



World equity markets finished March on an ambiguous note. While the developed markets such as S&P or DAX gained, emerging markets suffered due to increasing risk of China's hard landing which projected itself onto most developing economies. First half of March was generally positive as Greece successfully swapped a majority of its bonds and thus avoided uncontrolled default. Markets were rising before the swap (settling between 8<sup>th</sup> and 11<sup>th</sup> March) as they were expecting positive outcome. In addition, the firepower of EFSF was increased from € 700 to € 800 billion. It is believed that this rally prior to the Greek swap was a shallow one of technical nature caused by what is called a short squeeze

– short sellers needing to buy shares in order to close their position. That is why extension of such rally based on a broader investor support and fundamentals appears logical and likely.

Unfortunately, during the second half of the month, the positive momentum from restructuring of Greece was overshadowed by China's posting of \$ 31 billion trade deficit (see the enclosed chart), the worst deficit since early 90's. Consequently, the fear of Chinese hard landing dragged the emerging markets down (such as MSCI EM which lost 4.2% in March). This month Sanning Capital, was positioned for a recovery following the resolution of Greece and consequently suffered for the same reason as MSCI, posting a loss of 5.4%. The worst performing sectors were mining followed by energy sector dragged down by the decrease of oil prices in the last days of March. Oil price also had a negative impact on Russian stocks. We believe that the fear of Chinese hard landing is exaggerated and a temporary effect and are sticking to our strategy of a mix of equity, high yield fixed income combined with structured transactions. We will however continue to review the Chinese story and its impact on the recovery of the world's economy.



**Fund Manager**

Pravda Capital

**Launch Date**

2.6.09

**Location**

Prague

**Fund Currency**

EUR

**Share Price**

€ 1 560.7

**Performance Fee**

20 % HWM

**Management Fee**

2% p.a.

**Cumulative Performance**

Period	Sanning*	EU Enlarged	DAX	S&P 500**	MSCI EM
1 month	-5.4%	-2.0%	1.3%	3.2%	-4.2%
3 months	-2.0%	15.8%	16.2%	5.4%	20.6%
12 months	-6.8%	-19.5%	-2.6%	9.4%	-9.5%
3 years	---	---	---	---	---
5 years	---	---	---	---	---
Since inception (2.6.2009)	<b>56.1%</b>	5.3%	35.1%	59.7%	41.8%

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

**Further Characteristics**

Beta relative to:

EU Enlarged 15

**0.43**

Volatility\*

**38.8%**

Alpha\*\*

**0.18**

DAX

**0.41**

\* 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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**Our address:**

Sanning Capital Limited

Opletalova 1417/25

Prague 11000

Czech Republic

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