0.4%	-0.1%
US	1.7%	2.0%	2.3%	-0.1%	-0.1%
China	9.2%	8.0%	8.5%	-0.2%	-0.3%
India	7.1%	6.1%	6.5%	-0.7%	-0.7%
Japan	-0.7%	2.4%	1.5%	0.4%	-0.2%
Germany	3.1%	1.0%	1.4%	0.4%	-0.1%
France	1.7%	0.3%	0.8%	-0.1%	-0.2%
UK	0.7%	0.2%	1.4%	-0.6%	-0.6%

\*IMF Australian forecasts not updated. Data from *The Economist* poll.

# The FSP Equities Leaders Fund

## Performance history (%)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Year total
<b>FY2012</b>	-0.9	-3.7	-11.2	7.8	-3.6	-3.6	6.2	3.5	1.6	1.2	-8.6	0.5	<b>-12.0%</b>
<b>FY2011</b>	7.5	-1.3	7.4	1.9	-1.0	5.2	0.6	3.1	1.3	-1.2	-2.5	-3.7	<b>17.8%</b>
<b>FY2010</b>	7.3	6.7	7.0	0.4	1.7	4.2	-5.7	1.6	7.6	-0.4	-11.4	-3.2	<b>14.8%</b>
<b>FY2009</b>	-5.7	1.7	-16.3	-17.7	-5.0	2.7	-3.1	-0.7	4.9	2.8	2.2	2.9	<b>-29.7%</b>
<b>FY2008</b>	-0.2	-3.2	8.7	5.0	-3.7	-3.6	-12.3	0.2	-5.4	4.1	0.8	-7.8	<b>-17.6%</b>
<b>FY2007</b>	-0.3	2.9	4.8	6.1	3.3	4.6	3.6	0.2	3.9	4.5	2.7	2.3	<b>46.0%</b>
<b>FY2006</b>	5.5	2.1	4.7	-3.4	2.2	2.2	1.2	3.2	3.9	4.4	-2.9	0.0	<b>25.1%</b>
<b>FY2005</b>	2.1	2.3	3.9	6.3	5.4	1.5	0.8	0.7	-0.9	-3.8	2.5	1.9	<b>24.8%</b>
<b>FY2004</b>	7.5	11.2	6.7	6.9	-1.4	5.4	0.9	2.3	2.7	-2.8	0.6	2.6	<b>50.4%</b>
<b>FY2003</b>	-4.0	2.6	-4.4	1.1	-0.6	-0.9	-2.2	-6.9	0.4	4.6	-1.8	4.0	<b>-8.4%</b>
<b>FY2002</b>										0.7	1.2	-2.2	<b>-0.3%</b>

## Performance relative to the benchmark (net of fees)

	Fund %	Index %	Outperformance %
1 year	-12.0	-6.7	-5.3
3 years annualised	6.0	5.7	0.3
Since inception annualised	7.8	6.4	1.4
Since inception total return	115.9	89.1	26.8

Inception date: 9 April 2002

## Fund commentary

Stocks which produced strong positive returns in the June quarter included Consolidated Media Holdings (CMJ), which gained 15.8%. Foxtel, which is 25% owned by CMJ, completed the acquisition of Austar in the quarter and CMJ subsequently received a conditional cash takeover bid from News Ltd at \$3.50 per share.

Adelaide Brighton (ABC) returned 9.7% in the quarter. At the company's AGM, ABC management reiterated their earlier outlook commentary that they are experiencing strong demand from resources and infrastructure projects in Western Australia and South Australia, partly offset by weakness in the residential sector.

Stocks which detracted from performance included NRW Holdings (NWH), which declined 27.2%. This reflected market concerns that key customers including BHP, RIO and FMG may reduce or delay capex plans.

Mineral Resources (MIN) declined 26.0%, also on concerns around the mining capex plans of customers. MIN generates earnings from both mining services (iron ore processing) and its own iron ore and manganese mines. Iron ore prices have remained strong in 2012 and MIN is forecast to achieve earnings growth in FY2013 from a significant increase in production.

## The FSP Equities Leaders Fund

### Top 15 holdings as at 30 June 2012

	ASX Code	Stock Name	Fund Weight	ASX200 Weight
1	WBC	WESTPAC	9.6%	6.1%
2	CBA	COMMONWEALTH BANK	8.2%	8.0%
3	ANZ	ANZ BANKING GROUP	7.8%	5.6%
4	BHP	BHP BILLITON	5.8%	9.5%
5	FLT	FLIGHT CENTRE	3.4%	0.2%
6	MIN	MINERAL RESOURCES	3.2%	0.2%
7	TCL	TRANSURBAN	3.1%	0.8%
8	MMS	MCMILLAN SHAKESPEARE	2.9%	-
9	OSH	OIL SEARCH	2.6%	0.8%
10	NWH	NRW HOLDINGS	3.2%	0.1%
11	RIO	RIO TINTO	2.2%	2.3%
12	CPA	COMMONWEALTH PROPERTY OFFICE	2.2%	0.2%
13	UGL	UGL	2.1%	0.2%
14	GCS	GLOBAL CONSTRUCTION SERVICES	2.0%	-
15	IVC	INVOCARE	1.9%	0.1%
<b>Total</b>			<b>59.6%</b>	<b>34.0%</b>

### Market commentary

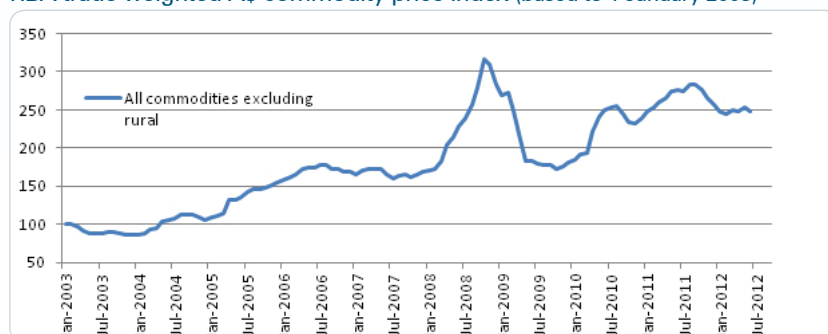
Australian equity investors are currently looking towards the August reporting season for a comprehensive update from companies on earnings over the six months to June 30 and for outlook commentary on the year ahead.

During the quarter, a number of consumer discretionary and traditional media companies downgraded earnings forecasts. These included Fairfax, Ten Network and Billabong, which the fund does not own.

The consensus forecast for earnings per share growth for the market ex-resources in the year to 30 June 2012 is 4.2%. Including resources the forecast is for 1.1% growth, given commodity prices have pulled back from the highs of mid 2011.

Commodity prices in aggregate trade weighted terms remain at very strong levels, as shown in the chart below.

RBA trade weighted A\$ commodity price index (based to 1 January 2003)



Source: Reserve Bank of Australia

# The FSP Equities Leaders Fund

Global macroeconomic conditions continue to be central to the performance of the Australian equity market. China's GDP growth rate has slowed from 9.2% in 2011 to a 7.6% rate in the June quarter of 2012, while policy has now moved to a stimulatory bias. The European Central Bank reduced its main interest rate by 0.25% to 0.75% in early July, while Europe continues to be plagued by banking sector and sovereign debt concerns. At the time of writing, the Spanish government 10 year bond is trading at a yield of over 7.0%, up from 5.4% at the end of March.

At the most recent European summit, held on 28-29 June, political leaders agreed to establish a Europe wide banking supervisory authority. Once this has been established, euro-zone rescue funds could be used to directly recapitalise banks in the region. However, an initial facility to support Spanish banks will be structured as a debt of the Spanish government.

The Australian market is currently trading at an 11.0x forward PE, which is an historically very low level, as can be seen in the chart below.

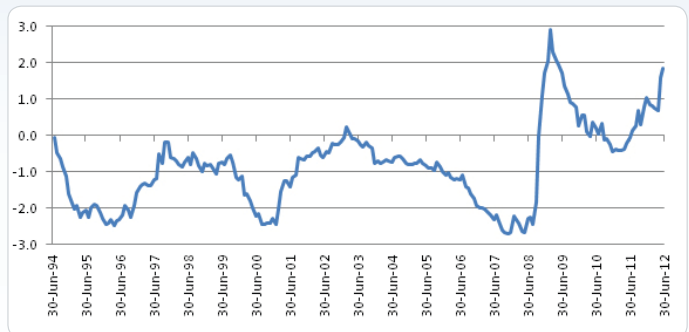
We also note the attractive yield above the RBA cash rate that the equities market is now offering, which is also an historically high level as shown below. The fund portfolio has a forecast dividend yield of 5.2%.

Australian market 12 month forward PE



Source: UBS research

Australian market 12 month forward dividend yield premium to the RBA cash rate



Source: UBS research

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.