

## March 2014 - Crimea crisis and slowdown in China

Markets in March were influenced heavily by the political situation in Crimea which increased volatility, especially before the referendum in the half of the month, and sent global indices down, together with signs of a slowdown of Chinese economy.

For the month, we were -5.0%, underperforming EU Enlarged (-2.4%), DAX (-1.4%) and MSCI EM EU (-2.0%). The indices recovered some of their losses in the second half of the month after the Russia-Ukraine situation calmed down.

We believe that the underperformance is temporary, yet feel the need to describe clearly what is behind. First, the worst performing position was Sunshine Heart, which we are reviewing in the light of the recent disappointment due to the slower than expected enrollment of testing heart patients. Second, Eastern European underperforming stocks include MHP, Eurasia Drilling and Avangardco, where we entered after the opening of Ukrainian crisis, but still missed the perfect entry points. These are already recovering substantially at the time of writing of this document as the Ukrainian situation calms down. Third, our performance was also hit by price drops of 3D printing companies (Stratasys, ExOne and Arcam) caused by unfavorable broker reports on the industry and bad earnings of ExOne. Here, we believe in the companies' future development and industry potential.

Some of our top positions like Novadaq and Sunopta proved resilient and went up despite the markets. We locked-in some profits on these, together with Google, Osram and Semperit. We also closed our position in Trulia and used lower prices to add to holdings of Lydian, Avangardco, Spark Networks and Eurasia Drilling.

Our last two put options that we wrote expired and contributed again positively to the performance.

### Fund vs. Indices



