

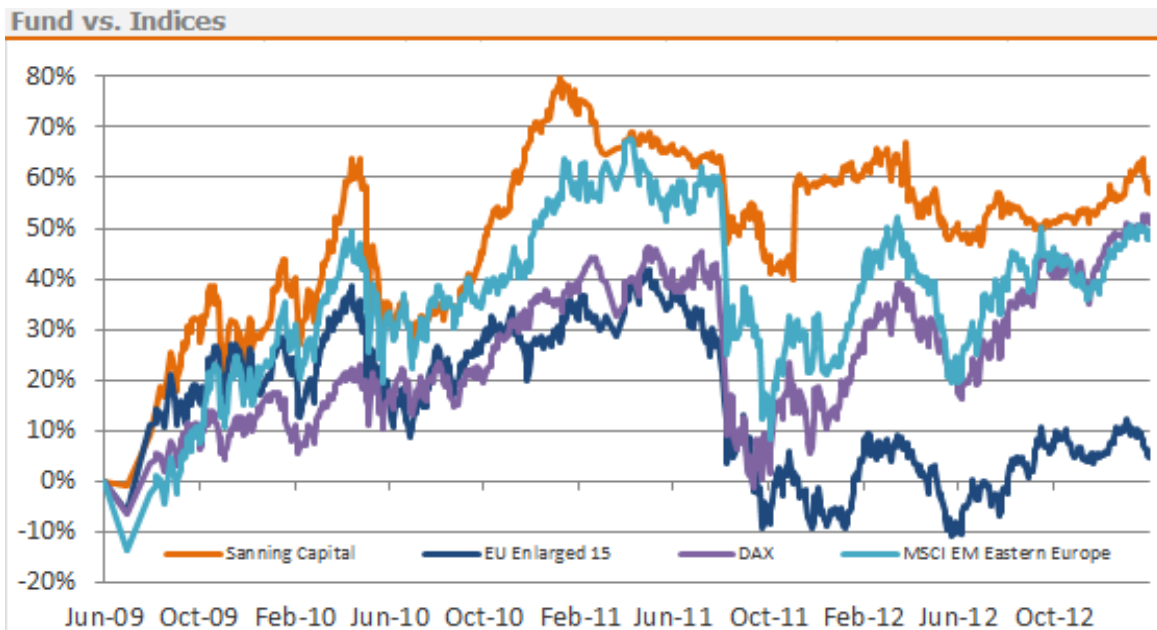
Efficiency and Innovation – way out of the financial crisis

January was a quiet month, the markets rallied after Christmas with no significant news. Both the US and EU politicians are engaged in budget debates of moderate intensity. On the 23rd January David Cameron held a speech and said that Britain would hold a referendum in 2015 on staying in the EU if his party wins the upcoming elections an event exposing cracks in the EU integrity. The major European markets gained a 1 to 2% whereas Turkish Index gained around 10% until 23rd of January when a correction began completing January also at a gain of less than 1%.

We concluded that now, there is low likelihood of a dramatic structural problem comparable to the 2008 US and the 2009 EU crises – both of which did threaten integrity of the market. At the same time however, we are far from convinced that the problems of the EU (and therefore also Central Eastern Europe) and US are gone forever. That is why we continue to search elsewhere and identified the theme of efficiency, innovation which in our view remains the only viable response to the crisis spanning all sectors but originating from global finance, energy and politics. We intend to focus more and more on the theme of efficiency, innovation and automation.

Therefore, during December and January we increased equity share of our portfolio to 80%+ leaving, 30% for fixed income and 10% to 20% of leverage. We managed to get to 63% profit since inception on the 23rd January but then were slowed down by the Turkish correction together with global IT sector decline (Samsung and Google) ending the month with a mild 0.2% profit. We strongly believe in the two “corrected” themes above and decided to stay and wait for the rally to follow throughout February. Our best performer was Tesla Motors and worst performed gold mining projects in Armenia and Turkey, Lydian International and Koza Gold.

We also opened a EUR/USD hedge in January expecting the EUR to weaken after crossing the 1.3 EUR/USD threshold.



		Cumulative Performance			
Fund Manager	Period	Sanning*	EU Enlarged	DAX	MSCI
Jan Pravda	1 month	0.2%	-4.6%	2.1%	0.9%
Launch Date	3 months	2.9%	-0.7%	6.0%	6.2%
2.6.09	12 months	-2.7%	-0.6%	20.4%	5.9%
Location	3 years	11.9%	-15.7%	37.5%	14.1%
Prague	5 years	---	---	---	---
Fund Currency	Since inception (2.6.2009)	56.9%	4.8%	51.2%	48.0%
EUR	* Net off mgt fees				
		Further Characteristics			
Share Price	Beta relative to:				
€ 1569.3	EU Enlarged 15	0.39	Volatility*	35.0%	
Performance Fee	DAX	0.36	Alpha**	0.14	
20 % HWM			* 3 years' annualized standard deviation		
Management Fee			** annualized vs. EU Enlarged 15 Index		
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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