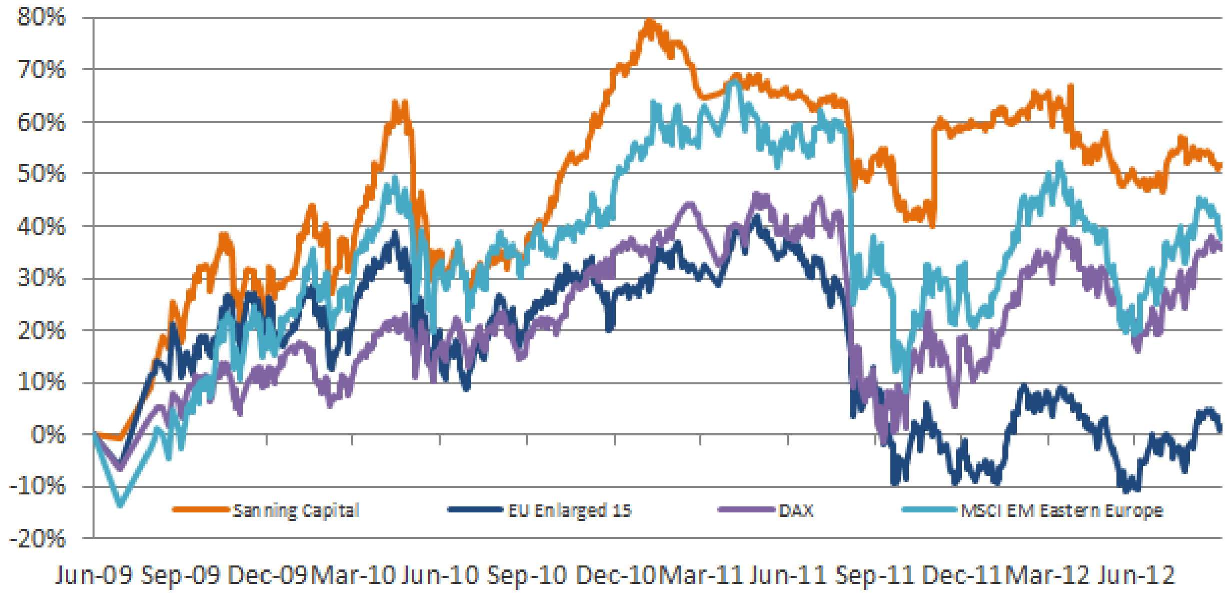
SANNING CAPITAL
OPPORTUNITY FUND

August

August opened with very high expectations from Draghi, based on his July statement in London. Those hopes came crushing down on 2nd after Draghi did not pull the bazooka out and only reiterated that that ECB may act in the market to buy government bonds but only after the respective states exhaust all their options including application of the ESFS/ESM direct help. Spanish and Italian markets went down by 6% and 4% from their highs. On 3rd and a few days after, the markets recovered on hopes that ECB and FED would act; despite they did not say anything. Bernanke, in his irregular speech on 7th in Washington, D.C. didn’t reveal any substantial actions. On 11th Luc Coehne, Belgian Central Bank governor, reminded to the market that ECB remembers that bond buying last year allowed governments of Italy and Spain to relax its reforms. However, the market continued to rally until the 20th when the Greece hit the screens with request for 2 additional years extension of their payment schedule and a € 2 billion whole in near term budget revealed by their need to cut € 13.5 instead of 11.5 agreed with the Troika. German CDU/CSU officials refused more aid for Greece and Citibank estimated Greek exit at 90%. The impact of exit continues to be underestimated as described in an exceptionally clear paper by Anders Aslund who predicted that exit of single country is nearly impossible without breakdown of the monetary and political system accompanied by -X0% of lost GDP. That in combination with the statements by banks about the 90% Greek exit and slightly optimistic mood thanks to Draghi reveal a deep misunderstand in the market That is why we continue to be cautious and stay focused on more conservative asset classes such as fixed income followed by structured trades including protection by indices derivatives.



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Fund Manager	Pravda Capital
Launch Date	2.6.09
Location	Prague
Fund Currency	EUR
Share Price	€ 1 517.2
Performance Fee	20 % HWM
Management Fee	2% p.a.

Cumulative Performance

Period	Sanning*	EU Enlarged	DAX	MSCI
1 month	-1.2%	4.2%	2.9%	-0.3%
3 months	-3.3%	-0.9%	3.1%	-1.2%
12 months	-0.8%	-9.8%	20.5%	-0.4%
3 years	24.2%	-12.5%	27.6%	36.4%
5 years	---	---	---	---
Since inception (2.6.2009)	**51.7%**	1.8%	35.6%	37.5%

* Net off mgt fees

Further Characteristics

Beta relative to:

EU Enlarged 15	**0.40**	Volatility*	**36.9%**
		Alpha**	**0.15**
DAX	**0.37**		

* 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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