Oldfield Partners LLP
Emerging Markets Investment Report
November 2008

Performance Summary as at 28th November 2008

US$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
November	-0.6%	-7.5%
2008 to date	-46.5%	-56.7%
2007	+32.0%	+39.4%
2006	+30.9%	+32.2%
2005	+35.9%	+34.0%
2004	+14.1%	+25.6%
2003	+101.4%	+55.8%
2002	+5.9%	-6.2%
2001	+10.8%	-2.6%
Since Inception*	+238.7%	+91.0%
Since inception pa*	+16.7%	+8.5%

* Inception 01 Jan 2001
Performance figures are of the Emerging Markets Equity Composite, calculated on a total return basis inclusive of dividends.
Source: Pictet, Rawlinson & Hunter, Alta Advisers Ltd, Oldfield Partners LLP, MSCI © and Bloomberg.

Commentary

Another month of volatility that saw the MSCI ($) Emerging markets index at one point down more than 20%. Volatility is likely to be a feature of markets in the near future until investors' views of the investing climate become less polarised.

The portfolio continues to favour holdings where we have comfort in the earnings, cash flow, and management integrity. We have a bias towards strong franchises and solid business models that can weather the global economic slowdown gracefully. Solid balance sheets are a notable characteristic of the portfolio currently, with a net debt/equity ratio of 9% for the portfolio. This has led us to significant weightings to the consumer staple and telecom sectors. It has also led us to a significant weighting in Asia, where the ravages of the Asian crisis have prevented the excesses seen in other regions from building.

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We can see a scenario where companies with stability in earnings and dividends will be more prized by investors in early 2009. Downturns expose the quality of business models, and lay bare those depending on debt and dubious acquisitions. We can see the valuation gap between cyclical and defensive companies opening. For instance, a stock we do not hold but has caught our eye, Hindustan Lever in India, trades on a price-earnings ratio of 25 times and its share price has risen 10% in 2008 due to its solid and dependable earnings growth.

Over the coming months we will monitor valuations to ensure we are not over-paying for stability of earnings, and so our own comfort, at the expense of other opportunities. We continue to question our own assumptions. At this point we are happy with the balance in the portfolio between companies offering upside potential in share prices and a safe earnings stream. A holding in the portfolio such as **Chaoda Modern** (Chinese agriculture) trades on a low single digit price earnings ratio despite offering double digit earnings growth. We think the share price could more than double, as we do for many of our holdings. In short, if we can identify the survivors from the cyclical sectors, by merit of their superior business model or asset base, and gain sufficient comfort that the earnings are near trough, we will consider investing.

The two top performers (by contribution) were **Buenaventura** (a Peruvian gold miner) and **PLDT** (Philippino telecom company). The two worst performers were **Eros International** (Indian film company) and **Chaoda Modern**. Eros wins the award (yet commissioned) for mentioning the word 'visibility' the most in a results announcement – incidentally the results were stunning, but the market must have been looking elsewhere that day.

During the month the portfolio bought **Kimberly-Clark de Mexico**. The company has leading market shares across its product portfolio, in items such as tissues and toilet paper, which are economically less sensitive. Its key input costs are pulp and energy, the prices of which are falling sharply. We are attracted by the solid earnings and high payout from its free cash flow.

The portfolio has 16 holdings at month end. It trades on a price earnings ratio of 8 times, a price to cash flow ratio of 7 times, and a dividend yield of over 4%. As always please do not hesitate to contact us for more detail if required.

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