

SANNING CAPITAL

CENTRAL EUROPEAN EQUITY FUND

31-Mar-11

Market Commentary: March

In the beginning of March 2011, Sanning Capital consisted mainly of cash, because we decided to protect our capital from the impacts of the North African crisis. It gave us time to prepare for the right moment to step back into the market.

This moment came shortly after the Japanese earthquake, Fukushima events and approval of the UN resolution pertaining to Libya. After Nikkei index plummeted by almost 20% to 8 600 level, we considered the panic to be excessive since we believed that the nuclear accident, however tragic, would not be a repetition of the Chernobyl disaster, and hence we returned back into the market.

We purchased shares of *New World Resources*, *Kapsch* and *Polish Energy Partners* that produced us overall returns over 5% within a week. Yet we remained approximately 50% in cash until the end of the month so that we could maintain a relatively defensive position in the light of possible aftershocks of the North African Crisis.

This month our best picks are *Sparkassen Immobilien* with 10% appreciation, followed by *Kapsch* with 8.4% and *Gazprom* with 7.7%. On the other hand, the purchase of a very small position (less than 2%) in uranium mining company *Uranium One*, after its previous fall by more than 30%, remains our worst performer. Since our purchase the stock has fallen by additional 18%. However, for now we stick to this position, inasmuch as we still believe that in the long-run there is only few real alternatives to uranium when it comes to electricity production.

*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

€ 1 675.4

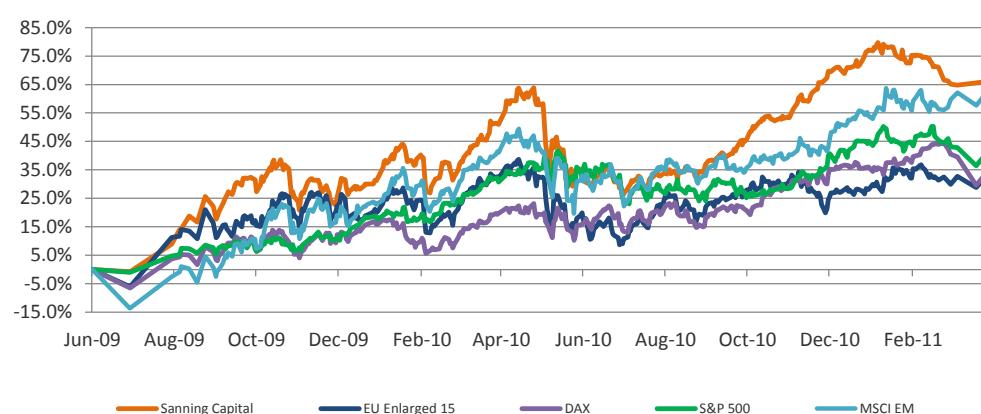
Performance Fee

20% HWM

Management Fee

2% p.a.

Fund vs. Indices



Cumulative Performance

Period	Sanning*	EU Enlarged	DAX	S&P 500**	MSCI
1 month	0.0%	1.1%	-0.6%	-1.9%	4.6%
3 months	-5.4%	4.3%	0.9%	-2.0%	6.6%
12 months	11.0%	1.2%	14.7%	8.8%	16.4%
3 years	---	---	---	---	---
5 years	---	---	---	---	---
Since inception (2.6.2009)	67.5%	33.6%	37.2%	42.2%	64.1%

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

Further Characteristics

Beta relative to:			
EU Enlarged 15	0.47	Volatility*	42.8%
DAX	0.53	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	
Sparkassen Immob.	10.0%	Mining	26.7%		4.5%
Kapsch	8.4%	Financial	19.3%		4.1%
Gazprom	7.7%	Technology	17.5%		2.3%