

## Middle East and Fed continued

Global markets in August were influenced by fear of Fed tapering its Quantitative Easing (“QE”), looming American fiscal cliff pressure (Fiscal Cliff) and increased tensions around conflict in Egypt, Syria and somewhat subdued but still problematic Turkey (Middle East). As the effect of QE and Middle East both resonate in Emerging markets, these were the most affected. More specifically: (i) QE caused investors to generally withdraw liquidity from riskier markets (ii) and also, investors grew even more averse to any exposure to any geopolitical risk and voted to escape from riskier areas.

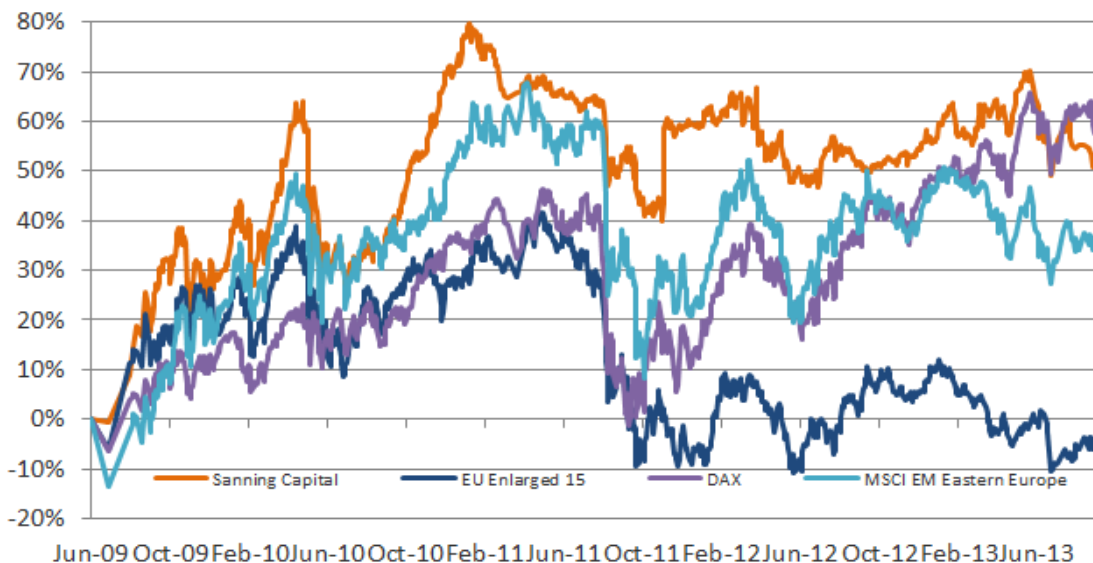
We as well eliminated our direct exposure to Turkey not only because of the Geopolitics but also because of dim outlook for political reform and creation of the business environment which would take Turkey from growth driven by cheap labor and abundant credit to innovation. In other words we don't see changes of Turkey following Korea or Taiwan as very high. We also took profit on our Pegas position because of their exposure to Egypt. Two days later, their factory in Egypt was closed. In addition, we took the opportunity to redeem our Leo Express bonds on which we stand to make some 10% in less than a year, but that is likely to be positively reflected in our September performance. August negatively impacted to our portfolio which resulted in losing 1.4%, outperforming DAX (-2.1%) and underperforming EU Enlarged (2.8%) and MSCI EM (1.1%).

We continue to pursue our global efficiency strategy so we keep building positions in Apple (now qualifying as a cheap value share), and companies like Novadaq (in the medical robotics space), Trulia or Sunshine Heart (in the medical robotics space), where we see very high growth potential due to their significant efficiency driver.

Recent correction represents a buying opportunity and we entered in a position in Volkswagen because we see multiple efficiency drivers, namely their MQB (Modularer QuerBaukasten).

For our top growth candidates we wrote put options, which provided a cash premium for us and potentially better buying prices of stocks we like.

**Fund vs. Indices**



Fund Manager		Cumulative Performance			
Jan Pravda	Period	Sanning*	EU Enlarged	DAX	MSCI
<b>Launch Date</b>	1 month	-1.4%	2.8%	-2.1%	1.1%
2.6.09	3 months	-7.5%	-4.4%	-2.9%	-2.3%
<b>Location</b>	12 months	0.5%	-6.8%	16.2%	-1.8%
Prague	3 years	12.4%	-22.2%	33.2%	1.6%
<b>Fund Currency</b>	5 years	---	---	---	---
EUR	Since inception (2.6.2009)	<b>52.5%</b>	-5.0%	57.6%	35.1%
<b>Share Price</b>	* Net off mgt fees				
€ 1 524.7	<b>Further Characteristics</b>				
<b>Performance Fee</b>	Beta relative to:		Volatility*	<b>34.6%</b>	
20 % HWM	EU Enlarged 15	<b>0.39</b>	Alpha**	<b>0.13</b>	
<b>Management Fee</b>	DAX	<b>0.37</b>	* 3 years' annualized standard deviation		
2% p.a.			** 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.

[follow on Twitter](#) | [Visit our website](#) | [forward to a friend](#)

Copyright © 2013 Sanning Capital Limited, All rights reserved.

**Our address:**

Sanning Capital Limited  
 Opletalova 1417/25  
 Prague 11000  
 Czech Republic

[Add us to your address book](#)

[Subscribe to our mailing list](#) | [Unsubscribe from our mailing list](#)