

April 2014 – Reprising of Growth -> Tech Selloff, Ukraine crisis

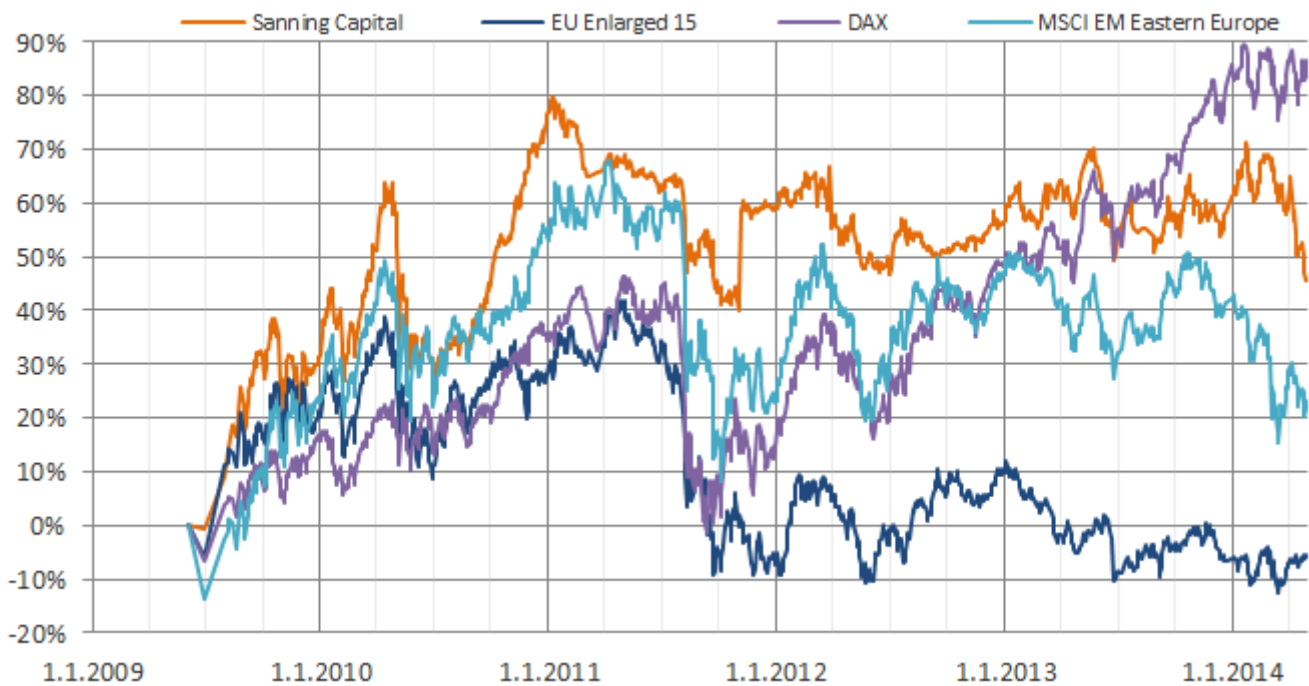
The tensions in Ukraine weighted again especially on emerging markets this months, adding uncertainty also to European and American stocks. Besides that, some technology and healthcare shares were rebranded as overvalued and experienced a selloff that gradually spilled to the rest of the markets and sent most indices down. Thirdly, freshly started 1Q earnings season in US brought rather mixed results (only slightly above half of the companies surprised positively so far). For the month, we were -8.9%, underperforming EU Enlarged (1.6%), DAX (0.3%) and MSCI EM EU (-4.4%).

Our underperformance was, apart from small leverage, caused by our relatively big exposure to technology sector, where our positions suffered during the selloff. Datawatch and Cree reported worse than expected results and lower future guidance. Another big position, Novadaq Technologies, was particularly badly hit because of the sector and bad performance of Intuitive Surgical, its distribution partner, which also negatively surprised with its results and procedure forecast. 3D printing companies performed negatively during the month because of their high valuation. We closed our position in ExOne and kept only Arcam and Stratasys, which we believe represent the best players in this promising category.

We pay the price of partially abandoning traditional valuation techniques and venturing into sectors where it is very difficult to price growth. However we continue to believe that some of the companies will relatively quickly grow out this correction - those we are sticking with while reducing those where our confidence has been weaker, including: Datawatch, Spark Networks or Sunshine Heart. We also liquidated holdings in MHP, Avangardco and Eurasia Drilling because we concluded that situation between Ukraine and Russia will not be resolved in midterm.

Regarding longer term strategy, we need to strike a better balance by paying even more attention to traditional value techniques and get less swayed by a vague promise of high growth!

Fund vs. Indices



Fund Manager

Jan Pravda

Launch Date

2.6.09

Location

Prague

Fund Currency

EUR

Share Price

€ 1 457.64

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	-8.9%	1.6%	-4.4%	0.3%	0.3%	-2.3%
3 months	-11.0%	5.0%	-6.6%	2.7%	5.0%	2.3%
12 months	-11.0%	-1.7%	-6.0%	21.1%	17.6%	23.3%
3 years	-13.3%	-33.1%	-23.4%	27.5%	37.7%	42.8%
5 years	---	---	---	---	---	---
Since inception (2.6.2009)	45.8%	-5.6%	23.3%	86.4%	98.8%	123.4%

Further Characteristics

Beta relative to:		Volatility ⁽³⁾	19.4%
EU Enlarged 15	0.27	Alpha (vs EU1)	0.09
DAX	0.20	Sharpe ratio	0.52

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

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

(3) Annualized standard deviation since inception

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