SANNING CAPITAL
EFFICIENCY FUND

June 2014 – Global environment still favorable for stocks

In June stocks were up driven by ECB rates decision and despite US GDP large downward revision and political unrest in Iraq and the Middle East.

The beginning of the month was held in strong anticipation of the European Central Bank (ECB) further loosening its monetary policy. The hopes materialized and Mario Draghi became the first ECB chairman who dared to step into territory of negative real interest rates.

To be specific, 2 of the 3 main interest rates ECB uses were lowered: 1.deposit rate, paying banks for their cash deposited with ECB, was lowered from 0% to -0.1% (charging banks for their cash); and 2. benchmark refinancing rate, measuring the cost of credit to commercial banks, was cut from 0.25% to 0.15%. The negative measure is a bold move, designed to force the banks to not leave cash in ECB but to lend it to industry. This has been tried by Sweden's Riksbank and Denmark's National Bank before but to a little effect.

Once again, the ECB's potentially most potent weapon – large-scale asset purchases, or QE– remained unused, although Draghi reminded everyone that it was still in reserve. We do not expect wonders from ECB further on but expect it to aid a recovery slower than in the US.

Concerning the Middle East, military zeal in Iraq is turning once again against US. Destabilized country is being torn apart by radical "Islamic State of Iraq and the Levant" threatening to seize Baghdad, in turn driving the oil prices and volatility on the stock markets.

Further chilling news came from the US, when The Commerce Department revised downward Q1 GDP to -2,9% from previous -1%. US indices stayed flat assigning it to bad winter and hoping for better outlook for the next quarter.

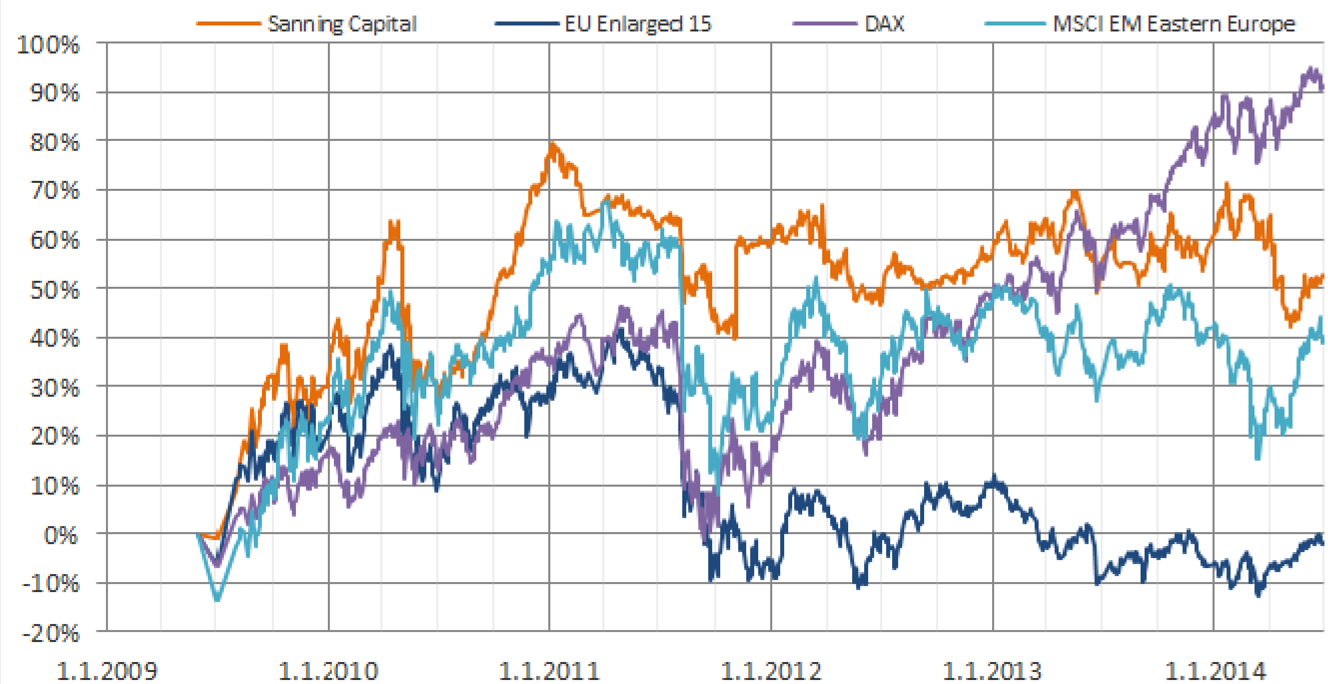
Overall, we remain fully invested in stocks in accordance with our bullish view on the market, which we feel will continue to thrive in the environment of low interest rates and relaxed monetary policy. We are slightly overweight on technology and emerging markets.

Among the best gainers of our portfolio was Best Buy, which seems to be slowly restructuring its business model and has recently received upgrades on its stock.

On the wake of FEDs dovish guidance on interest rates, a rising gold price directly propelled stock of Lydian. The company also elected its new board members by overwhelming amount of votes. Our two co-movers Novadaq and Intuitive Surgical benefited from renewed momentum of NASDAQ index. Also, Intuitive was approved European CE mark on their Da Vinci robot.

Among our few losers was Samsung currently revamping its entangled Korean corporate structure of crossholdings known as “chaebols”. Even though creating short-term volatility, we consider the news good for the fundament of the company, shifting its corporate governance closer to western standards.

Fund vs. Indices



Fund Manager
Jan Pravda
Launch Date
2.6.09
Location
Prague
Fund Currency
EUR
Share Price
€ 1 525.76
Performance Fee
20 % HWM
Management Fee
2% p.a.

Cumulative Performance

Period	Sanning[1]	EU Enlarged[2]	MSCI EM EU[2]	DAX	S&P 500	Nasdaq
1 month	1.7%	1.4%	2.6%	-1.1%	1.9%	3.9%
3 months	-4.7%	5.7%	7.6%	2.9%	4.7%	5.0%
12 months	-0.7%	7.4%	5.1%	23.5%	22.0%	29.5%
3 years	-6.4%	-26.0%	-11.2%	33.3%	48.4%	58.9%
5 years	---	---	---	---	---	---
Since inception (2.6.2009)	**52.6%**	-1.8%	38.8%	91.2%	107.5%	140.0%

Further Characteristics

Beta relative to:		Volatility [3]	**19.1%**
EU Enlarged 15	**0.27**	Alpha (vs EU15)	**0.09**
DAX	**0.20**	Sharpe ratio	**0.41**

(1) Net off management fees, gross off performance fees

(2) These two indeces presented only to illustrate performance in 2009-2013, when focused on Central Eastern Europe

(3) Annualized standard deviation since inception

SANNING CAPITAL LIMITED is an opportunity fund based on fundamental research focused on investments into publicly traded companies providing global improvements of eifficiency and/or reduction of consumption of energy, capital and time. It is funded by the managers' own capital and several private investors.

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