

CRISIS OVERVIEW as of 3.3.2009

On the 3rd of March 2009 we completed and on the 5th of March 2009 we announced our comparison of the strength of the Subprime Crisis with other financial crises including the Great Depression, the Early 1980s recession, the Savings and Loans Crisis, the Black Monday, the Asian Crisis, the Japanese Crisis, the Technological bubble etc.

We estimated that the cause of the Subprime Crisis is in comparison to the causes of the Great Depression approximately five to ten times weaker, while the negative reaction of the market as of the 3rd March 2009 had been almost as strong as the drop of market during the Great Depression. The crises other than the Great Depression were more comparable to the Subprime Crisis. Simply said, the Subprime Crisis was not comparable to the Great Depression.

Therefore we concluded that the market had overreacted significantly, especially in the light of the response of the financial authorities, which seemed much more constructive (at least in short term) than the no-action taken by the Hoover administration in the 1930s.

On the back of this conviction, we started Sanning Capital as soon as possible and have been long Central European equities many months after the commencement of the Sanning Capital on June 1st 2009.

CRISIS OVERVIEW as of 3.3.2009

\$ = 2008 \$		Cause										Consequence						
Relevance	Name	Start of crisis	Related index	Market Cap (bln \$)	Cause	Leverage	Bad Assets (bln \$)	Bad Assets / Market Cap (%)	US GDP before (bln \$)	Bad Assets / US GDP (%)	Market value / US GDP	Total index change (%)	Years to bottom of index	Years to recovery of index	US GDP change	US GDP bottom (bln \$)	Index right before	Index bottom
1	Great Depression	1929	DJI	820	(1) speculation in the stock market fuelled by (2) excessive lending by Banks	50%	323	39%	820	39%	100%	-89%	3	25	-27%	600	381.17	40.56
1	S&L Crisis	1986	DJI	3 150	(1) real estate speculation fuelled by, (2) excessive lending by S&Ls, (3) securitisations of S&L loans by brokers		200	6%	4 500	4%	70%	-9%	0	0	0%	4 500	1919.71	1738.74
2	Technological bubble	2000	DJI	18 240	(1) tech stock speculation fueled by (2) brokerage underwritings and (3) venture capital		3 200	18%	9 600	33%	190%	-35%	3	6	2%	9 800	11287.09	7286
1	Subprime Crisis	2007	S&P 500	21 000	(1) real estate speculation fuelled by, (2) excessive lending by mortgage banks, (3) securitisations of mortgages by brokers		1 400 ¹⁾	7%	14 000	10%	150%	-57%			tbd		1565.15	676.53
3	Early 1980s recession	1981	DJI	1 920	contractionary monetary policy established by the Federal Reserve System to control high inflation		9	0%	3 200	0%	60%	-23%	1	1	0%	3 200	1006.66	776.92
3	Black Monday	1987	DJI	3 360	Technical factors including stop loss by computers			0%	4 800	0%	70%	-23%	0	2	2%	4 900	2246.74	1738.74
3	Japanese Crisis	1989	DJI	3 640	(1) Inefficient corporate structure, (2) oversupply and (3) bad lending		770	21%	5 600	14%	65%	-14%	0	0	2%	5 700	2753.2	2365.1
3	Asian Crisis	1997	DJI	11 620	(1) Inefficient corporate structure, (2) oversupply and (3) bad lending		450	4%	8 300	5%	140%	-13%	0	1	1%	8 400	8188	7161.15

1) Using all outstanding mortgages (\$10,6 tln) and part of them in foreclosure (9.2%) we get ~\$1000 bln of bad assets in mid 2008

	Positive for Subprime Crisis
	Questionable, uncertain
	Negative for Subprime Crisis

P:\SANNING CAPITAL\Analysis\Crisis_overview_R10.xls