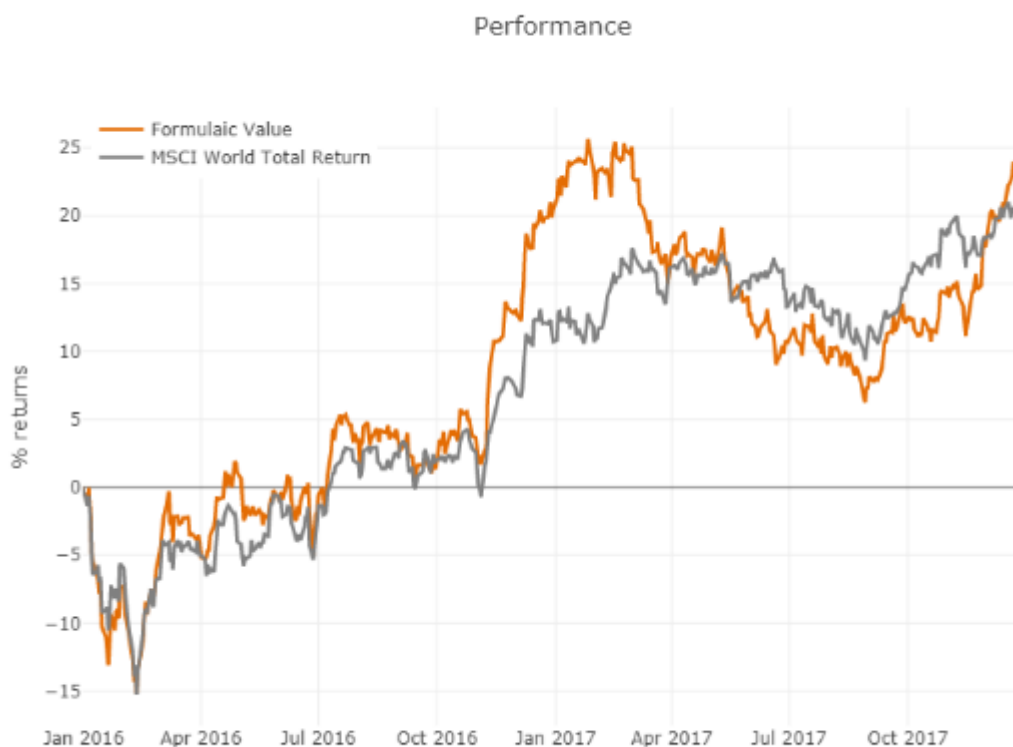


## Q4 2017 - Cik Cak Nahoru v 2017

For the last two years we were following systematic Formulaic value strategy. We experienced periods of outperformance as well as periods of underperformance, but most importantly we kept developing it further with every available resource at our disposal . It is given, that when one does something original - different from average, (and that is what you expect from us, we hope), one cannot go same directions as the market, but mut zig zag. When looking at the performance from the last year, it is important to look at it from historical perspective, by which we don't mean almost 10% outperformance in year 2016, but rigorous historical evidence in which our strategy is grounded .

In year 2017, Formulaic value returned 4.37% (after management, before performance fee) versus MSCI World Total Return return of 7.51%. This result was achieved with approximately 84% net long exposure and 16% in cash waiting for a better opportunity. Our 22.5% short position, serving as protection against expensive market exposure as well as a source of additional returns, is partially responsible, with its negative contribution to our total return, for our underperformance this year, when a lot of assets on financial markets seem to be getting more expensive every day.

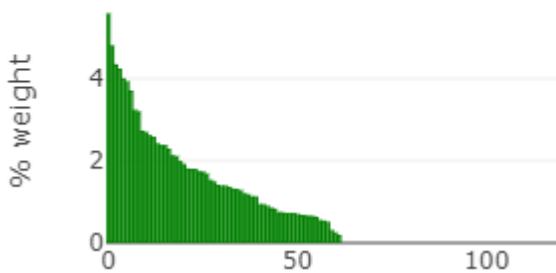


As usual, we are presenting several interesting facts about Formulaic value below::

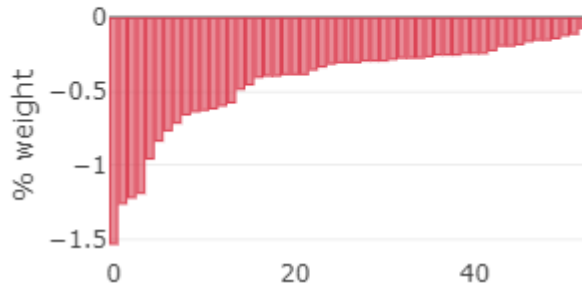
First of all, by looking at chart above, it is obvious our strategy is more volatile than our index.

This is a result of two deliberate choices, number and characteristics of stocks held in our portfolio. At the end of the year we were approximately 106%/22.5% long/short and holding 62 long and 53 short positions with the following weight distributions:

Long weights distribution



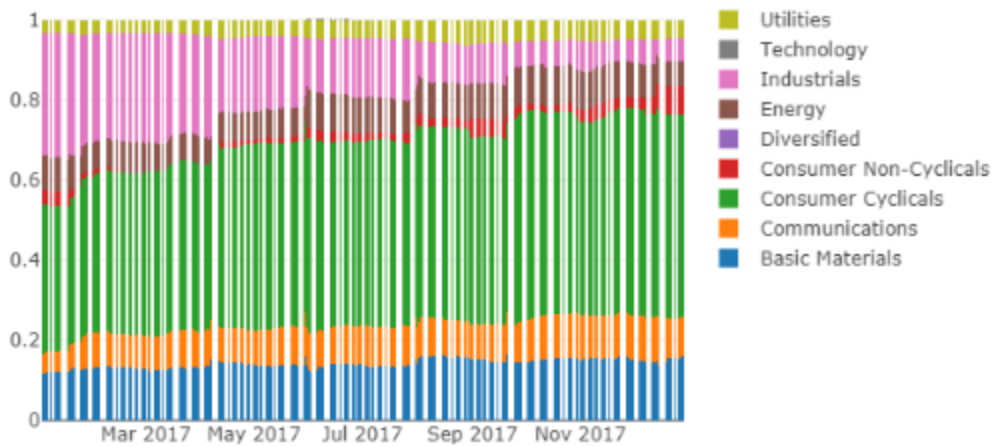
Short weights distribution



Our benchmark holds more than 1000 constituents and this difference alone is more than enough for Formulaic value to have greater volatility. Additionally, because of our goal of finding mispricing, we need to focus on stocks which have a characteristics that prevent other investors from comfortably including them in portfolios, e.g. distressed, small and out of favour stocks, which are naturally more volatile. Greater but unsophisticated diversification achieved by simply including more and more stocks is not desirable because of necessary inclusion of more expensive and thus risky stocks.

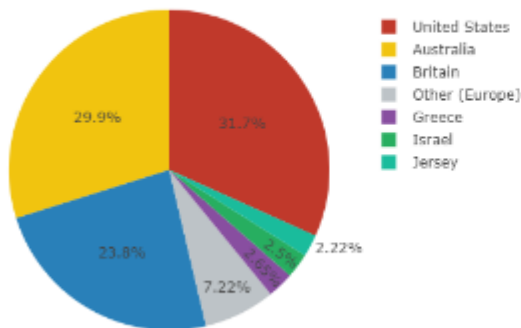
Our relentless focus on value stocks can also be seen from our sector exposures, where the greatest were consumer cyclicals. It rose from approximately 20% in the beginning of the 2016 autumn to over 45% at the end of the 2017 as stocks around the globe in this sector became very cheap with growing fears about traditional retailers future. This can be compared to a higher exposure to energy sector during the oil downturn at the beginning of the year 2016, which penned out nicely for us, as the sector recovered.

### Sectors allocation in time

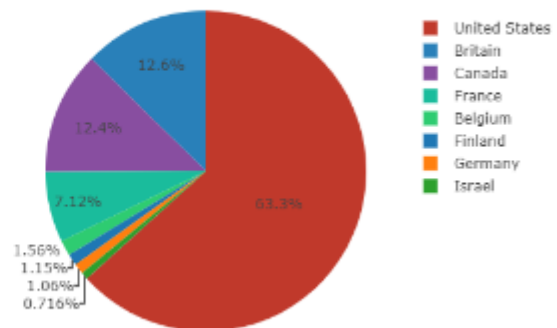


Regarding the geographical exposure, as can be seen from graphs below, our diversification on both long and short side is substantial.

Long positions:  
Allocation by country



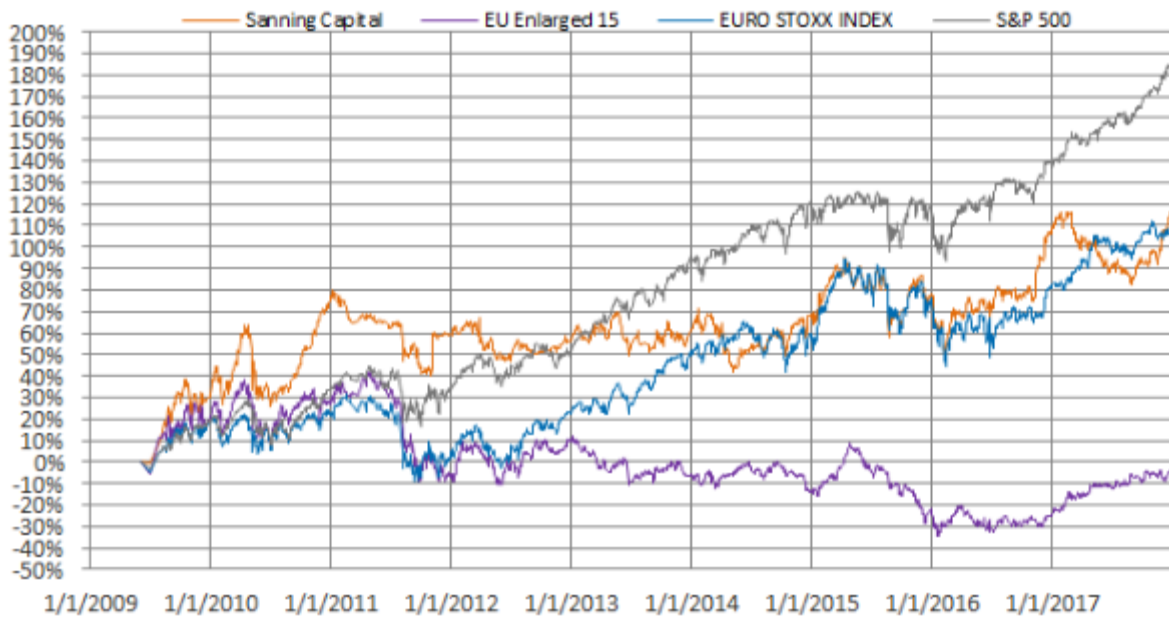
Short positions:  
Allocation by country



Since we do not hedge our currency exposures we were punished heavily by appreciation of euro vs. dollar. Even though this is not very pleasant, in the long-run these currency movements should cancel out due to the work of our strategy. As usual, patience is the virtue.

Below, we present the performance for entire Sanning Capital fund since 2009.

## Fund vs. Indices



### Fund Manager

Jan Pravda

### Launch Date

2.6.09

### Location

Prague

### Fund Currency

EUR

### Share Price

€ 2139.82

### Performance Fee

20 % HWM

### Management Fee

2% p.a.

### Cumulative Performance

Period	Sanning <sup>(1)</sup>	EU Enlarged <sup>(2)</sup>	EURO STOXX	S&P 500
1 month	5.8%	2.3%	-1.0%	1.0%
3 months	11.2%	5.2%	-0.7%	6.1%
12 months	3.4%	26.3%	12.6%	19.4%
3 years	27.8%	10.3%	29.3%	29.9%
5 years	36.9%	-12.9%	66.7%	87.5%
Since inception (2.6.2009)	<b>114.3%</b>	-4.3%	104.2%	183.0%

### Further Characteristics

Beta relative to:		Volatility <sup>(3)</sup>	<b>22.7%</b>
EU Enlarged 15	<b>0.13</b>	Alpha (vs EU15)	<b>0.27</b>
EURO STOXX	<b>0.23</b>	Sharpe ratio	<b>1.43</b>

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

(2) Presented only to illustrate performance in 2009-2014, when focused on Central Eastern Europe

(3) Annualized standard deviation since inception