



August 2014 – Stocks Touch Historical Heights

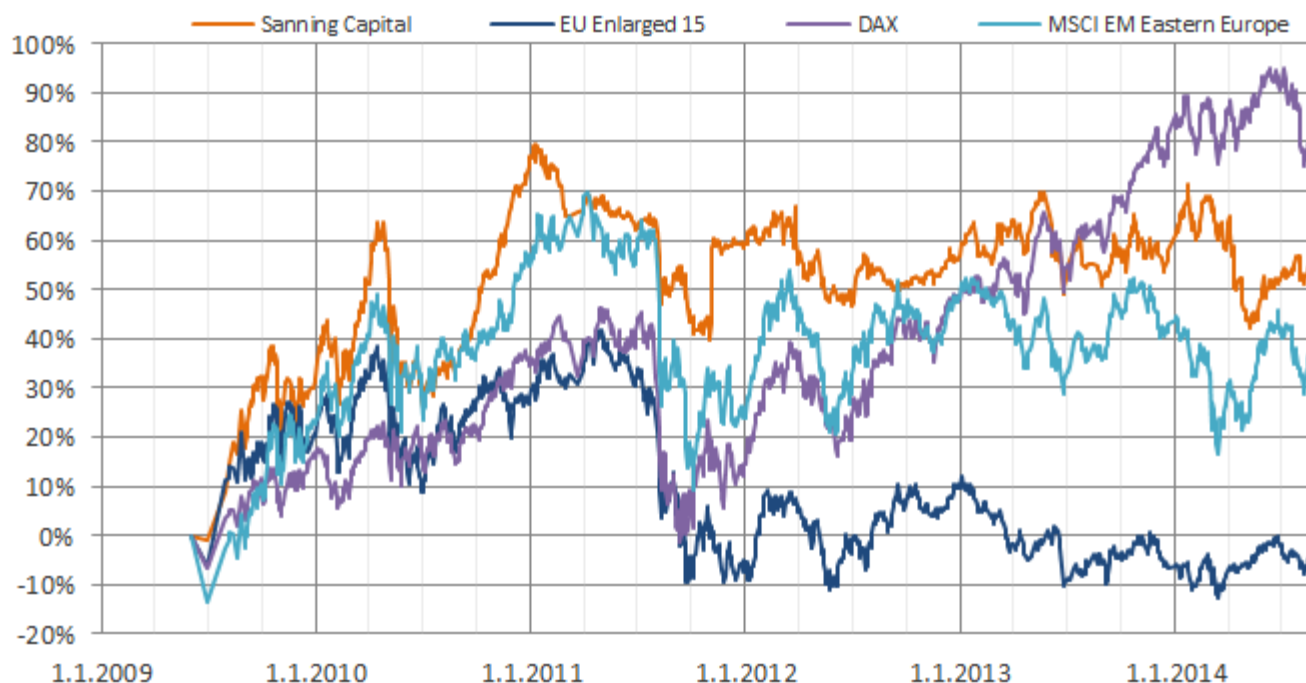
The US markets reached historical heights after calming of the Ukraine conflict, very successful earnings season, and encouraging FED statements. In addition to the above, European markets were also encouraged by the ECB hints of possible large scale asset purchases.

At the beginning of the month US markets were down slightly after increased speculation that the FED may start raising interest rates. Ironically, this was caused by US reporting the fastest growth in the service industries since 2005 adding to the evidence of a sustained recovery. On 7th markets slumped reacting on headlines about developments on the Russia-Ukraine border and Iraq government's troops losing their fight with Islamic state. Just day after, stocks rebounded as a report that Russia wants to de-escalate the crisis in eastern Ukraine outweighed American airstrikes in Iraq. On 15th, a sharp decline came as news emerged that Russian armored vehicles were destroyed after crossing Ukraine border. However, following Monday stocks started advancing again supported by favorable reports after a meeting in Berlin between Ukraine and Russian foreign ministers over the weekend appeared to, at least temporarily, ease concerns over rising tensions between the two countries. On 20th, after release of the statement of Janet Yellen that it would be appropriate to maintain Federal Funds Rate at low level for some time added another positive momentum to US stocks. On 25th European stocks rose after Mario Draghi's speech in Jackson Hole, where he hinted at a major shift in policy from a focus on austerity toward reviving growth. Speculation grew that the ECB was preparing a program of asset purchases to counter wilting inflation. Also on 25th S&P 500 broke 2,000 points level for the first time in the history and closed the month at 2,003.37. Most importantly, 65% of companies beat the estimates this earning season.

Our portfolio added 3.3% this month and outperformed European benchmarks: **DAX** (0.7%), **EU Enlarged** (2.2%) and also **MSCI EM Eastern Europe** (1.4%). To decrease our exposure to the Ukraine crisis, we decided to hedge part of our European positions and we have entered into short position in European index futures. Among our best performing stock were **EnerNOC** (+9.6%), which surprised on revenues significantly and **Fondul Proprietatea** (+4.8%). We have closed some of our positions and cashed profits: **Intuitive Surgical** (+12.18%), **BestBuy** (+20.94%).

NOTE: We adopted the new MSCI method applied to calculating MSCI EM Eastern Europe index (the difference in returns negligible).

Fund vs. Indices



Fund Manager

Jan Pravda

Launch Date

2.6.09

Location

Prague

Fund Currency

EUR

Share Price

€ 1 583.58

Performance Fee

20 % HWM

Management Fee

2% p.a.

Cumulative Performance

Period	Sanning ⁽¹⁾	EU Enlarged ⁽²⁾	MSCI EM EU ⁽²⁾	DAX	S&P 500	Nasdaq
1 month	3.3%	2.2%	1.4%	0.7%	3.8%	4.8%
3 months	5.5%	-1.2%	-1.6%	-4.8%	4.1%	8.0%
12 months	3.9%	0.7%	-1.6%	16.9%	22.7%	27.6%
3 years	3.5%	-15.3%	-3.7%	63.7%	64.4%	77.6%
5 years	---	---	---	---	---	---
Since inception (2.6.2009)	58.4%	-4.4%	34.5%	84.2%	112.1%	149.4%

Further Characteristics

Beta relative to:		Volatility ⁽³⁾	18.8%
EU Enlarged 15	0.29	Alpha (vs EU15)	0.10
DAX	0.21	Sharpe ratio	0.46

(1) Net off management fees, gross off performance fees

(2) These two indexes presented only to illustrate performance in 2009-2014, when focused on Central Eastern Europe

(3) Annualized standard deviation since inception

SANNING CAPITAL LIMITED is an opportunity fund based on fundamental research focused on investments into publicly traded companies providing global improvements of efficiency and/or reduction of consumption of energy, capital and time. It is funded by the managers' own capital and several private investors.

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