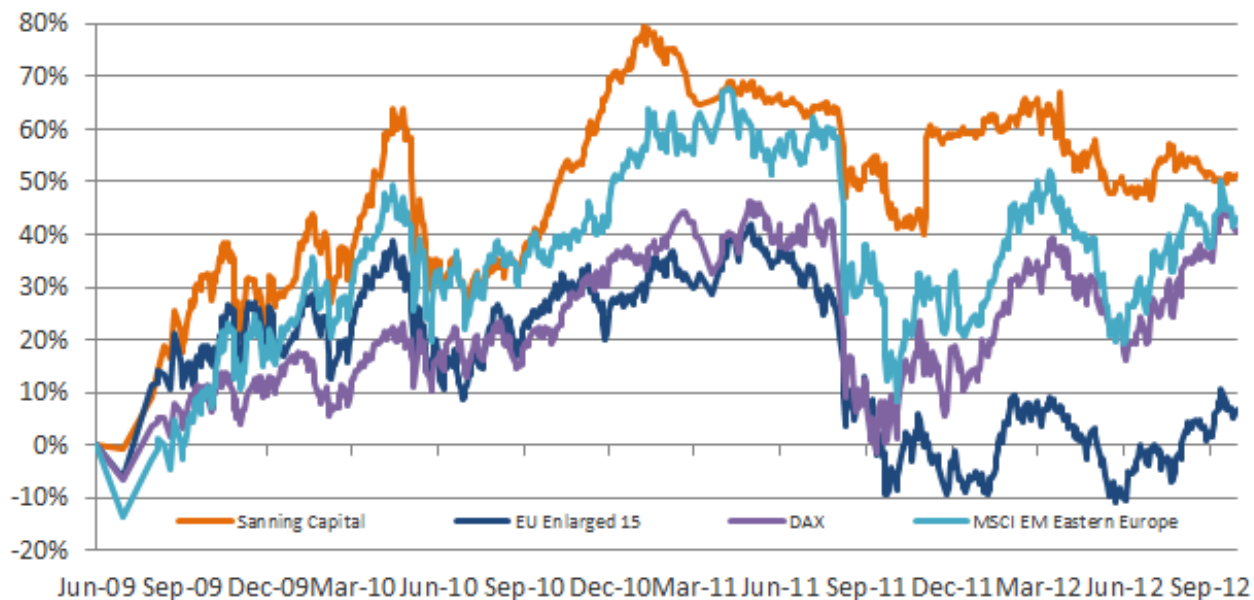


## September

September 2012 was again a month of waiting for actions by the ECB and for the German Constitutional court's verdict about the stability mechanisms. On 6th Draghi slightly disappointed by the conditionality of the intervention forcing the states, such as Spain and Italy, to apply for the EFSF/ESM before they can expect ECB's support. There are following two conditions: (1) sterilization - liquidity will have to be withdrawn from other capital markets, this means that the size is really not unlimited; (2) commitment to the EFSF/ESM – countries like Spain will have to ask for help from the Eurozone and accept the mechanisms' terms. We see these conditions as reasonable in long term; in short term especially the latter one will cause additional turmoil. The German constitutional court approved the ESM on the 12th stating that Germany will not contribute more than EUR 190 Billion without further Bundestag approval. On 14th Ben Bernanke announced QE3, a new \$40 billion open-ended bond purchasing program. Der Spiegel informed on 24. that the ESM should be boosted up to €2 billion stating that the Germans are in favor of this expansion, however the Finns claim it should be ratified again. This month we underperformed most of the indices due to our high USD exposure versus the Euro (hedge against a € down turn) and our rather long-term bearish view on the Euro land itself. Had there been not for the partial hedge against the euro, the fund would have made some 1.5% due to the performance of its high yield bond portfolio as well as thank to the smaller equity positions. It is important to note, that we remain cautious as we don't believe that Euro land is out of the woods and are not fully chasing the rally of the equity market



Fund	Cumulative Performance					
Manager	Period		Sanning*	EU Enlarged	DAX	MSCI
Pravda Capital	1 month		-0.2%	4.7%	3.5%	3.9%
	3 months		3.2%	7.3%	12.5%	8.8%
	12 months		5.5%	11.9%	31.2%	23.2%
Launch Date	3 years		14.8%	-8.3%	27.2%	30.5%
2.6.09	5 years		---	---	---	---
Location	Since inception (2.6.2009)		51.3%	6.6%	40.3%	43.0%
Prague	* Net off mgt fees					
Fund	Further Characteristics					
Currency	Beta relative to:					
EUR	EU Enlarged 15		0.39	Volatility*	36.5%	
Share Price	DAX		0.37	Alpha**	0.14	
€ 1 513.5				* 3 years' annualized standard deviation		
Performance Fee				** annualized vs. EU Enlarged 15 Index		
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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**Our address:**

Sanning Capital Limited  
Opletalova 1417/25  
Prague 11000  
Czech Republic

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