

# OLDFIELD PARTNERS LLP

## EMERGING MARKETS INVESTMENT REPORT

### JANUARY 2009

#### Performance Summary as at 30<sup>th</sup> January 2009

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
January*	-0.5%	-6.5%
2008	-46.6%	-53.3%
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**	+236.3%	+92.6%
Since inception pa**	+16.2%	+8.4%

\* Estimate used for January 2009.

\*\* Inception 01 Jan 2001.

Performance figures are of the Emerging Markets Equity Composite, calculated on a total return basis inclusive of dividends.

Source: Rawlinson & Hunter, Alta Advisers Ltd, Oldfield Partners LLP, MSCI © and Bloomberg.

#### Commentary

Volatility continues to be a feature of the investing landscape, and in January the 2008 year-end rally faded. Uncertainty keeps investors on the sidelines, despite the tempting valuations on offer.

The regional disparity in performance for 2009 has become marked. Latin America is comfortably outperforming Asia, which in turn is comfortably outperforming Eastern Europe. The problems of Eastern Europe are well known, having become over-reliant on foreign currency debt. Asia has strong balance sheets, but to generalise is an exporter to the Western markets. Although Latin America is a major commodity producer to the world, it also seems to have benefited investors from its relative lack of competition – often there are only a few players in each market.

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Two of the worst performers in the month were SK Telecom (Korean mobile) and Turkcell (Turkish mobile). **SK Telecom** produced results showing that marketing spend had fallen sharply as we had hoped. However, doubts linger that its smaller rivals will be restrained in efforts to gain market share, despite the poor economic backdrop. SK Telecom remain cheap, trading on 4 times cash flow, and with 30% of its market capitalisation accounted for by its investment portfolio. **Turkcell** has an enviable franchise in its local market, and continues to execute well. It has investments in mobile companies across Eastern Europe, but not sizeable. The company has net cash and is attractive on a host of valuation metrics.

Two of the best performers were Eros (Indian films) and Top Glove (Malaysian rubber gloves). **Top Glove** is the largest manufacturer of disposable rubber gloves globally. The two main end markets for rubber gloves are medical and food preparation, which are less economically sensitive than many markets and tend to grow steadily over time. Top Glove's share price responded to a solid and dependable set of results. The fall in the prices of key inputs was a positive. **Eros** reversed its poor performance of the previous month, and we wrote about the stock in the December newsletter.

As we head further into results season we are pleased that our reporting companies and management teams are on the whole upbeat (so far at least), despite the dismal global economic environment. This may be a reflection of the solid franchises and relatively stable sectors the portfolio is invested in. Market expectations are being met and dividends being paid. Of concern though is a trend for management teams to offer limited or no guidance for future trading.

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