Bentley Capital Limited

Monday, 28 October 2013

MARKET ANNOUNCEMENT

FSP Fund September 2013 Quarterly Report

The September 2013 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 2013, Bentley had ~$7.62 million (39% of its net assets) invested in the FSP Equities Leaders Fund (**FSP Fund**) (previous quarter ~$6.99 million (38.83%)).

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 2013:

- The equity weighting was 96.39% (30 June 2013: 96.17%);
- 87.10% of the equity portfolio is invested in companies contained within the S&P/ASX 200 Index (30 June 2013: 92.16%) with the balance of 12.90% invested in companies outside of the S&P/ASX 200 Index (30 June 2013: 7.84%); and
- The equity portfolio contained 41 holdings (30 June 2013: 42 holdings).

FSP Equities Leaders Fund - Performance

Returns To:	1mth	3mths	6mths	1yr	2yrs	3yrs	Since Inception
30 September 2013	**(%)**	**(%)**	**(%)**	**(%)**	**(% p.a.)**	**(% p.a.)**	**(% p.a.)**
FSP Fund	3.7%	11.6%	10.8%	32.2%	20.7%	8.5%	10.1%
ASX/S&P 200 Accumulation Index	2.2%	10.2%	7.5%	24.3%	19.5%	9.3%	8.5%

FOR FURTHER INFORMATION:

Farooq Khan
Chairman
T | 1300 762 678
E | info@bel.com.au

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

1 Based on information provided by FSP Equities Management Limited.

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

Winner 2013
Golden Calf Award
Best Boutique Australian Equities Manager

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The FSP Equities Leaders Fund

September quarter 2013

Dear Client, 21 October 2013

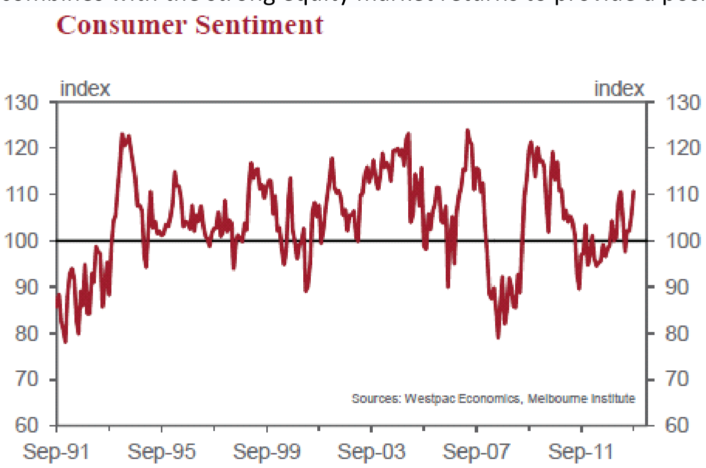
In the September quarter, the FSP Equities Leaders Fund produced a net return of 11.6%, which was ahead of the benchmark return of 10.2%.

For the twelve months to 30 September 2013, the Fund produced a net return of 32.2%, which compares favourably to the benchmark return of 24.3%. We are pleased to report that our company won the Golden Calf Award for best boutique Australian equities manager at the 2013 Australian Fund Manager Awards, as reported in the attached article from The Australian newspaper. The Fund performance for the year to 30 September ranked 8th out of 95 long only Australian equities managers in the Mercer survey.

Global equity markets recorded strong returns in the September quarter, assisted by improved economic data in both Europe and China and the decision by the US Federal Reserve to maintain its rate of asset purchases through the quarter. The euro area recorded positive GDP growth for the June quarter for the first time in almost two years, albeit a modest 1.2% annualised rate. European markets led gains in the September quarter, with Spain's IBEX 35 returning 18.2%, France's CAC 40 returning 10.8%, the German Dax returning 8.0% and the UK's FTSE 100 up 4.0%. China's Shanghai Composite produced a strong return of 9.9%, while the US S&P500 gained 4.7% and Japan's Nikkei 225 returned 5.7%.

The focus of the Fund during the quarter was the Australian listed companies reporting season. At an aggregate level, market earnings were approximately in line with expectations, although a number of companies had provided earnings downgrades prior to results. The Fund benefited from largely avoiding exposures to these companies and from strong performances from a number of stocks in the diversified financials and consumer discretionary sectors, as discussed in the Fund Commentary section below.

The National Accounts were released during the quarter and showed that the Australian economy grew at a below-trend pace up to the middle of the year, with 2.6% real GDP growth recorded for the year to June 2013. In August, the RBA reduced the cash rate by a further 0.25% to 2.50%, which was the eighth consecutive reduction over the past two years. Together with a positive reaction to the change of government, this has assisted the strengthening of consumer sentiment to above average levels, as shown in the chart below. Australian house prices, as measured by RP Data, increased by 5.5% for the twelve months to September, including 8.0% growth in Sydney, with forward-looking indicators pointing to increased dwelling investment in the second half of the year. The increase in house prices also combines with the strong equity market returns to provide a positive wealth effect.



FSP Equities Management Limited ABN 59 102 944 598 AFS Licence No. 246790
Level 14, 347 Kent Street, Sydney NSW 2000
Tel: 61 2 9234 7084 Web: www.fspgroup.com.au Email: funds@fspgroup.com.au

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Performance history

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year total
2013	4.9	5.6	-1.3	5.6	-3.5	-2.6	5.6	1.9	3.7				21.2%
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%

Performance relative to the benchmark (net of fees)

	Fund (%)	Index (%)	Outperformance (%)
3 months	3.7	2.2	1.5
6 months	10.8	7.4	3.4
1 year	32.2	24.3	7.9
Since inception annualised	10.1	8.5	1.6
Since inception total return	202.9	155.8	47.1

Inception date: 9 April 2002

Fund commentary

Stocks which produced notably strong performances in the quarter included BT Investment Management (BTT), which returned 41%. BTT has benefited from rising equity markets, while excellent investment performance from its international equities manager, JO Hambro Capital Management, is leading to strong inflows. The Hambro business accounts for over half of BTT's management fees and this business reported $1.1bn of inflows in the June quarter, equating to an annualised 30% of Hambro FUM.

REA Group (REA), owner of Realestate.com.au, also produced a strong return of 38% in the quarter. REA reported EPS growth of 26% for FY13, which was slightly ahead of consensus. Importantly, REA is well placed to continue to achieve a similar growth rate over the medium term as it capitalises on the structural shift from print to online and on its significant pricing power through its depth listing model.

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G8 Education (GEM) returned 37% as the group continues to acquire childcare centres on attractive multiples. GEM reported 28% EPS growth for the half year to 30 June compared to the same period last year and also finalised the acquisition of a further 29 centres during the quarter, bringing the total number of centres to 251 .

Stocks which produced negative returns during the quarter included Amcom Telecommunications, which returned -3.8% as some investors took profits. Amcom reported EPS growth of 21% for the year to 30 June and has achieved over 20% NPAT growth for 11 consecutive years.

Coca Cola Amatil (CCL) also detracted from performance, returning -1.5% during the quarter. CCL has faced a step up in price competition from Pepsi in the Australian market, in addition to pressure from key retailers Coles and Woolworths. The Fund exited CCL during the quarter as it no longer met our risk/return hurdles.

Top 15 Holdings as at 30 September 2013

	ASX Code	Stock Name	Fund weight	ASX200 weight
1	WBC	WESTPAC BANKING CORPORATION	9.7%	7.5%
2	ANZ	ANZ BANKING GROUP LIMITED	9.1%	6.2%
3	CBA	COMMONWEALTH BANKOF AUSTRALIA	7.6%	8.4%
4	BHP	BHP BILLITON LIMITED	6.4%	8.4%
5	NAB	NATIONAL AUSTRALIA BANK LIMITED	4.5%	5.9%
6	FLT	FLIGHT CENTRE LIMITED	4.2%	0.4%
7	HGG	HENDERSON GROUP	3.5%	0.2%
8	SUN	SUNCORP GROUP LIMITED	3.2%	1.2%
9	OSH	OIL SEARCH LIMITED	2.8%	0.8%
10	BTT	BT INVESTMENT MANAGEMENT LTD	2.7%	0.0%
11	TCL	TRANSURBAN GROUP	2.7%	0.7%
12	IVC	INVOCARE LIMITED	2.3%	0.1%
13	DUE	DUET GROUP	2.2%	0.2%
14	APA	APA GROUP	2.2%	0.4%
15	GEM	G8 EDUCATION LIMITED	2.1%	0.1%
Total			65.0%	40.5%

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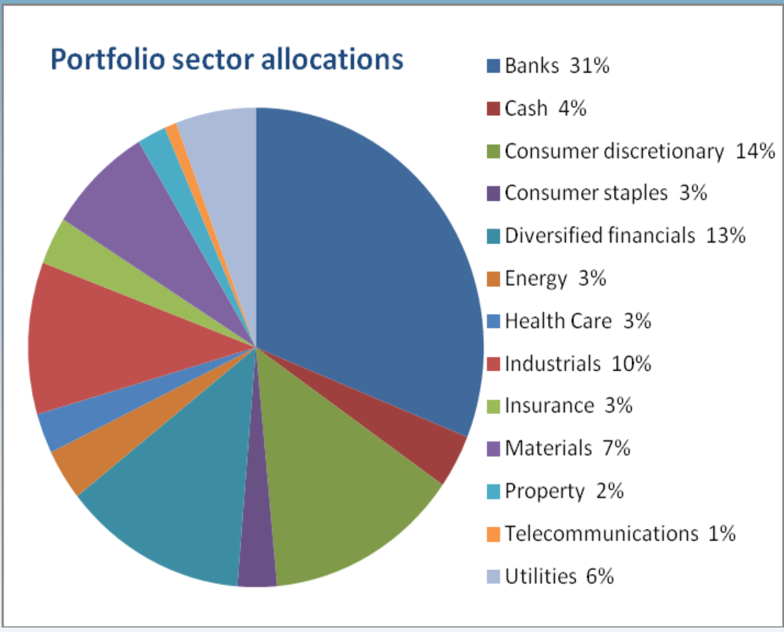
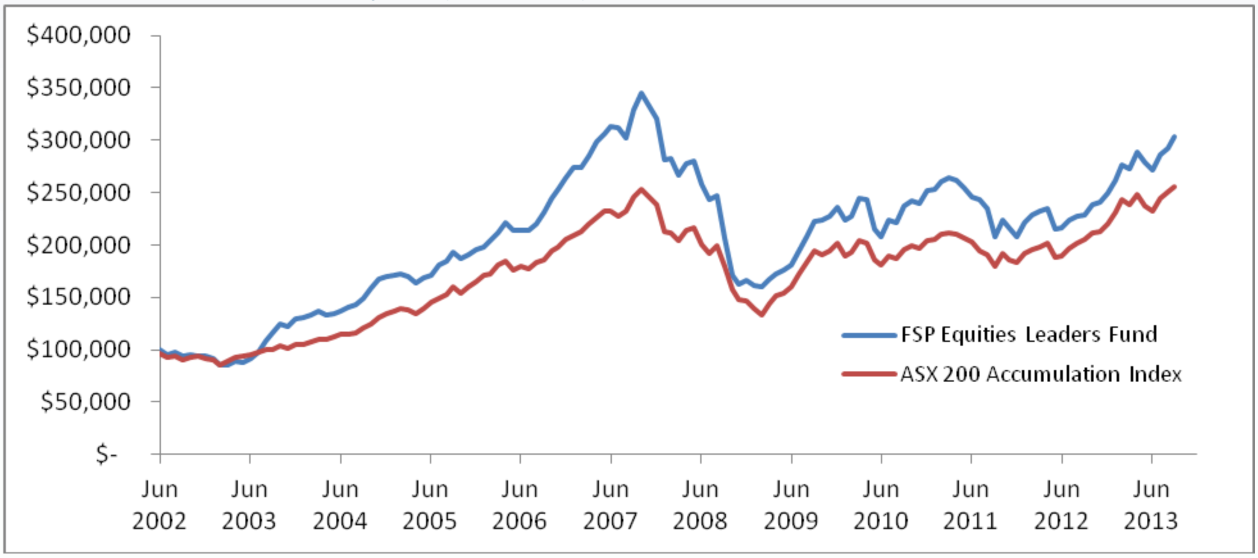


Portfolio fundamentals	
P/E	15.7x
Dividend yield	4.5%
Forecast EPS growth	10.5%

* of portfolio excluding cash

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



The FSP Equities Leaders Fund

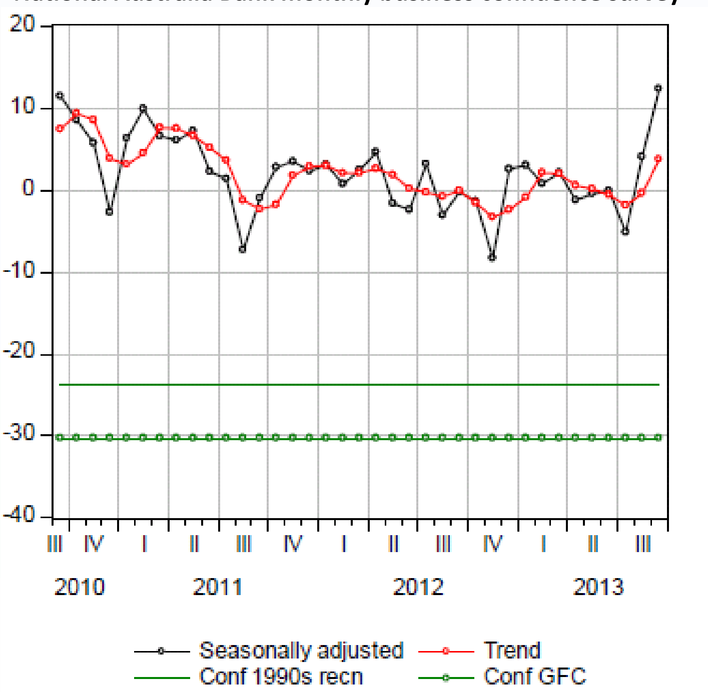
Market commentary

During the quarter, Australian listed companies reported earnings for the period to 30 June. Earnings per share growth for the market ex-resources was 5.2%, up from 1.4% in FY12. Cost reduction was a key driver of earnings growth, with the market as a whole yet to experience a meaningful recovery in revenue growth. Revenue growth for the market ex-resources for the year was 2.8%. Current expectations are for EPS growth for the market ex-resources in FY14 of around 8.3%, which incorporates an improvement in revenue growth. The equity market is already looking ahead to the consequent increase in earnings growth, with cyclical stocks having outperformed since the start of calendar 2013.

The resources sector currently accounts for 21% of the ASX200 by market cap and has been a drag on market earnings for the past two years as commodity prices have fallen. The resources sector reported EPS growth of -12.9% in FY12 and then -26.9% in FY13. Earnings for the sector are forecast to increase in FY14 as new production comes on stream and with the iron ore price currently above its average level in FY13. Notwithstanding this, the sector is expected to detract from GDP due to reducing mining investment. Over the medium term, consensus expectations are also for most commodity prices to reduce from current levels as a result of the increase in supply.

In this context, broader based business investment and consumer spending will be required to drive growth going forward. Low interest rates and the recent reduction in A$ exchange rates provide some positive foundations for this, while the improvements in both consumer and business confidence are encouraging. National Australia Bank's monthly business confidence survey results are shown in the chart below, illustrating the increase in confidence in the two months to September. It remains to be seen how much of this improvement reflects short term positive sentiment around the change of government and to what extent it precedes actual improvements in business conditions and investment.

National Australia Bank monthly business confidence survey



Source: National Australia Bank

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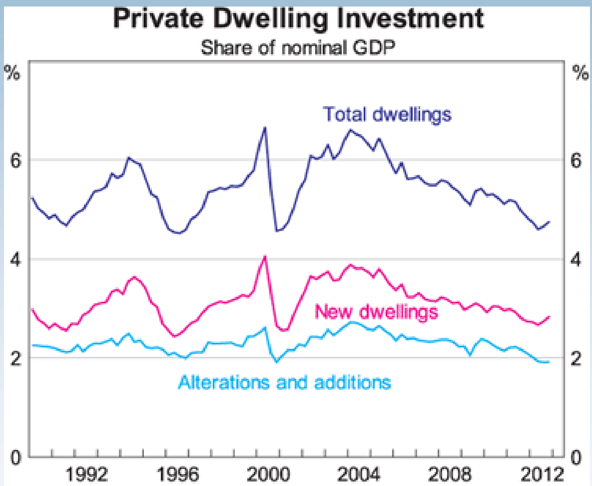
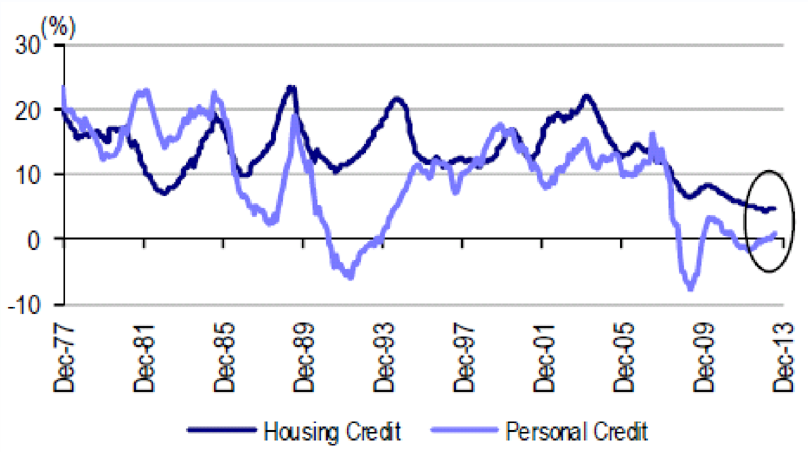
We highlighted in our March quarter newsletter that housing would be an important sector for forward economic growth, given housing investment has been tracking at a historically low level relative to GDP, as shown in the chart below. The RBA notes in its August Statement on Monetary Policy that the environment for housing investment is favourable, with low interest rates, high rental yields and support for first home buyers.



Source: RBA

There have been a number of recent media articles referring to a nascent or current "bubble" in the housing market, given house prices are now rising while they have not recorded the falls seen in overseas markets. Despite this commentary, the housing market is yet to display characteristics normally associated with a bubble. In particular, housing credit growth is tracking at a modest level of 4.8% per annum, as shown below, with no apparent deterioration in lending standards. The RBA notes in its recent Financial Stability Review that low doc lending has declined to less than 1% of housing loan approvals, compared to over 20% in 2008. The RBA also notes that, looking back over the past 10 years, house prices have increased approximately in line with nominal incomes.

Australian housing credit growth



Source: UBS

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The Fund remains focussed on investing in companies with robust business models that can deliver high quality earnings growth over the medium to long term. In the short term, investor sentiment is likely to remain buoyant as the new government finds its feet and increases in house prices provide a positive wealth effect.

As this is the last time we will write to you before year end, we wish you and your families a safe and enjoyable holiday season and a prosperous new year.

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 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.

Right across the board, Perpetual proves tops

JAMES BROOKS

PERPETUAL Investment is best known as a long-only fund manager, but it capped a strong performance across the board in equities, snaring this year's JPMorgan Hedge Fund Absolute Return award ahead of Wavestone and Arnhem.

Standing out from the crowd in the category judged by the event committee and based exclusively on actual published returns, Perpetual's Share-Plus Long Short fund emerged the winner, up a very satisfying 37.35 per cent for the financial year.

Reflecting on his accomplishments in managing the portfolio, Paul Skamvougeras said: "The Share Plus fund was successful over the year as the resource exposure of the fund was predominantly weighted to energy and towards quality industrial companies."

Mr Skamvougeras named the best long-side calls in the Share Plus fund for the year to September as IAG, Crown, Henderson Group, Harvey Norman, CSR and Boral. On the short side, the best call was being short on mining service companies early, he said.

"We took a view early in the year that the domestic cyclicals were representing value and a lower interest rate environment would be supportive of earnings. Some of the less successful calls on the long side were Orica and New Hope."

In the closely contested category of Best Listed Investment Company, WAM Research went one better after being a finalist last year, scooping the prize with a winning return of 44 per cent, pipping Whitefield and Australian Leaders.

Receiving the award, WAM chairman and industry luminary Geoff Wilson paid tribute to the event organiser, the Australian Fund Manager Foundation, and the support of his shareholders.

"The Fund Manager Awards recognise the best within the industry, applying rigorous assessment criteria, and so it is a real honour to win this category," he said.

Revealing that much importance was placed on communicating with WAM's highly engaged shareholders, Mr Wilson listed the fund's success in this area as one of its biggest ongoing achievements along with the returns over the past year.

Primary challenges for the fund were finding good quality undervalued growth stocks that met its rigorous investment criteria and had identifiable catalysts that foreshadowed a share price re-rating, Mr Wilson said.

FSP Funds Management nabbed the coveted Golden Calf award, sponsored by Sky News Business, as best performer in the boutique fund management space, posting a winning return of 28.1 per cent for the year to June 30.

To be in the running for that award, firms must manage money in the Australian equities market, have been in business for at least three years and have less than $3 billion in assets under management.

The Australian Fund Manager Foundation's award committee then selects a winner for locally owned boutique firms based purely on returns achieved in the past financial year.

"Our investment team is a cohesive group of four talented and dedicated members that can consistently outperform our benchmark in a risk-adjusted sense," FSP investment director Ronni Chalmers said.

"Our fund is style-neutral and benchmark unaware, typically aiming for an investment time horizon of two to three years as we believe that's the optimal period for a company that satisfies our criteria on valuation, management, business model and growth prospects."

"The equity market conditions were strong, particularly if you avoided the resources sector, mining services and small-cap stocks.

"Flight Centre, which we have held for four years, rose 113 per cent; two fund manager stocks — BT, up 81 per cent, and Henderson, up 65 per cent — added to the portfolio returns, while REA and G8 Education rose over 100 per cent each.".

And, as someone not known to be shy of a word or two when dealing with the press, Perpetual's Matt Williams claimed the Human Headline Award, sponsored by *The Australian*, for the most attributable quotes in the major metropolitan newspapers, squeaking past previous winners Maxim's Winston Sammut and Ausbil Dexia's Paul Xiradis.