

**Market Commentary: October**

In October the European markets experienced a strong rally supported by the positive macroeconomic data in Germany: IFO expectations 105.1 vs cons of 102.9, PMI Manufacturing 56.1 vs cons 54.6. The US equity markets ended up a bit lower than the major European Indices due to continued mixed US macroeconomic data. In Central Europe, we saw the Polish Retail Sales (YoY) at 8.6% vs cons of 6.7% and the Czech Industrial Output (YoY) at 12.9% vs cons of 9.5%. In Turkey, the main equity ISE National 100 Index enjoyed a sharp growth closing the month 6% up. Brent Crude Oil traded in the range of \$80-84.7/bbl and closed -0.9%, natural gas price experienced a dramatic drop of -8.7%. Gold peaked at 1,380 \$/t oz closing at 1,359 \$/t oz.

Sanning realized significant gains in the following stocks: Zhaikmunai rallied 29% after the announcement of the completion of the processing plant, the Polish coal mine Bogdanka made 26% return on the announcement of the tender offer by the Czech NWR. We also collected profits through the Turkish electricity producer Akenerji, with the IRR of 40.0%. Sanning's October's performance might resemble the one of April this year (63% return since inception) which was followed by a 23% drop later in May. This time we strengthened the hedging strategies and risk-adjusted the allocation of the portfolio to lock in gains.

Sanning has performed 5.6%\* this month, compared to the DAX 6.0%, the EU Enlarged 2.5% and the S&P 500 1.9%. Due to a slightly better macro situation, we have increased our exposure in high beta shares. October's top performers were Zhaikmunai +29.3%, Bogdanka at 26% and KIT Digital +19.5%. On the other hand, Central European Media Enterprises (CME) struggled to improve their performance and closed the month -5.5%, followed by Polish Energy Partners at -4.4%.

*\*Sanning's performance includes the dividends of Banca Transilvania and Fondul Proprietatea  
S&P 500 Euro denominated*

**Fund Data**

**Investment Style**

SANNING CAPITAL is a bottom up equity fund based on fundamental research exploiting market inefficiencies in Central Europe. Sanning is unique in terms of its geographic focus. It is funded by the managers' own capital and private investors.

**Fund Managers**

Jan Pravda  
Katerina Zychova

**Launch Date**

2-Jun-09

**Location**

Prague, London

**Fund Currency**

EUR

**Share Price**

€ 1 531.4

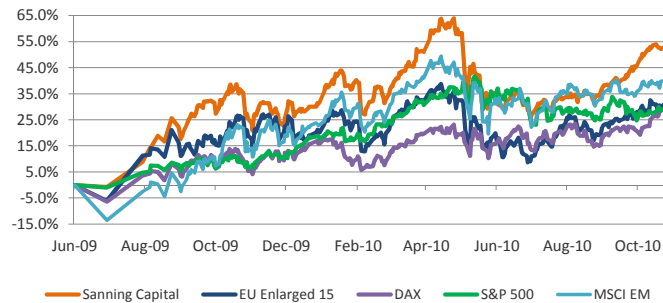
**Performance Fee**

20%

**Management Fee**

2%

**Fund Performance**



**Cumulative Performance**

| Period                     | Sanning* | EU Enlarged | DAX   | S&P 500** | MSCI  |
|----------------------------|----------|-------------|-------|-----------|-------|
| 1 month                    | 5.6%     | 2.5%        | 6.0%  | 1.9%      | 0.0%  |
| 3 months                   | 18.9%    | 18.5%       | 10.7% | 0.9%      | 8.4%  |
| 12 months                  | 22.1%    | 9.3%        | 21.9% | 21.8%     | 22.9% |
| 3 years                    | ---      | ---         | ---   | ---       | ---   |
| 5 years                    | ---      | ---         | ---   | ---       | ---   |
| Since inception (2.6.2009) | 53.1%    | 30.0%       | 28.4% | 29.7%     | 38.7% |

\* Net off mgt fees, \*\*S&P 500 Euro denominated

**Further Characteristics**

Beta relative to:

|                |      |             |       |
|----------------|------|-------------|-------|
| EU Enlarged 15 | 0.52 | Volatility* | 47.2% |
| DAX            | 0.64 | Alpha**     | 0.10  |

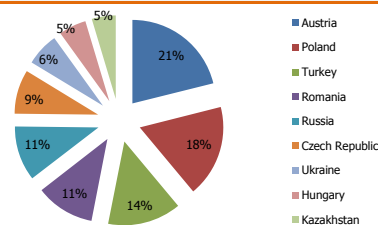
\* 3 years' annualized standard deviation  
\*\* Benchmark - EU Enlarged 15 Index

**Portfolio Analysis**

**Top 5 Holdings**

|                     |       |
|---------------------|-------|
| Fondul Proprietatea | 10.6% |
| Kapsch              | 10.5% |
| PEP SA              | 9.6%  |
| MHP                 | 6.2%  |
| Semperit            | 5.2%  |

**Breakdown By Country**



**Breakdown By Sector**

