SANNING CAPITAL
EFFICIENCY FUND

December 2014 – Oil Prices Driving the Markets

The markets were pulled down by falling oil prices in the first half of the month despite the fact that falling oil prices are generally good news for developed economies due to positive effect on consumption. However, the pessimism is driven by valid concerns about emerging markets dependency on oil revenues (such as Russia, but many more) and the future of US shale oil and gas industry.

What would otherwise be distinctly good news for the EU (a net oil importer) was overweighed by the reemergence of the euro crisis. Disappointing lack of detail on asset purchases program by the ECB and the postponement of its implementation to early 2015 pulled stocks back in the beginning of month. Since Dec 8th markets were falling due to falling oil prices and concerns about Russian economy.

The stocks recovered after FOMC meeting as Janet Yellen replaced "considerable time" for rising rates by statement that Fed will be "patient" in deciding when to hike rates. Moreover, Yellen stated that this change of guidance is consistent with previous statements and that there will be no hike in next two FOMC meetings. **From these comments we concluded that the earliest hike can be implemented in April, but it is reasonable to expect that it will take longer time.**

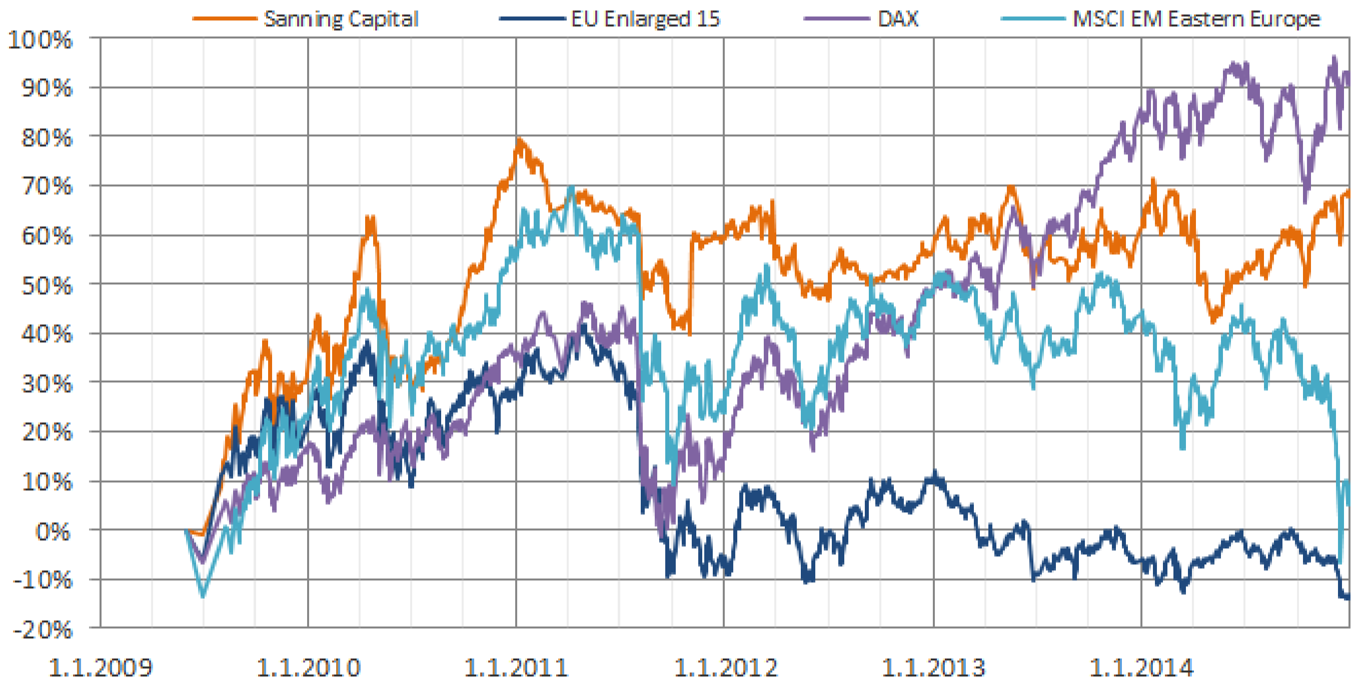
At the end of the month markets closed lower as oil prices continued falling and Greek parliament failed to elect president for the 3rd time so the new parliament elections must be held. This fueled concerns about Greek exit from Eurozone in the likely event of the left oriented party Syriza wining the elections on 25th January 2015. As in 2011 and 2012 this could be very harmful for our European positions and we are investigating to what extent were the possible spillovers of Greek default prevented by the recent establishment of the Eurozone stability mechanism such as EFSF. For now we operate under the assumption that Greek default will mean much less than what was feared in 2011 and 2012, this however may change as we progress.

More ideas about current conditions and upcoming year can be found in this interview.

This month we have beaten all watched indices by adding **0.7%**. Here is the performance of the watched indices in December: **EU Enlarged** (-7.0%), **MSCI EM Eastern Europe** (-15.2%), **DAX** (-1.8%), **S&P 500**(-0.4%) and **NASDAQ** (-1.2%).

In 2014 we added 4.0% beating indices in European region: **DAX** (2.7%), **EU Enlarged** (-7.4%) and **MSCI EM EE** (-26.9%). We underperformed US indices **S&P 500** (11.4%) and **NASDAQ** (13.4%).

Fund vs. Indices



Fund Manager

Jan Pravda

Launch Date

2.6.09

Location

Prague

Fund Currency

EUR

Share Price

€ 1 677.55

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	0.7%	-7.0%	-15.2%	-1.8%	-0.4%	-1.2%
3 months	4.8%	-12.4%	-22.3%	3.5%	4.4%	5.4%
12 months	4.0%	-7.4%	-26.9%	2.7%	11.4%	13.4%
3 years	5.4%	-6.5%	-15.1%	66.2%	63.7%	81.8%
5 years	---	---	---	---	---	---
Since inception (2.6.2009)	**67.8%**	-13.3%	5.3%	90.6%	117.9%	157.8%

Further Characteristics

Beta relative to:		Volatility [3]	**18.6%**
EU Enlarged 15	**0.29**	Alpha (vs EU15)	**0.11**
DAX	**0.21**	Sharpe ratio	**0.52**

(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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