

## The recovery of markets in July

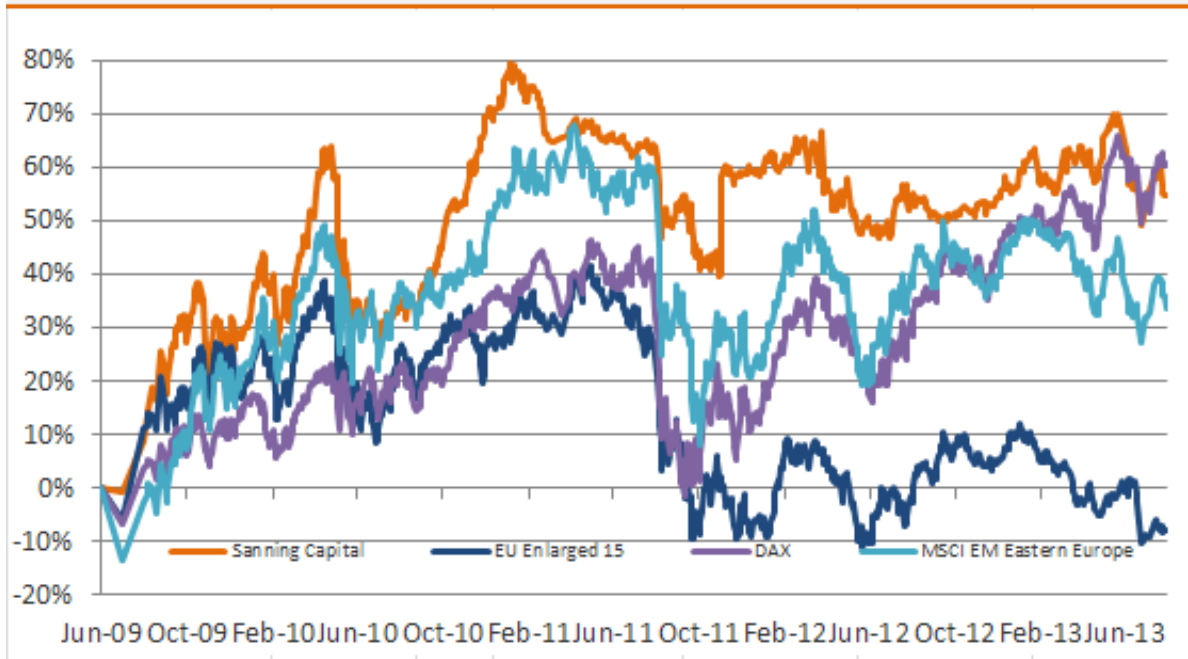
July was a month of second quarter corporate results reporting in the US and EU. The results are slightly exceeding expectations causing market to recover from the June correction.

We gained 0.6% underperforming EU Enlarged 15 and MSCI EM by 0.6% staying behind DAX which rose 4%. The reason for our underperformance was weak performance of Lydian International, our last gold mining position in Armenia, which we hold due to its efficiency credentials - extremely low extraction cost and therefore upside significantly above 100%. The local government announced a new law which is affecting the company's ore processing facility but after talking to the company and doing our own research we remain optimistic that the issue will be resolved.

We sold our entire position in Samsung, as the smartphone market is saturated and invested in Apple which became a cheap value stock. Google still seems to be reasonably valued so we took advantage of volatility around the results reporting date. We reduced our position in Russian retail chains Magnit and Dixy where we gained 40% and 10%+ respectively. We continue to look at New World Resources, value the bonds and stocks, but decided not to build a position in the bonds at the moment, waiting for better prices.

We continue to develop our efficiency strategy by analyzing global opportunities, reducing our CEE exposure while investing in efficiency stocks such as Novadaq, AVG and Ameresco.

**Fund vs. Indices**



		Cumulative Performance				
<b>Fund Manager</b>	Jan Pravda	<b>Period</b>	<b>Sanning*</b>	<b>EU Enlarged</b>	<b>DAX</b>	<b>MSCI</b>
<b>Launch Date</b>	2.6.09	1 month	0.6%	1.0%	4.0%	1.2%
<b>Location</b>	Prague	3 months	-5.5%	-3.9%	4.6%	-2.6%
<b>Fund Currency</b>	EUR	12 months	0.7%	-5.5%	22.2%	-3.2%
<b>Share Price</b>	€ 1 546.7	3 years	16.1%	-26.6%	31.5%	-0.8%
<b>Performance Fee</b>	20 % HWM	5 years	---	---	---	---
<b>Management Fee</b>	2% p.a.	Since inception (2.6.2009)	<b>54.7%</b>	-7.7%	60.9%	33.7%
		* Net off mgt fees				
		Further Characteristics				
		Beta relative to:		Volatility*		
		EU Enlarged 15	<b>0.39</b>	<b>34.7%</b>		
		DAX	<b>0.37</b>	Alpha**		
				* 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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