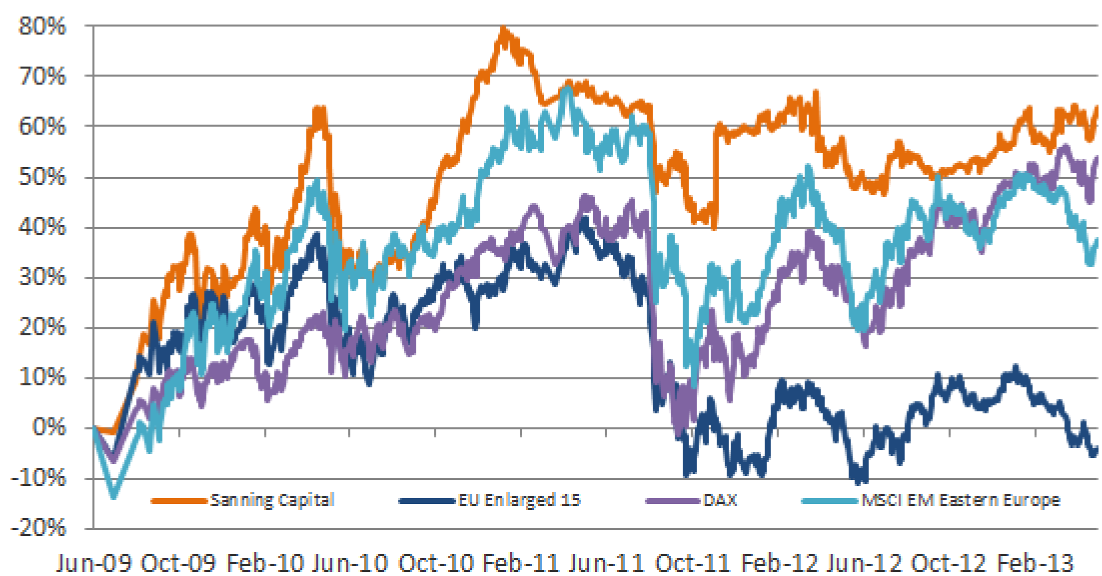
Not all that glitters is gold.

Correction in gold price and gold mining shares was the most significant event on the capital markets in April. The volatility picked up when the national bank of Cyprus announced it was selling its gold reserves of 450 000 ounces even though such amount is insignificant relative to the daily volume of gold traded on the world markets. The real panic was initiated when Goldman Sachs recommended to its clients to sell gold because of a combination of technical and macroeconomic reasons. We looked at the Goldman report and did not see there any earthshaking smoking gun that would indicate a fundamental change in the gold value. However, as a result, gold which in April peaked at $ 1594/oz., dipped to $1348/oz. (i.e. down 15%) in a few days, causing gold mining shares drop roughly double that, and then slowly recovered back to 1477 at end of the month with the gold mining shares catching up as well.

We always took gold mining shares (and some gold) as a protection against a complete collapse of the financial system but not necessarily inflation. We are sensitive to fact that deflation is equally serious and that gold would underperform in deflation. With the EU breakdown no more eminent, we kept reducing the gold but kept some 15% of the portfolio in three mining shares (Anadolu Metal, Lydian where among the most volatile in our portfolio). We rode through the dip and the recovery and begun reduction to below 10% in hope to find investments that more correspond to our theme of efficiency improvements (into which gold does not fit unless it is some super new efficient technology). The volatility in the gold, although small in our portfolio, only reminded us off the fallacy of safety in gold, and the need to search for investments that improve life of others – improve efficiency.

We outperformed most indexes, we lost 0.3% in the month while MSCI lost 3.6% and EU Enlarged lost 2.1%, DAX outperformed us by 1.5%. We exited some technology plays such as Tesla or Solar City on which we made extraordinary return hoping for an opportunity to come back when a correction comes.

Fund Manager
Pravda Capital
Launch Date
2.6.09
Location
Prague
Fund Currency
EUR
Share Price
€ 1 636.9
Performance Fee
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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