

Tune-up strategy succeeded

In the year 2010, Sanning Capital produced solid double-digit results and outperformed its benchmarks by 22.1%.

During the first four months of the year, the market and the Sanning's portfolio continued the strong rally that began in early 2009. This ascent came to an abrupt end in the late April 2010 when the markets began a significant downturn due to sovereign debt crises in Greece and later in Ireland. In May 2010, we were relatively bullish and slightly leveraged and that is why our performance suffered at that time. The Greek crisis and further revaluation of risk in general made us accept the fact that "unforeseen risk" simply cannot be foreseen and that all one can do is to hedge against it. Therefore in June, we emphasized on low volatility shares, purchased hedging instruments and did not use leverage. Currently, the portfolio is fairly protected against market downturns. During the following months Sanning staged a strong comeback, despite the cost of hedging and low volatility investments. Overall, the portfolio returned the stunning 34.3% for the year, which is 22.1 percent outperformance against our basket of benchmarks. This in our view shows that our investment strategy has finally proved itself. If half of such outperformance can be achieved consistently, we would feel that we have delivered what we promised.

Sanning's best month was March with performance 13.7%, the worst month was May with performance -14.2%. The best performing stock was Kapsch with YTD performance of 186%, the worst one was Intercell with -15%.

We took this year as a microcosm of what we understand the long-term investing is all about. We learned that there will always be times when the markets go through dislocation like they did in the spring and summer of this year. Lessons from the markets past suggest that one of the best ways not to get hurt is to hedge the portfolio and stick with the investment strategy throughout the rough patches. We are glad that we weathered the storm and resisted the urge to flee. We are confident, that our strategy will prove to be conservative resulting in a smooth and relatively consistent growth.

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 Manager

Jan Pravda

Launch Date

02-Jun-09

Location

Prague, London

Fund Currency

EUR

Share Price

€ 1 771.7

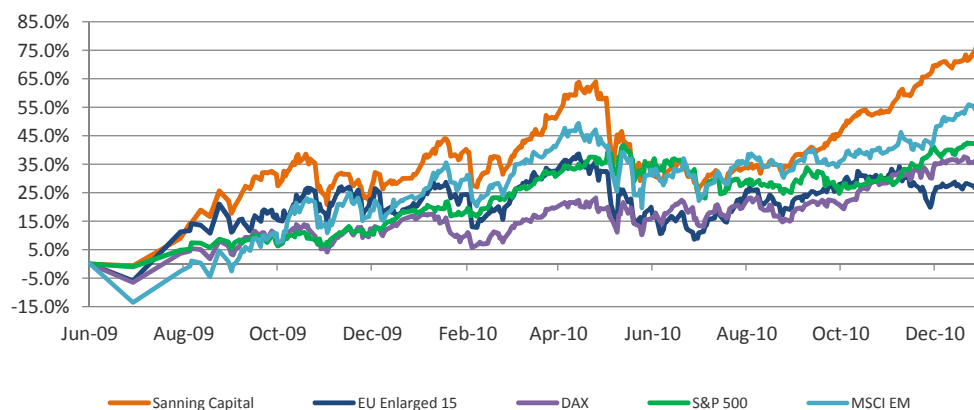
Performance Fee

20% HWM

Management Fee

2% p.a.

Fund vs. Indices



Cumulative Performance

Period	Sanning*	EU Enlarged	DAX	S&P 500**	MSCI
1 month	5.8%	5.5%	4.8%	0.7%	8.7%
3 months	22.2%	1.1%	12.5%	10.9%	14.7%
12 months	34.3%	6.5%	17.7%	20.0%	24.9%
3 years	---	---	---	---	---
5 years	---	---	---	---	---
Since inception (2.6.2009)	77.2%	28.1%	36.3%	41.2%	53.9%

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

Further Characteristics

Beta relative to:			
EU Enlarged 15	0.50	Volatility*	44.5%
DAX	0.61	Alpha**	0.13
		* 3 years' annualized standard deviation	
		** Benchmark - EU Enlarged 15 Index	

Portfolio Analysis

Top 3 Holdings	Top 3 Countries	Top 3 Sectors
PEP SA 18.1%	Poland 25.7%	Energy 24.7%
Fondul Proprietatea 18.1%	Austria 21.9%	Financials 23.3%
Kapsch 13.5%	Romania 19.4%	Technology 16.8%