

# MARKET ANNOUNCEMENT

## CBG Fund December 2013 Quarterly Report

The December 2013 Quarterly Report from CBG Asset Management Limited (**CBG**) (formerly FSP Equities Management Limited) on the performance of its CBG Australian Equities Fund (Wholesale) (**CBG Fund**) (formerly FSP Equities Leaders Fund) is attached.

As at 31 December 2013, Bentley had ~\$7.96 million (43.86% of its net assets) invested in the CBG Fund (30 September 2013: ~\$7.62 million (39%)).

### About the CBG Fund <sup>1</sup>

The CBG 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.

CBG Fund details as at 31 December 2013:

- The equity weighting was 94.33% (30 September 2013: 96.39%);
- 89.64% of the equity portfolio is invested in companies contained within the S&P/ASX 200 Index (30 September 2013: 87.10%) with the balance of 10.36% invested in companies outside of the S&P/ASX 200 Index (30 September 2013: 12.90%); and
- The equity portfolio contained 38 holdings (30 September 2013: 41 holdings).

### CBG Fund - Performance

Returns To:	1mth	3mths	6mths	1yr	2yrs	3yrs	Since Inception
31 December 2013	(%)	(%)	(%)	(%)	(% p.a.)	(% p.a.)	(% p.a.)
<b>CBG Fund</b>	1.3%	4.4%	16.6%	26.6%	23.3%	7.9%	10.3%
<b>ASX/ S&amp;P 200 Accumulation Index</b>	0.8%	3.4%	14.0%	20.2%	20.2%	8.9%	8.6%

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<sup>1</sup> Based on information provided by CBG Asset Management Limited.

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## CBG Australian Equities Fund (Wholesale) - December 2013

The CBG Australian Equities Fund (Wholesale) returned 1.3% in December, outperforming the S&P/ASX200 Accumulation Index which returned 0.8% in the month. The Fund returned 26.6% for the calendar year, outperforming the broader market which returned 20.2%.

Extremely low interest rates and central bank asset purchases drove markets higher over the year, with negative macro events ultimately disregarded due to investor confidence in continued quantitative easing. Evidence of improving economic fundamentals in both Europe and the US towards the end of the year sustained the rally. In Australia, discounts to long term valuations unwound throughout the year.

### Performance (to 31 December 2013)

#### Fund Objective:

To outperform the S&P/ASX200 Accumulation Index over the medium term.

	Fund %	Benchmark %*	Excess
<b>1 Month net</b>	<b>1.3</b>	0.8	0.5
<b>6 Months net</b>	<b>16.6</b>	14.0	2.6
<b>1 Year net</b>	<b>26.6</b>	20.2	3.0
<b>5 Years net annualised</b>	<b>13.7</b>	12.5	1.2
<b>Since inception net annualised **</b>	<b>10.3</b>	8.7	1.7
<b>Since inception net total return **</b>	<b>216.4</b>	164.6	51.8

*Note: Fund performance is post fees.*

\* S&P/ASX 200 Accumulation Index

\*\* Inception date 9 April 2002

### Fund Commentary

BT Investment Management (+16.5%) and Henderson Group (+9.7%) were key contributors to outperformance during the month. Both companies continue to benefit from the strong performance of equity markets and an associated re-rating of the funds management sector. BT and Henderson are reporting strong inflows into key products, further improving the earnings outlook for 2014 and 2015.

Envestra (+8.1%) was stronger after receiving an improved bid from APA Group, which valued the Envestra business at approximately \$1.17 per share, an increase from the previous price of approximately \$1.10.

Caltex (+5.2%) performed well after issuing profit guidance for FY2013. The company's marketing division is performing strongly, with 2013 to be another record EBIT result for the division. The company is also benefiting from the lower Australian Dollar.

Aurizon (+4.5%) hosted an investor update during December that was positively received by the market. A fleet simplification program will see the retirement of 181 locomotives immediately, with a further 120 to be retired over time. The total fleet stood previously at 829. This will result in material cost savings and working capital improvements, with management committed to working available assets as hard as possible.

Flight Centre (-2.3%) fell due to negative sentiment related to the fall in the Australian Dollar. Interestingly, the earnings of the business are not highly correlated with the direction of the Australian Dollar. The company also received a negative ruling in its court action against the ACCC.

REA Group (-6.8%) fell during the month following the resignation of the highly regarded managing director, Greg Ellis. Mr Ellis will remain in his role until a successor is appointed. While the news of his departure is disappointing, we remain positive on the fundamentals and strategy of the business.

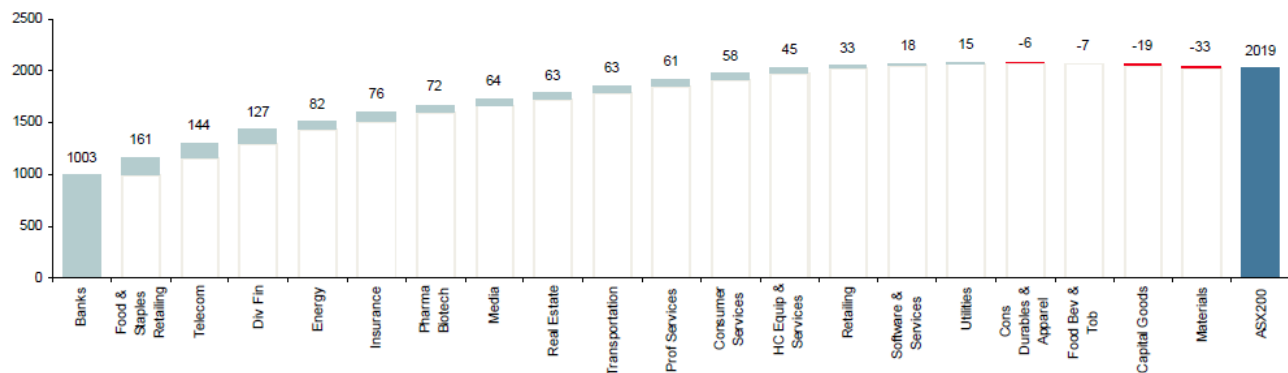
## Top Ten Holdings (as at 31 December 2013)

	ASX Code	Stock Name	Weighting	
			Fund %	ASX %
1	ANZ	ANZ Banking Group	9.0	6.0
2	WBC	Westpac Banking Corporation	8.2	6.9
3	CBA	Commonwealth Bank of Australia	7.9	8.7
4	BHP	BHP Billiton	6.5	8.2
5	NAB	National Australia Bank	4.6	5.6
6	HGG	Henderson Group	4.2	0.2
7	FLT	Flight Centre	3.4	0.3
8	SUN	Suncorp Group	3.1	1.2
9	BTT	BT Investment Management	3.1	-
10	TCL	Transurban	2.6	0.7

## Market commentary

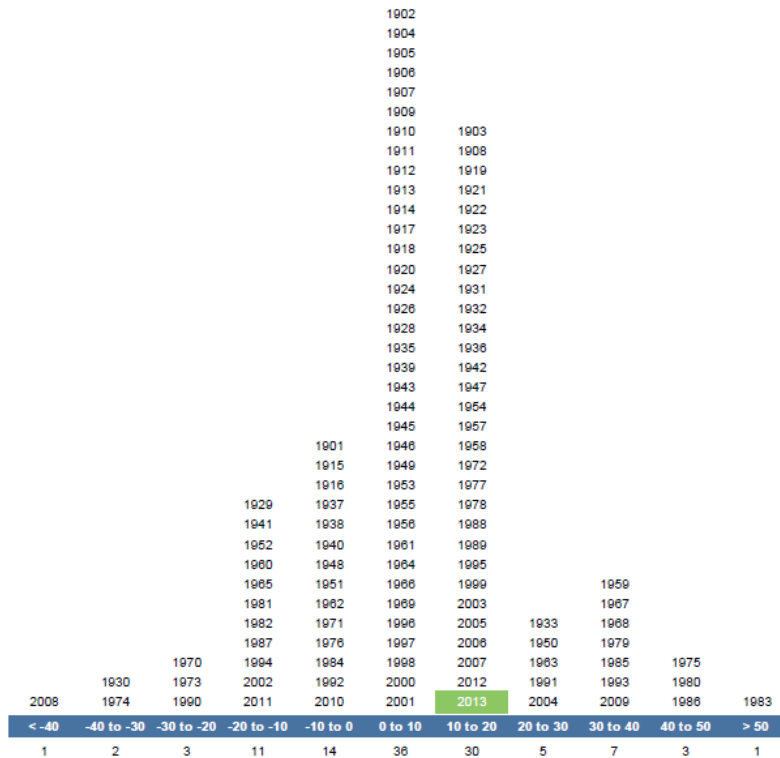
The S&P/ASX200 Accumulation Index returned 0.8% in December, bringing the calendar year return to 20.2%. The market's return for the year was driven primarily by the large contribution from the banks, given the sector's large weighting and the strong performance from the big 4 during the year. Despite a reasonable December, materials were the biggest detractor from market returns during the year.

ASX 200 industry group contribution to total return CY 2013



The chart below shows the distribution of All Ordinaries yearly returns since 1901. The encouraging feature of the chart is that the majority of years provide positive returns, with the most common returns being between 0-10% or 10-20%. It also shows how rare a year like 2008 is.

## All Ordinaries yearly returns since 1901.



Source: Global Financial Data, IRESS, Morgan Stanley Research

The Australian market started slowly in December, falling to a 4 month low on the 12<sup>th</sup>. A large number of capital raisings and a number of profit warnings from QBE, Qantas and Worley Parsons were partly to blame. A 4.5% gain in the four days following a modest downward adjustment to US quantitative easing saw the market post positive gains for the month.

A large feature of the market during the month was the amount raised by a slew of IPO's. \$3.9b was raised by 20 IPO's in December, the largest month by dollars raised since late 2010. Over the year there were \$5.9b worth of IPO's, with approximately 80% of that in the fourth quarter of 2013. Corporate restructuring also featured heavily, with Orora and Recall spun out of Amcor and Brambles respectively, while Westfield also proposed a restructuring.

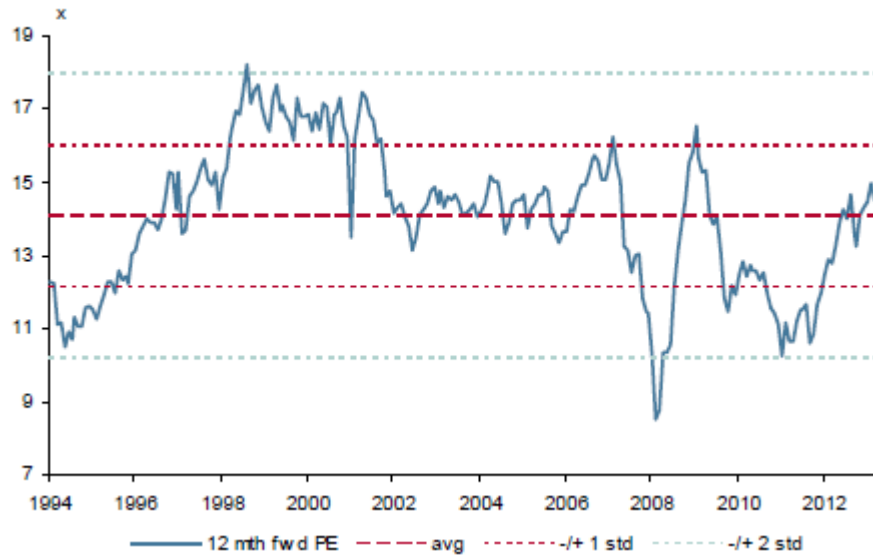
The Australian dollar fell a further 2c to 89c in December, hitting a three year low against the US dollar during the month. The RBA continues to take the opportunity to manage the Australian dollar downwards through targeted comments. During the month, Governor Stevens stated that the Reserve Bank "don't want to rule out conventional intervention".

Commodities were mixed in December, with gold falling 3.8% in the month, iron ore falling 1.6% but base metals gaining 4.0%. This capped a softer year for both iron ore (-7.4%) and base metals (-8.5%), and a dismal year for gold, which fell 28.0% over the year and saw its first annual decline since 2000.

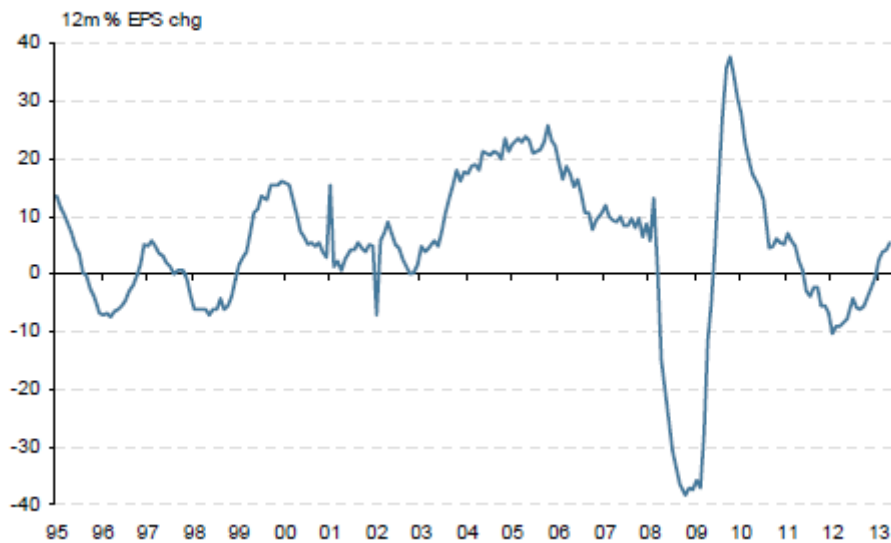
Looking forward to 2014, it is likely that governments will continue to support their economies via the use of monetary stimulus programs. Perhaps the major risk to continued equity market appreciation in the medium term is the US's tapering of its quantitative easing program, but it is unlikely that authorities will undertake actions that endanger macroeconomic stability.

Australian market valuations remain slightly above long term averages. While multiple expansion was a key component of 2013 returns, we are encouraged by the fact that forward EPS momentum is positive. The delivery of earnings growth will likely comprise a larger proportion of equity returns in 2013 than 2014.

### ASX200 12 month forward PE



### 12 Month forward EPS momentum



Source: MS

We remain focused on our investment discipline and alert to potential opportunities. Any future volatility in stock prices may provide the Fund entry points into high quality companies at attractive valuations.

Ronni Chalmers  
Chief Investment Officer

**Disclaimer:** Past performance is no guarantee of future performance. Performance shown is net of fees, but before taxes. The content of this fact sheet has been prepared without taking into account any individual's objectives, financial situation or needs. Because of that, before acting you should consider the appropriateness of what is included here, having regard for your own objectives, financial situation and needs. Before making any decision about whether or not to acquire or continue to hold a financial product mentioned in this fact sheet, you should obtain and consider the latest disclosure document for the product. You should also obtain advice from your qualified Financial Adviser.

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