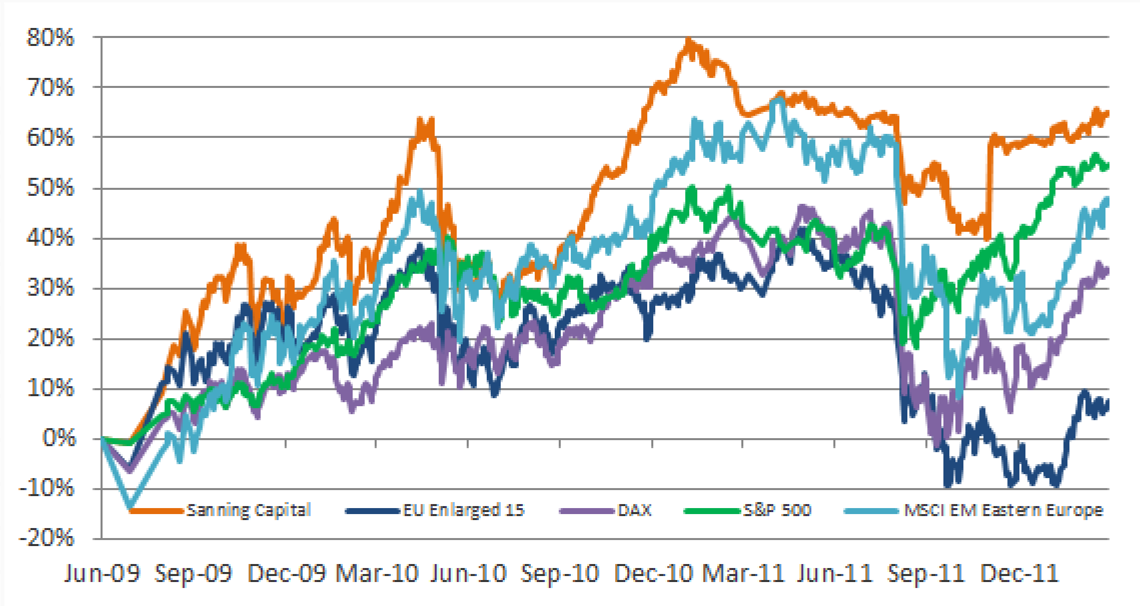
SANNING CAPITAL
OPPORTUNITY FUND

Market Commentary: February 2012

Global equity markets continued with positive development since the beginning of the year and finished in a positive territory in February (S&P gained 1.8%, EU enlarged 1.9%, MSCI EM 5.9% and DAX 6.1%). This was caused mainly by the agreement between Greece and Troika (European Commission, IMF and ECB) on the second bailout plan. Greece will be granted additional loan of € 130 billion, but will have to undertake many painful budget cuts and most importantly will have to reach an agreement with private bondholders on swapping their treasuries so the debt will written off by 53.5% of face value, which translates into roughly 75% write off on the basis of NPV.

This will reduce Greek indebtedness from € 355 billion to € 245 billion in absolute terms and from 165% to 93% relative to GDP in real terms. World financial markets will keep eyes on the Greek swap, which will take place between 8th and 11th March 2012. If the bond swap fails, Greece will not be able to repay its € 14.5 billion debt maturing on 20th March and will go into bankruptcy. We are aware of the significant risk for global economy, but we see a solid 80%+ probability that the swap will succeed. When it comes to our performance, we benefited from significantly increasing our positions in equity, especially in Russia and Turkey and finished the month with moderate gain of 2.2%.

We underperformed DAX and MSCI as a result of low beta of our portfolio. However, in the light of reduction of the sovereign risk crisis in the EU, we are becoming more optimistic and slowly increasing our equity position with the goal to reach close to 100%. Our best picks in February were among special metal miners and Russian retail market leaders, with 20.4% and 17.2%returns respectively. On the other hand, our least successful stories were in the food processing sectors and oil and gas with losses around 6%.

Fund Manager	
Jan Pravda	
Launch Date	
2.6.09	
Location	
Prague	
Fund Currency	
EUR	
Share Price	
€ 1 649	
Performance Fee	
20 % HWM	
Management Fee	
2% p.a.	

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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