

## Focus on efficiency outside EU brings results

March proved that focusing outside the European Union brings results. The theme of efficiency seems an inspiring response to the financial crisis to the extent that we may fully concentrate on the search of global efficiency improvers. Our largest positions were Google and Romanian Fondul Proprietatea followed by Russian retail chain Magnit. We managed to bypass the Cyprus banking crisis simply because we did not consider the EU crisis fully solved and remained well diversified. We are not surprised that Cypriot government finally decided to tax only deposits over € 100 k but remain skeptical that such an encroachment on Russian money will not have deeper consequences within the EU.

We ended March by gaining 3.6% and outperforming all three benchmark indices (EU Enlarged -5.4%, DAX 0.7%, MSCI Eastern Europe -2.3%) by a substantial margin. We continue to re- focus on the efficiency theme, in all sectors including renewable energy, technology, healthcare, and manufacturing but leave aside the companies relying on government subsidies. We have made several investments/trades in Tesla Motors and Solarcity throughout the month benefitting from their high volatility. We own positions in two large Turkish banks as we see reasonable upside due to good outlook for Turkish macro but also a Turkish steel maker with exposure to Turkish rail. We still keep shorts of Spanish, French and Italian indices where we see these indices underperforming compared to Emerging markets or global markets. We also successfully subscribed to new bonds of Ukrainian poultry producer MHP where we tendered their older bonds so the whole position remains similar but with a bigger yield.



Jun-09 Oct-09 Feb-10 Jun-10 Oct-10 Feb-11 Jun-11 Oct-11 Feb-12 Jun-12 Oct-12 Feb-13

Fund Manager	Cumulative Performance				
Jan Pravda	Period	Sanning*	EU Enlarged	DAX	MSCI
Launch Date	1 month	3.6%	-5.4%	0.7%	-2.3%
2.6.09	3 months	4.9%	-10.7%	2.4%	-3.0%
	12 months	5.2%	-6.9%	12.2%	0.4%
Location	3 years	5.4%	-27.7%	25.0%	-2.6%
Prague	5 years				
Fund Currency	Since inception (2.6.2009)	64.3%	-1.9%	51.6%	42.3%
EUR	• Net off mgt fees				
Share Price	Further Characteristics				
€ 1642,5	Beta relative to:				
Performance Fee	EU Enlarged 15	0.39	Volatility*	34.7%	
20 % HWM	Lo Lindigot 10	0.05	Alpha**	0.16	
Management Fee	DAX	0.36	*3 years' annualized standard deviation		
20/					

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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Sanning Capital Limited Opletalova 1417/25 Prague 11000 Czech Republic

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