

SANNING CAPITAL

6-Dec-11

CENTRAL EUROPEAN EQUITY FUND

November: Markets turning to a minefield

November started with panic, as the (now former) prime minister of Greece announced he wanted to hold a referendum on the EU bailout package. After pressure from the EU leaders he withdrew his demand and resigned. Silvio Berlusconi resigned as well and new governments were established in both countries. Despite this, Italian bonds crossed the sustainability level of 6% reaching 7.25% on 9.11.2011. Similarly, parliamentary elections in Spain did not save the Spanish government bonds from yielding over 7%. Interestingly, the demand for both Spanish and Italian bonds exceeded the supply, but Germany managed to sell only 65% of its 2% yielding bonds. MF Global, a 200 year old American broker dealer went bankrupt due to bullish bet on European sovereign bonds. As in 2008, markets begin to resemble a minefield littered with corporate debris rather a place to increase our collective wealth.

On November 21st, the US "super-committee" announced it failed to reach a deficit deal. Fitch downgraded Portugal credit rating on the 24th and Moody's did the same to Hungary on the 25th. This negatively affected all East-European markets and currencies. However, the markets ended the otherwise disastrous month November with a rally, because on November 30th a number of central banks collectively announced that they would provide economies with "cheap" liquidity and the Eurozone finance ministers agreed to release the latest 8 billion euro tranche of bailout money to Greece just a day before that.

As you can see, this market is not about stock picking, but rather about investors' ability to make some return while not getting caught in the maelstrom as MF Global did. Therefore, we continued to be very conservative. We made several structured trades which happen to mature this month and helped to improve our performance while the generally conservative strategy saved us from all market slumps. We significantly outperformed all our benchmarks this month. For the future, we remain cautious.

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

2.6.09

Location

Prague

Fund Currency

EUR

Share Price

€ 1 586,9

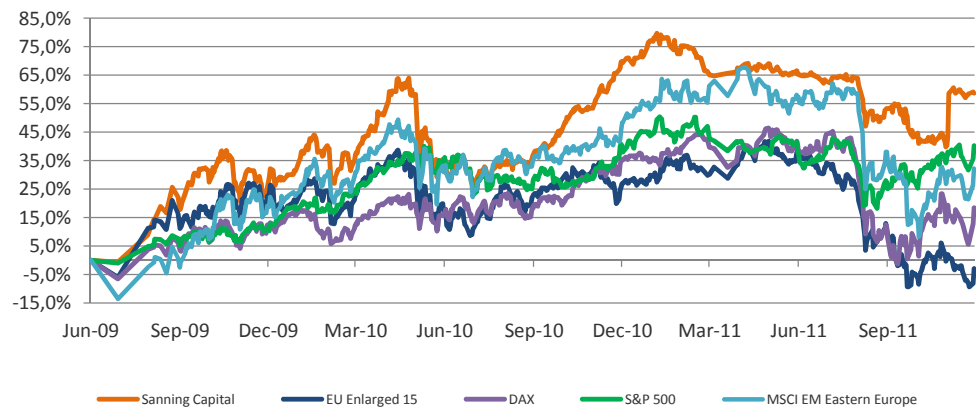
Performance Fee

20% HWM

Management Fee

2% p.a.

Fund vs. Indices



Cumulative Performance

Period	Sanning*	EU Enlarged	DAX	S&P 500**	MSCI
1 month	12,0%	-5,1%	-0,9%	3,2%	1,5%
3 months	3,7%	-14,1%	5,3%	9,6%	-4,3%
12 months	-5,2%	-22,1%	-11,3%	0,2%	-7,4%
3 years	---	---	---	---	---
5 years	---	---	---	---	---
Since inception (2.6.2009)	58,7%	-3,0%	18,4%	40,3%	32,1%

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

Further Characteristics

Beta relative to:

EU Enlarged 15

0,45

Volatility*

40,2%

DAX

0,43

Alpha**

0,25

* 3 years' annualized standard deviation

** annualized vs. EU Enlarged 15 Index