

Market Commentary: January

Energy stocks led the stocks up in January as ExxonMobil had its most profitable quarter since 2008, and oil prices continued to surge due to tension in the Middle East. The markets broke down only once due to riots in Egypt.

What captured trader's attention were the new inflation numbers. An official estimate in Germany, Europe's biggest economy shows that the annual inflation rate rose to 1.9% in January on higher prices of oil, electricity and fresh produce. Also, British inflation spiked higher than expected to an annual 3.7% rate. Similar scenario is in the US. The Purchasing Managers Index came in at 60.8%, however, the Prices Paid Component surged to 81.5%. Bernanke is just too intelligent to believe deflation is the nation's biggest concern.

From energy, to commodities, to precious metals, to health care, to education; the evidence of rising inflation is all around the Fed and ECB. So far the central bankers are willfully blind the facts. Perhaps the central banks' plan to bail out state pension plans, the stock markets, housing market and the national debt is to create a whole lot of inflation, and fast.

Sanning has underperformed -0.8% this month, compared to the gains in the DAX 2.8%, the EU Enlarged 5.5% and slight loss of the S&P 500* -0.9%. Top performers in January were Fondul Propriatea with gain of 17.0%, and Polish Energy Partners with 5.4%. On the other hand, Albaraka Turk Bank struggled to improve their performance and closed the month with loss of -17.8%, followed by Zhaikmunai which lost -12.3%.

*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 Manager

Jan Pravda

Launch Date

02-Jun-09

Location

Prague, London

Fund Currency

EUR

Share Price

€ 1 756.6

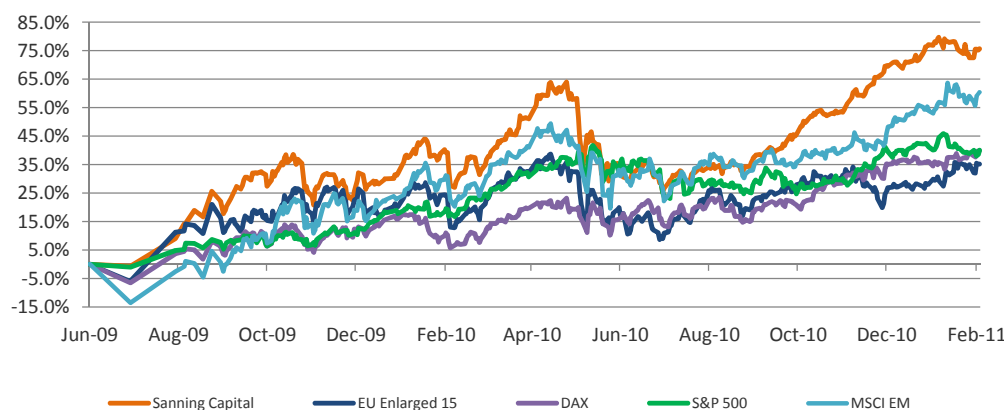
Performance Fee

20% HWM

Management Fee

2% p.a.

Fund vs. Indices



Cumulative Performance

Period	Sanning*	EU Enlarged	DAX	S&P 500**	MSCI
1 month	-0.8%	5.5%	2.8%	-0.9%	4.2%
3 months	14.7%	4.0%	9.0%	8.0%	15.7%
12 months	26.6%	8.9%	28.3%	19.5%	24.0%
3 years	---	---	---	---	---
5 years	---	---	---	---	---
Since inception (2.6.2009)	75.7%	35.2%	39.9%	40.0%	60.4%

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

Further Characteristics

Beta relative to:			
EU Enlarged 15	0.49	Volatility*	43.5%
DAX	0.59	Alpha**	0.11
		* 3 years' annualized standard deviation	
		** Benchmark - EU Enlarged 15 Index	

Portfolio Value at Risk Analysis

Top 3 Holdings		Top 3 Sectors		Top 3 VaR Sectors	
Fondul Propriatea	19.1%	Utilities	24.4%		3.8%
PEP SA	15.6%	Financial	23.5%		4.2%
Kapsch	12.0%	Inf. Technology	15.9%		2.7%