

Market Commentary: February

In February the markets were mostly affected by the political crisis in the Middle East. This begun already in January with the protests in Tunisia and has moved to Egypt and other countries including Libya in the second half of this month.

As Libia controls several percent of global sweet crude reserves, oil price increased by almost 12% reaching a multi-year high of \$ 112/bbl. Fearing global political crisis and an oil shock that could harm global recovery, investors sold equities aggressively. Non energy related emerging markets equities were punished the most while oil linked titles benefited modestly. This caused losses in the emerging markets overall, not excluding those in Sanning's portfolio.

In this unstable situation, we decided to take a very defensive stand and liquidated a majority of our holdings towards the end of the month. We are cautious and sensitive to the geopolitical risk stemming from extremism encouraged by the failures of the existing regimes and subsequent illusion of democracy. We stand prepared to re-enter in a more defensive formation.

This month Sanning lost 3.6%. The downturn was especially significant for the less liquid investment such as Polish Energy Partners and Kit Digital which both lost approximately 12% and Turkish Airlines (exposed to Middle East travel) which lost 12.5%. The top performers this month were BGS +7.2%, followed by Semperit with 5.1%, Zaikmunaigas and Kozagold both up 5%. Our hedges helped the performance by a few percent.

*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

€ 1 662.9

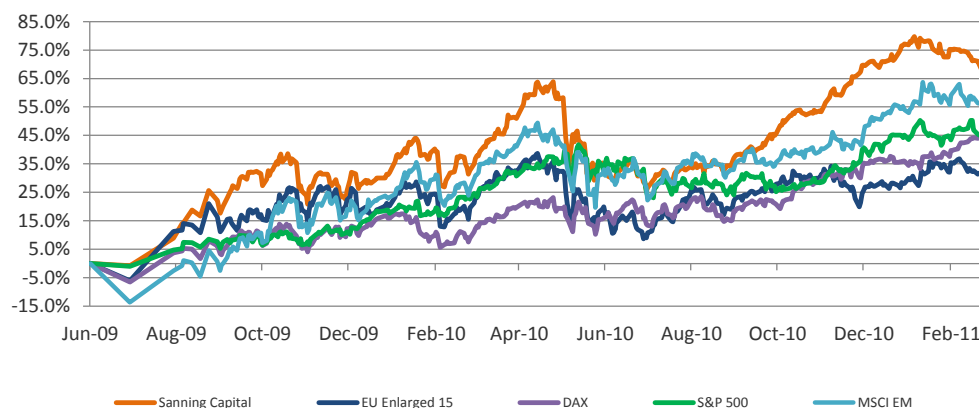
Performance Fee

20% HWM

Management Fee

2% p.a.

Fund vs. Indices



Cumulative Performance

Period	Sanning*	EU Enlarged	DAX	S&P 500**	MSCI
1 month	-3.6%	-0.9%	3.1%	0.7%	0.0%
3 months	-0.7%	7.9%	9.5%	7.1%	10.8%
12 months	25.3%	9.5%	30.8%	19.1%	24.5%
3 years	---	---	---	---	---
5 years	---	---	---	---	---
Since inception (2.6.2009)	66.3%	31.0%	42.4%	46.0%	56.9%

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

Further Characteristics

Beta relative to:			
EU Enlarged 15	0.48	Volatility*	43.0%
DAX	0.59	Alpha**	0.10
		* 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 Proprietatea 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%