

# OLDFIELD PARTNERS LLP

## EMERGING MARKETS INVESTMENT REPORT

### OCTOBER 2008

#### Performance Summary as at 31<sup>st</sup> October 2008

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
October*	-24.0%	-27.4%
2008 to date	-46.5%	-53.2%
2007	+32.0%	+39.4%
2006	+30.9%	+32.2%
2005	+35.8%	+34.0%
2004	+14.2%	+25.6%
2003	+100.7%	+55.8%
2002	+5.9%	-6.2%
2001	+10.8%	-2.6%
Since Inception**	+237.4%	+106.6%
Since inception pa**	+16.8%	+9.7%

\* Estimate used for October 2008.

\*\* 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.

#### Performance of Five Largest Holdings \*

	Portfolio Weighting * %	Monthly Performance (local terms**)	Monthly Performance (US\$ terms**)
Chaoda Modern Agriculture	11.4	-18.4%	-18.2%
Thai Beverage	10.5	-8.9%	-11.8%
SK Telecom	9.4	-8.6%	-8.6%
First Pacific	9.1	-24.0%	-23.9%
Philippine Long Distance Telephone	7.6	-27.4%	-27.4%

\*As at end of period, using a representative portfolio.

\*\*Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg

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#### Commentary

The wider market themes from the prior month continued to impact the performance of emerging markets in October. It was certainly a testing month. The speed and severity of the global economic slowdown are now apparent to all, as are the speed and depth of the global co-ordinated policy response. Investors are now faced with a period (of unknown duration) where the bad news from earnings releases are likely to be offset by the already depressed valuations of equities.

Investors having rediscovered the balance sheet in recent months are to become familiar again with other downturn related terms like restructuring, cash flow management, and the importance of the dividend yield. We believe that your portfolio is positioned in solid companies on attractive valuations that will do well in the current environment and beyond. The portfolio has favoured holdings where we have highest comfort in the earnings, cash flow, and management integrity. Faced with low valuations for the companies in our universe it is difficult not to feel the green shoots of optimism sprouting.

Two of the worst performers (by contribution) for the month were **Buenaventura** (gold miner) and **Philippine Long Distance Telecom** (PLDT). The gold price was not spared in the wider commodity sell off and fell 16% in the month, which dragged down Buenaventura. Buenaventura is well positioned on the industry cash cost curve and attractively valued in relation to its reserves of gold in the ground. PLDT fell in line with the index, and is trading on a price earnings ratio of 10, a price cash flow ratio of 5, and a dividend yield of almost 10%.

Two of the best performers (by contribution) for the month were Chunghwa Telecom (Taiwanese telecom) and Top Glove (Malaysian latex glove manufacturer). Both these holdings are recent additions to the portfolio. **Chunghwa Telecom** trades on a price earnings ratio of 10 times and a dividend yield of almost 9%, with the possibility of increasing to an attractive 13% over the next several years with planned capital reductions. **Top Glove** is the largest manufacturer of latex gloves globally, exporting primarily to the medical and food preparation industries, which tend to maintain stable demand.

The overall portfolio is valued on an average price earnings ratio of 8.5, a dividend yield of 4%, price cash flow ratio of 6.5, and a net debt to equity ratio of 8%. The top 10 positions account for approximately 75% of the portfolio. There were 16 stocks in the portfolio at the month end.

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