

Market Commentary: October

In October, the markets were focused mostly on the European debt crisis. The first EFSF expansion, which was agreed on by EU leaders in July, was supposed to be ratified in the national parliaments of the 17 Euro-zone nations. The € 780 billion expansion was ratified, with some problems in Slovakia, but the markets were already impatiently waiting for the results of the next EU summit.

Against this backdrop, the Q3 reporting season commenced. Even though the results were rather positive, they did not produce any significant rally. It came only after it became apparent that the EU leaders will agree on a solution to stop the Greek contagion. This agreement became reality at the end of the month.

In Sanning, we stayed extremely cautious. Besides our long equity positions, gold and fixed income we continued to hold our short positions on European indices. With the increasing optimism in Europe, we decided to reduce the short and gold positions after gold reached the \$1,700 level again.

Our long/short portfolio saved us from the deep slumps, which occurred to most indices during the past months. On the other hand, this strategy slowed our appreciation and allowed our benchmarks to erase part of their losses to our fund from the previous months. For the future, we remain cautious, because we do not believe the crisis is over.

Fund Data

Investment Style

SANNING CAPITAL is a bottom up fund based on fundamental research exploiting market inefficiencies in Central Eastern 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

Fund Currency

EUR

Share Price

€ 1 414.2

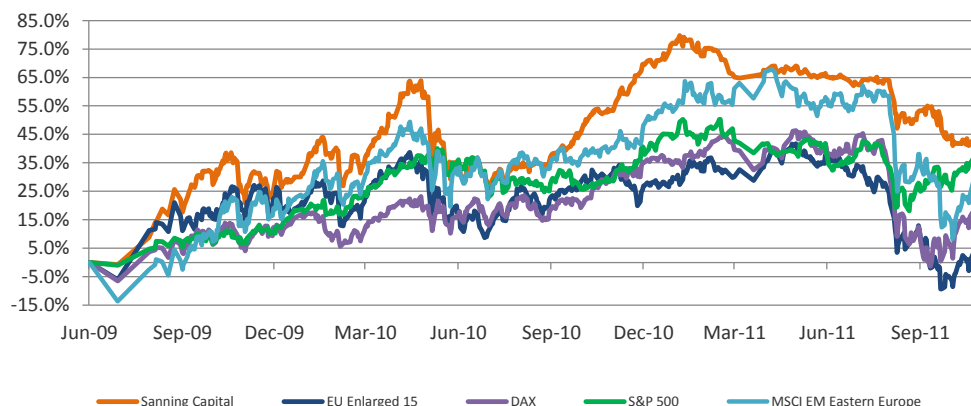
Performance Fee

20% HWM

Management Fee

2% p.a.

Fund vs. Indices



Cumulative Performance

Period	Sanning*	EU Enlarged	DAX	S&P 500**	MSCI
1 month	-1.4%	7.3%	11.6%	6.3%	12.2%
3 months	-13.8%	-20.1%	-14.2%	0.1%	-18.0%
12 months	-7.7%	-21.4%	-7.0%	5.9%	-6.6%
3 years	---	---	---	---	---
5 years	---	---	---	---	---
Since inception (2.6.2009)	41.4%	2.2%	19.4%	35.9%	30.2%

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

Further Characteristics

Beta relative to:				
EU Enlarged 15	0.47	Volatility*	39.0%	
DAX	0.48	Alpha**	0.17	
		* 3 years' annualized standard deviation		
		** annualized vs. EU Enlarged 15 Index		