Oldfield Partners LLP
Emerging Markets Investment Report
September 2008

Performance Summary as at 30th September 2008

US$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
September*	-11.4%	-17.5%
2008 to date	-29.1%	-35.5%
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**	+346.8%	+184.4%
Since inception pa**	+21.3%	+14.4%

* Estimate used for September 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	10.5	-22.1%	-21.7%
Thai Beverage	10.2	0.0%	-1.1%
First Pacific	8.8	-15.1%	-14.7%
Philippine Long Distance Telephone	8.1	-5.0%	-5.0%
SK Telecom	7.9	-7.7%	-7.7%

*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 background noise to our markets in September was the 'sucking' sound of liquidity being drained from emerging markets as part of the de-leveraging process in the western world. At these times of financial stress the valuation of stocks and markets takes second place. Redemptions must be met and leverage reduced. We have certainly witnessed panic selling at times this month in our markets. Will this process cause a knock-on slowdown in global economic growth – quite probably. At some point valuation reasserts itself.

Managing an emerging market portfolio teaches one to always have an eye to the downside as well as looking for upside potential. An attractive valuation and a solid balance sheet are often a good place to begin, but we aim also to find a stock with some characteristic or actionable event which might help protect its earnings and share price in troubled times. The portfolio now is conservatively positioned, with our largest positions skewed towards quite basic human needs such as food, beverage, and communication.

The two worst performers this month were Bio-Treat Technology and Asian Citrus. They are both smaller capitalisation companies. **Bio-Treat** is a water treatment business in China. The need to improve water quality across China has been taken to heart by the Chinese authorities and so the industry back-drop is attractive. The share price has fallen in sympathy with many smaller capitalisation peers. However, sentiment is further pressured by a dispute with its convertible bond holders. Water treatment projects are attractive long term assets. We have valued the company's water treatment projects at cost, and referenced them against recent industry transactions, and still find significant upside to the share price. **Asian Citrus** is the largest grower of oranges in China. The orchards use modern techniques having been originally developed by a well known US juice company. The stock trades on a price earnings ratio of five times. We can find no reason for the recent share price weakness and look forward to the upcoming annual results.

The two best performers were Buenaventura and Thai Beverage. **Buenaventura** is a gold miner and a recent addition to the portfolio. The company has a cash cost of production below US$400 per ounce of gold compared with the spot price of nearer US$900. The company has unwound its hedge book and now benefits entirely from the

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higher gold price. **Thai Beverage** is an alcoholic beverage company in Thailand. It has leading market shares in both the spirits and beers markets. In addition management are working behind the scenes to improve its operational efficiency. It is a solid business on a price/cash flow of 9 times and a 5% dividend yield.

The portfolio added a new position of **Top Glove**, a Malaysian manufacturer of latex gloves. The largest glove manufacturer in the world with 25% share of the global market. Latex gloves are used primarily in the medical and food preparation industries and so have a very stable end demand. Top Glove has a solid track record of being able to pass on cost increases to its consumers. This gives us some comfort in the earnings visibility of the company. It is a company we have watched for a long time, but have not hitherto invested in because of its high valuation. However, it now trades on a price earnings ratio of 10 times, a price cash flow of 11 times, and has a strong balance sheet.

The overall portfolio is valued on an average price earnings ratio of 10 times, a dividend yield of 3.5%, price cash flow of 8 times, and a net debt to equity of 25%. The top 10 positions account for approximately 75% of the portfolio. There were 18 stocks in the portfolio at month end.

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