SANNING CAPITAL
OPPORTUNITY FUND

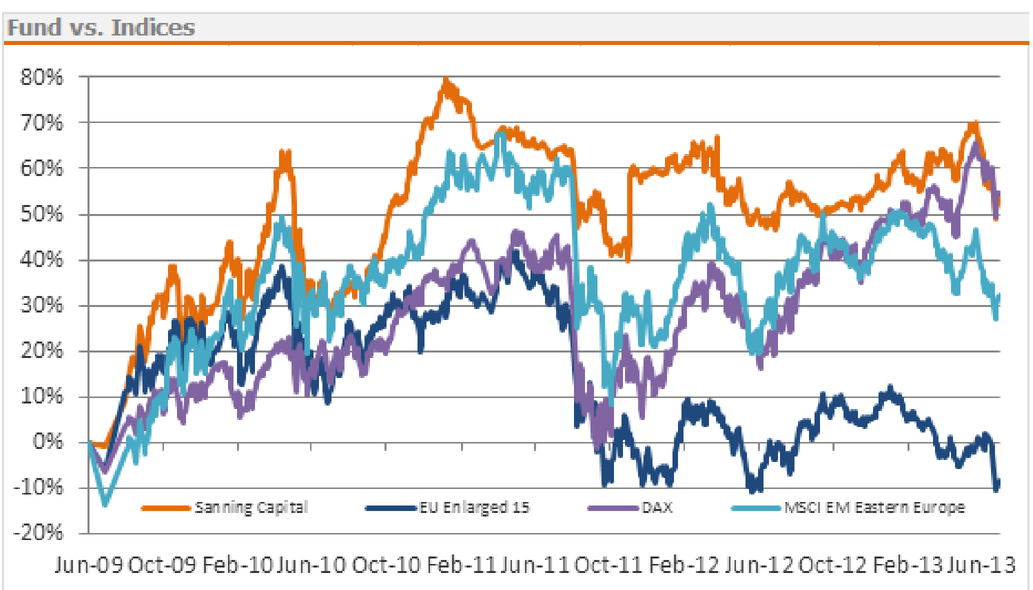
The month of Turkey and the Fed

June was marked by substantial political turmoil in Turkey and by US Fed statements which affected the world indices and our portfolio not leaving much space for good news about equities. The Turkish protests started with a rather small demonstration against a development project in the center of Istanbul. The protest escalated rapidly and turned into multiple-cities anti-government/anti Erdogan/anti AKP demonstrations. Turkish PM Erdogan fired back vowing he would suppress demonstrations and imprison leaders behaving as a true dictator. Following discussions with our Turkish contacts and finding further details (such as that Turkey now has hundreds of journalists in prison) we concluded that these protests only uncovered a deep and long lasting issue which will hinder development of the country into an a sophisticated economy (as we hoped) and instead will remain in the somewhat primitive stage of emerging markets capitalism without innovation. Therefore we decided to reduce our already reduced position in this country.

The second negative news came towards the end of the month, when the Fed Chairman Bernanke announced a slowdown in the bond buying program, the QE. The markets reacted very negatively for several days sending emerging markets (including Turkey) down even more, as the global liquidity was sucked out of those.

In response, we continue to work on our search for efficiency champions namely in the US. We hired additional two junior analysts to speed up this process. By end of summer, we want to limit our exposure to CEE region (currently at some 60%) to less than 30% and build on the global efficiency idea. Our most successful positions in June were Ameresco (+9%), AVG (+7%) and Magnit (+5%) which reinforce our conviction, that efficiency ideas are the way to proceed.

Looking at our portfolio, June was a negative month which we ended losing 5.6% (Fondul Proprietatea dividend was received during the writing of this document and bonus shares of Banca Transilvania will be received in July. If not included in June the performance would be 6.7% loss), but outperforming the EU Enlarged (-8%) and underperforming the DAX and MSCI EM (-4.7%; -4.5%). The reason of our underperformance was mainly exposure in Turkey, where the Istanbul Stock Exchange lost 14.3% in EUR (-11.3% in TRY and -3% EUR/TRY FX). For the upcoming future, we will continue reducing Turkey to zero as the political fundament does in our view require more risk premium than the current 4.6% (shares should be even cheaper, 13.1% ROE – 8.5% Risk free rate = 4.6% Risk premium).



Fund Manager
Jan Pravda
Launch Date
2.6.09
Location
Prague
Fund Currency
EUR
Share Price
€ 1 537.1
Performance Fee
20 % HWM
Management Fee
2% p.a.

Cumulative Performance

Period	Sanning*	EU Enlarged	DAX	MSCI
1 month	-6.7%	-8.0%	-4.7%	-4.5%
3 months	-6.4%	-6.8%	2.1%	-7.2%
12 months	4.8%	-8.0%	24.0%	0.5%
3 years	19.4%	-16.2%	35.9%	4.1%
5 years	---	---	---	---
Since inception (2.6.2009)	**53.7%**	-8.6%	54.8%	32.1%

* Net off mgt fees

Further Characteristics

Beta relative to:

EU Enlarged 15	**0.39**	Volatility*	**34.7%**
		Alpha**	**0.14**
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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