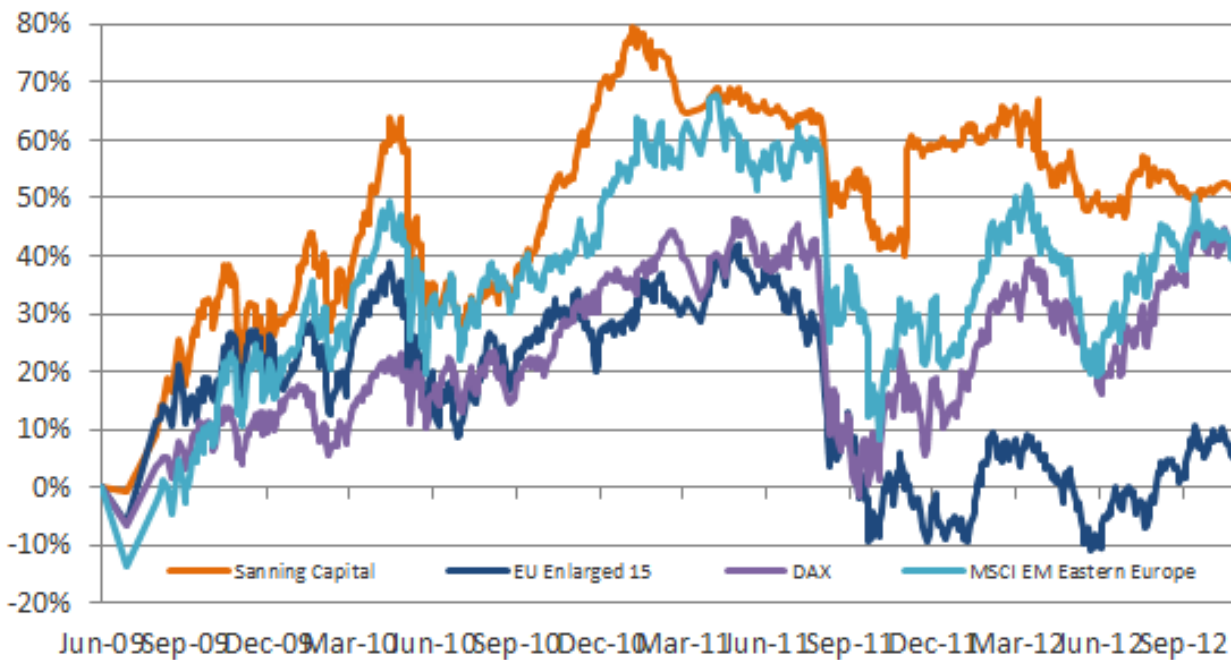


October: Between Greece and US Fiscal Cliff, high yield remains a good proposition.

October was quite a calm month for the EU and Eurozone. The EU leaders met on the 18th and 19th, however the summit left controversial issues untouched and postponed till next summits. It has been discussed in the Eurozone and throughout the month whether and when Spain would ask for a bailout. European media were quoting one senior EU politician after another, but the Spanish side repeated several times that Spain would ask for bailout "if needed". Furthermore, one regional Spanish region after another has asked the government for a bailout. At the end of the month the former **Italian** PM Berlusconi was sentenced for tax fraud and responded by threatening to end the support of Monti's government. **Greek** parliament was preparing the 2013 draft budget which will face a key vote in the parliament in the next weeks. Several members of the parliament resigned or stated their resignation can be expected when this budget is accepted. The markets were also affected by the awaiting the result of the US presidential elections. The \$800 billion of tax increases and budget cuts dubbed "the US fiscal cliff" is expected to be debated in the upcoming months – the markets are already pricing in a material likelihood of hitting the cliff. This month we continued our conservative strategy and ended with a profit of 0.3% outperforming the Emerging Markets peers by 1.6% (EU Enlarger) and by 3.1% (MSCI Emerging Markets). When it comes to our portfolio, we stayed approx. 70% in high yielding Fixed Income securities such as TVN, NWR and MHP bonds yielding 6% and more. We reduced our European equity positions and stayed mainly in the Emerging Markets such as Turkey which not as dependent on the EU - a big advantage for the upcoming months.



		Cumulative Performance				
		Period	Sanning*	EU Enlarged	DAX	MSCI
Fund Manager	Jan Pravda	1 month	0.3%	-1.3%	0.6%	-2.8%
Launch Date	2.6.09	3 months	-1.2%	7.7%	7.2%	0.6%
Location	Prague	12 months	7.1%	3.0%	18.2%	6.7%
Fund Currency	EUR	3 years	21.0%	-11.5%	34.1%	23.1%
Share Price	€ 1 517.7	5 years	---	---	---	---
Performance Fee	20 % HWM	Since inception (2.6.2009)	51.8%	5.2%	41.2%	38.9%
Management Fee	2% p.a.	* Net off mgt fees				
		Further Characteristics				
		Beta relative to:				
		EU Enlarged 15	0.39	Volatility*	36.1%	
		DAX	0.37	Alpha**	0.14	
				* 3 years' annualized standard deviation		
				** annualized vs. EU Enlarged 15 Index		

SANNING CAPITAL is a bottom up fund based on fundamental research exploiting market inefficiencies in Central Eastern Europe. Sanning is unique in term of its geographic focus. It is funded by the managers' own capital and private investors.

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