



September 2014 - Central Banks Driving Markets

September is historically the worst month for US stocks measured by average monthly returns. This year wasn't different and US markets closed in red. On the other hand European stock did pretty well fueled by announcement of TLTRO (Targeted Longer-Term Refinancing Operation). Generally, markets were driven mainly by central bankers' statements and geopolitical actions.

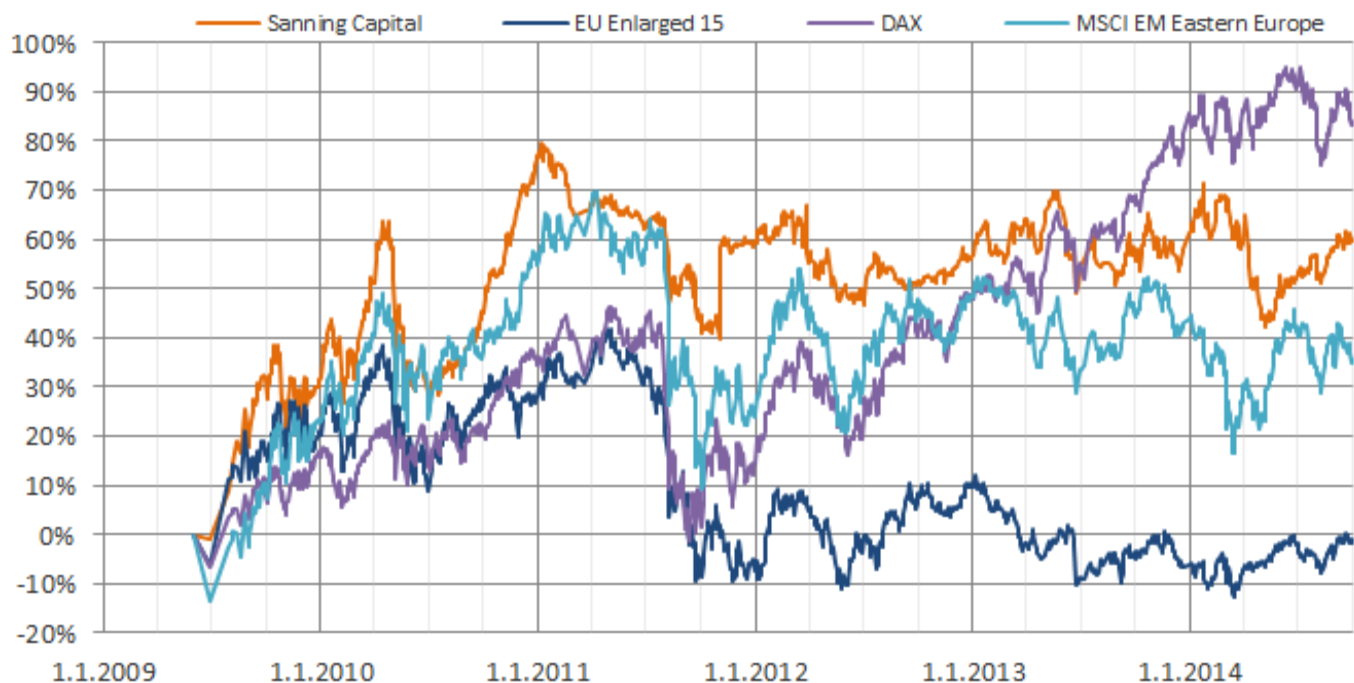
At the beginning of the month European stocks rose, after Draghi announced targeted asset purchase program to fight against low inflation. The ECB said that it would start buying ABS in order to provide additional liquidity to European banks. The scale of the program could be as high as 1 trillion euros and will be dependent on ability of banks to pass received liquidity to the corporate sector. The scale of the program is doubtful, because European corporate bond market is smaller than the supposed liquidity injection.

US stocks were falling until middle of the month mostly due to the news of recovery and fears of Fed raising rates earlier than expected. This pessimism was muted by Janet Yellen who stated that Fed will raise the rates after "considerable time". US stock reacted by steep increase and Europe joined supported by Scottish "NO" to the independence.

For the rest of the month both US and European stocks were trending downward. The main reasons were: Chinese slowdown, which is a threat to the recovery of the global economy, Russian speculations about seizing foreign property in Russia in retaliations to western sanctions and the Hong Kong unrest.

Our portfolio added 1.1% this month beating **S&P 500** (-1.6%), **NASDAQ** (-1.9%), **DAX** (0.0%) and **MSCI EM EU** (0.8%). We underperformed **EU Enlarged 15** (3.5%). Our performance was driven mainly by appreciating **US dollar** and positions in **SC Fondul Proprietatea** (8.2%) and **Pegas Nonwovens** (4.4%).

Fund vs. Indices



Fund Manager

Jan Pravda

Launch Date

2.6.09

Location

Prague

Fund Currency

EUR

Share Price

€ 1 601.02

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	1.1%	3.5%	0.8%	0.0%	-1.6%	-1.9%
3 months	4.9%	0.8%	-3.4%	-3.6%	0.6%	1.9%
12 months	3.0%	4.1%	-6.0%	10.2%	17.3%	19.1%
3 years	11.6%	3.9%	15.5%	72.2%	74.3%	86.0%
5 years	---	---	---	---	---	---
Since inception (2.6.2009)	60.1%	-1.0%	35.5%	84.2%	108.8%	144.6%

Further Characteristics

Beta relative to:		Volatility ⁽³⁾	18.7%
EU Enlarged 15	0.29	Alpha (vs EU15)	0.10
DAX	0.21	Sharpe ratio	0.47

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

(2) These two indices presented only to illustrate performance in 2003-2014, when focused on Central Eastern Europe

(3) Annualized standard deviation since inception

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Our address:

Sanning Capital Limited
 Opletalova 1417/25
 Prague 11000
 Czech Republic

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