

OLDFIELD PARTNERS

EMERGING MARKETS INVESTMENT REPORT

FEBRUARY 2014

Performance Summary as at 28th February 2014

USD terms	Emerging Markets Equity Composite	Index*
February**	+3.5%	+3.3%
2014 to date**	-2.8%	-3.4%
2013	+6.1%	-2.6%
1 year	-2.5%	-6.0%
3 years annualised	-1.6%	-2.0%
5 years annualised	+16.5%	+16.9%
Since inception***	+594.4%	+296.5%
Since inception annualised***	+15.9%	+11.0%

*MSCI Emerging Markets (Net Dividends Reinvested).

**Estimate used for February 2014.

***Inception 1st January 2001.

Performance figures are of the Emerging Markets Equity Composite, calculated net of investment management fees and on a total return basis inclusive of dividends, inclusive of all distributions to unit holders.

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

Performance of Five Largest Holdings*

	Portfolio Weighting* (%)	Monthly Performance (local terms**)	Monthly Performance (USD terms**)
Samsung Electronics	8.2	+5.4%	+5.9%
Embraer	7.9	+17.0%	+17.0%
SK Telecom	6.4	+2.0%	+2.0%
Infosys	6.2	+5.3%	+5.3%
Telkom Indonesia	6.1	+8.2%	+8.2%

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

**Total return inclusive of dividends.

Source: Oldfield Partners and Bloomberg.

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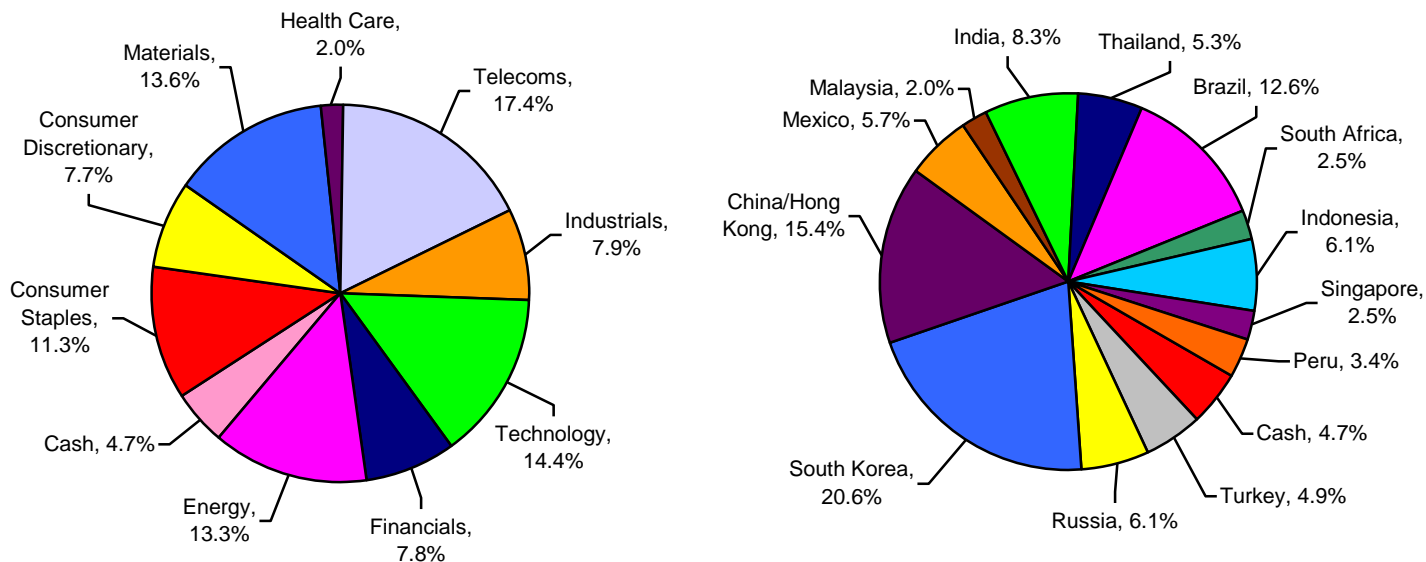
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Sector and country breakdown as at 28th February 2014



Source: Oldfield Partners. Representative Portfolio used.

Commentary

The month saw a bounce back in sentiment towards emerging markets, only to be cut short in early March with the direct Russian involvement in the Ukrainian crisis. This overshadowed numerous other political problems in emerging markets, such as in Thailand and Venezuela. It will continue to be a colourful political year for emerging markets, and this will act to restrain investor enthusiasm.

The worst performer during the month by contribution was **Lee & Man Paper** (Chinese containerboard producer). There was little news flow to report. The stock trades on a price earnings ratio of 12. **Lukoil** (Russian oil and gas) was a poor performer on negative sentiment towards Russia following the political upheaval in the Ukraine. A strong oil price and a weak ruble is not a bad combination for Lukoil, but clearly political risks remain that could impact the stock in unforeseen ways. As the world's largest oil producer it is difficult to see meaningful sanctions against Russia being enforced despite its annexation of the (pro-Russian) Crimea. That said any erosion of the 'Russian discount' is a work in progress for the most patient of investors. The stock trades on a price earnings ratio of 4.

Among the top performers during the month by contribution were Embraer and Samsung Electronics. **Embraer** (Brazilian regional jet manufacturer) had an excellent set of full year results showing solid margins, good execution, and a growing order book. Management guidance for 2014 was above market expectations. The investor day in Brazil gave an insight into the fast growing defence business, as well as the commercial and business jet operations. **Samsung Electronics** (Korean consumer electronics)

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released its latest top-end smartphone, the Galaxy S5, which as expected was evolutionary, rather than revolutionary, but keeps Samsung at the top of the game versus its competitors. The real growth in smartphones is in the low and mid-tiers, in which Samsung with its scale, distribution, and internal components supply can continue to do well. The semiconductor business is the star this year, as industry consolidation has led to improved discipline in the DRAM business. The stock trades on a price earnings ratio of 7.5. **Eros International** was a strong performer in the month (+38%) following a dull period for its share price after its new listing in the US late last year. A decent set of third quarter results has sparked some investor interest and the company trades on a forward price earnings ratio of 15.

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