

US government shutdown and following rally

First half of October was marked by US Government shutdown as the lawmakers were not able to agree on the way to handle the debt ceiling. The problem was temporarily overcome by extending deadline but the real solution and new round of talks will have to come in the first months of the next year. Given this uncertainty, the markets were under pressure in the first half, followed by a rally afterwards. End of the month was again influenced by the speculations that FED would start tapering in December, instead of March as generally expected, and the markets gave away some of its gains.

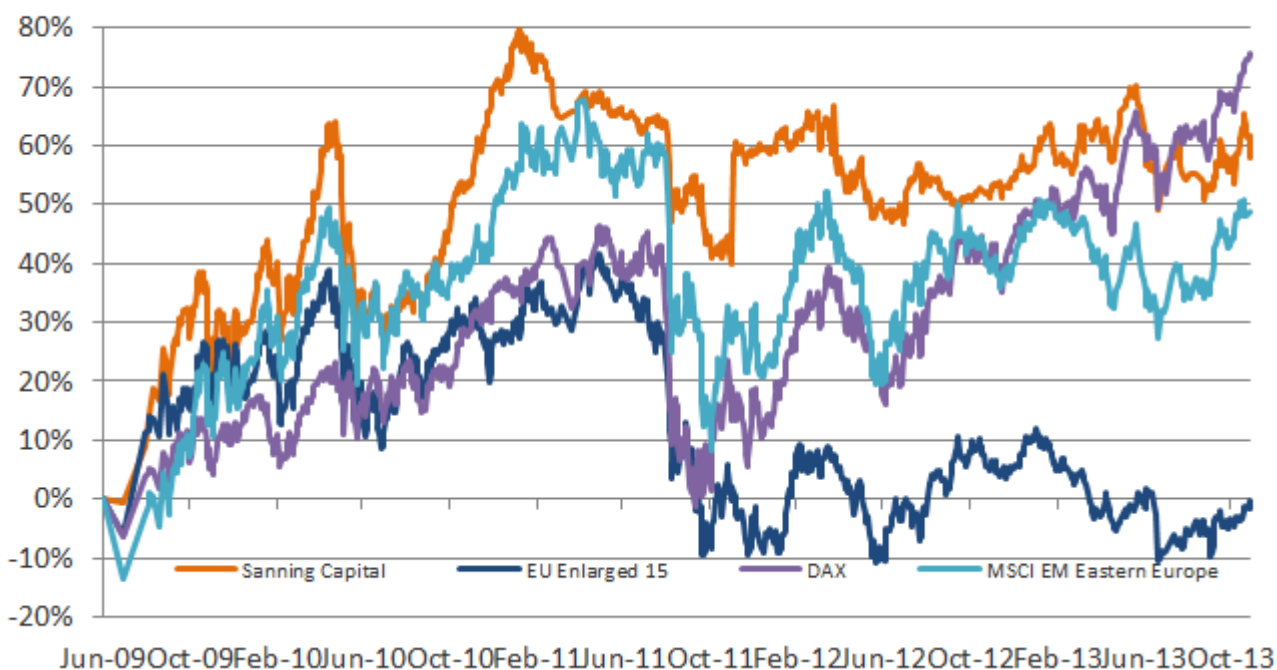
In this month we added 2.9%, underperforming EU Enlarged (3.6%), DAX (5.1%) and MSCI EM (4.4%). The main reason for underperformance was a drop of AVG, our biggest position, towards the end of the month caused by negative news from the industry peer. Furthermore, our exposure to bonds was slowing us down in time of the rally.

We used the uncertainty on the markets in the first days to increase our positions in companies we believe in, namely Kapsch, Redknee, Osram, Volkswagen, Sunshine or Cree. This developed favorably during the rally in the middle of October.

Couple of positive updates caused upward price jumps in stocks like Arcam, Exillon and SolarCity which offered a good time to lock in some profits. We also closed part of our positions in Magnit and Google. Additionally we sold the whole position in Goodyear as the outlook worsened and the stock began to show weakness.

All previous put options, that we wrote a couple of months ago, expired and brought its premium so we repeated the strategy by selling new put options for Google and Apple.

Fund vs. Indices



		Cumulative Performance				
Fund Manager	Jan Pravda					
Launch Date	2.6.09					
Location	Prague					
Fund Currency	EUR					
Share Price	€ 1 600.4					
Performance Fee	20 % HWM					
Management Fee	2% p.a.					
		Period	Sanning*	EU Enlarged	DAX	MSCI
		1 month	2.9%	3.6%	5.1%	4.4%
		3 months	3.5%	6.7%	9.2%	11.4%
		12 months	4.9%	-6.6%	23.2%	6.9%
		3 years	4.5%	-24.2%	36.8%	6.8%
		5 years	---	---	---	---
		Since inception (2.6.2009)	60.0%	-1.5%	75.7%	48.9%
		<small>* Net off mgt fees</small>				
		Further Characteristics				
		Beta relative to:				
		EU Enlarged 15	0.39	Volatility*	34.3%	
		DAX	0.37	Alpha**	0.13	
				<small>* 3 years' annualized standard deviation</small>		
				<small>** annualized vs. EU Enlarged 15 Index</small>		

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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