SANNING CAPITAL
EFFICIENCY FUND

July 2014 – Month of Increased Volatility

Overall volatility increased and markets went down with a few exceptions such as emerging markets, especially Asia, and certain stocks in technology industry. We managed to outperform broad market indices by overweighting in both mentioned areas.

In the beginning of the month stock markets rose to record highs fueled by good economic data from US and China. DJIA has beaten 17,000 points level for the first time in history.

On July 10th worries about the fragility of Europe's banking system were renewed as Banco Espírito Santo, one of the Portugal's biggest banks, failed to meet a debt payment. Although stocks quickly rebounded with positive earnings announcements from large US banks.

On July 15th markets calmed down after Janet Yellen's congressional testimony, where she reinforced the idea that the Fed will keep rates low for an extended period. However she singled out biotech and social media stocks as appearing to be "stretched".

On July 17th market optimism vanished for a while after Malaysian aircraft with almost 300 hundreds passengers on board was shot down near Ukraine-Russia border. This put more pressure on Russia as EU and US expanded sanctions. Moreover, Israel started ground operation in Gaza strip, what sent markets even lower. Markets recovered almost immediately, when no escalation of Ukraine conflict appeared and supported by positive data from US economy.

The last day of the month markets dropped significantly weighting negative earnings surprises and as US and EU came with another round of sanctions against Russia. Moreover Argentinian default is reminder for investor that problems with high governments' debts are not solved yet. Overall, the US labor costs are rising faster than expected, which could mean revival of US labor market and be the Fed's incentive for rising interest rates earlier.

We added 0.4% this month, outperforming **DAX** (-4.3%), **EU Enlarged** (-4.7%) and also **MSCI EM Eastern Europe** (-5.5%) significantly. We also outperformed US indices **S&P 500** (-1.5%) and **NASDAQ Composite** (-0.9%).

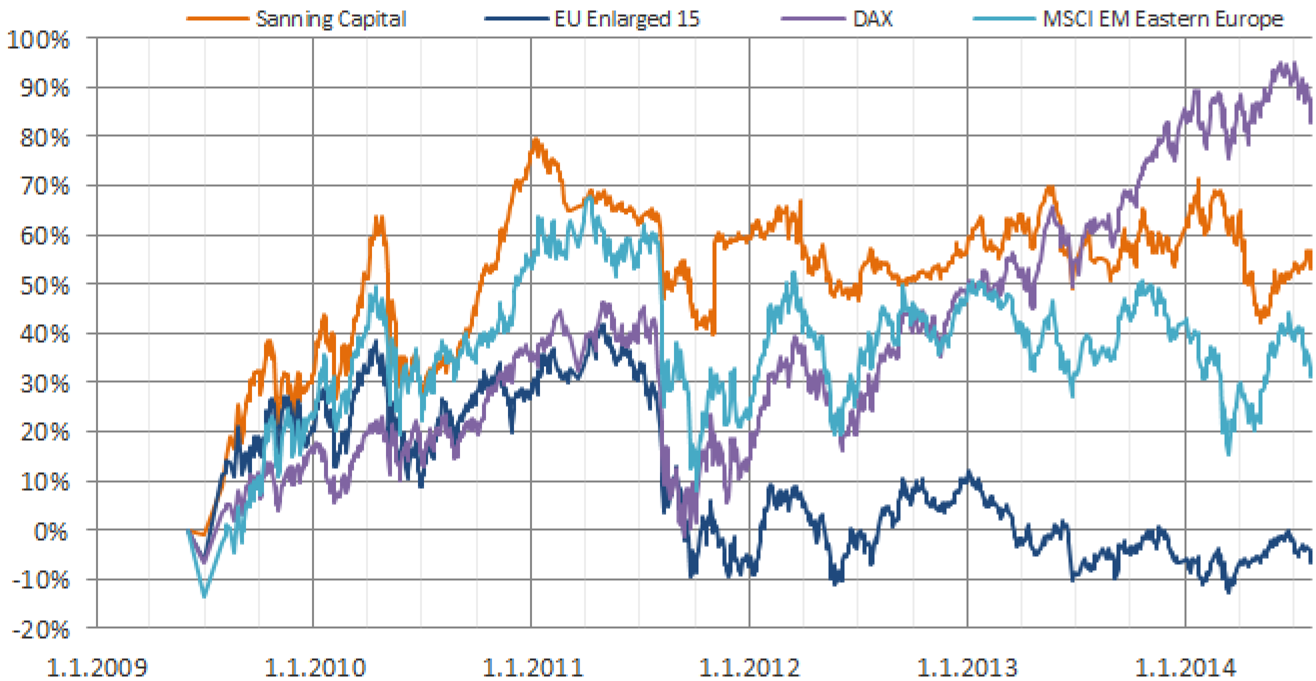
The best gainer of our portfolio was **Intuitive Surgical**, which surprised Wall Street and heavily beat the estimates on both earnings and sales.

Another gainer was **Pegas Nonwovens**, which positively responded to a dividend increase announced at the end of June and new stock based motivational program for management approved by extraordinary general meeting.

The worst performer was **Volkswagen** despite good earnings announcement at the end of the month. It went down steadily with other German automakers and on rumors about acquiring Fiat which did not delight investors much.

In contrast with June, **Lydian International** underperformed as gold price was falling during the month.

Fund vs. Indices



Fund Manager

Jan Pravda

Launch Date

2.6.09

Location

Prague

Fund Currency

EUR

Share Price

€ 1 532.61

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	0.4%	-4.7%	-5.5%	-4.3%	-1.5%	-0.9%
3 months	5.1%	-0.8%	6.4%	-1.8%	2.8%	6.5%
12 months	-0.9%	1.3%	-1.9%	13.7%	14.5%	20.5%
3 years	-6.6%	-26.9%	-17.4%	31.4%	49.4%	58.5%
5 years	---	---	---	---	---	---
Since inception (2.6.2009)	**53.3%**	-6.4%	31.1%	82.9%	104.4%	137.9%

Further Characteristics

Beta relative to:		Volatility [(3)]	**19.0%**
EU Enlarged 15	**0.29**	Alpha (vs EU15)	**0.10**
DAX	**0.21**	Sharpe ratio	**0.42**

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

(2) These two indeces presented only to illustrate performance in 2009-2014, 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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