



Emerging Markets Investment Report

February 2017 Newsletter

Oldfield Partners

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
February	+1.4%	+3.1%
2017 to date	+7.4%	+8.7%
2016	+31.7%	+11.2%
1 year	+35.0%	+29.5%
3 years annualised	+5.8%	+1.4%
5 years annualised	+4.3%	-0.4%
Since inception**	+722.9%	+312.9%
Since inception annualised**	+13.9%	+9.2%

*MSCI Emerging Markets (Net Dividends Reinvested). **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, MSCI © and Bloomberg.

Performance of Five Largest Holdings*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
SK Telecom	8.7%	+5.2%	+5.2%
Samsung Electronics	8.5%	-1.3%	+0.8%
Embraer	7.9%	+0.9%	+0.9%
Lee & Man Paper	7.1%	+0.2%	+0.2%
Lukoil	6.8%	-5.6%	-5.6%

*As at end of period. **Total return inclusive of the portfolio activity. Source: Oldfield Partners and Bloomberg.

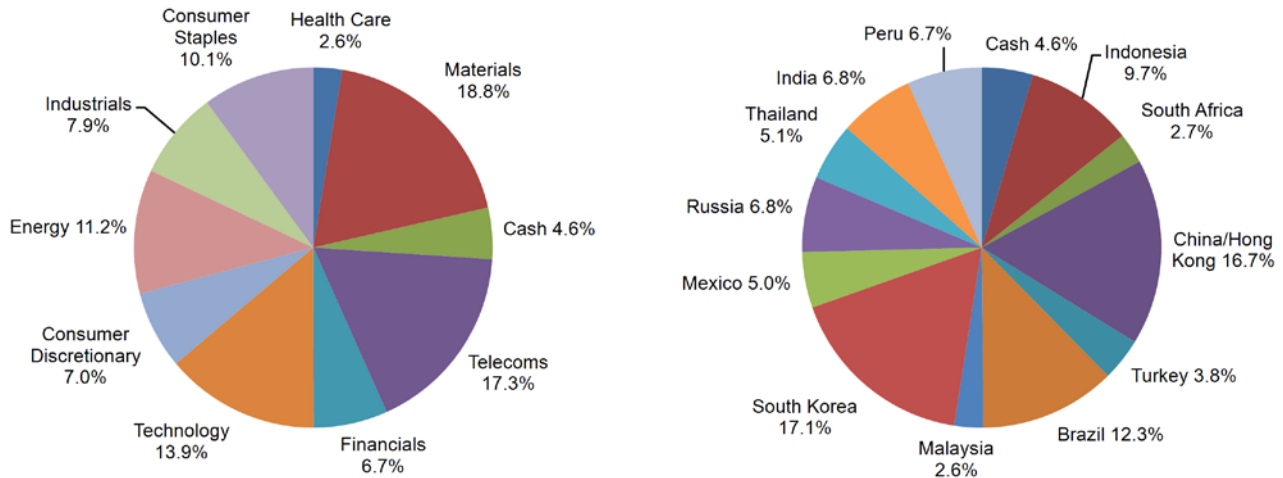
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Sector and country breakdown as at 28th February 2017



Source: Oldfield Partners.

Commentary

It was an uneventful month. Emerging market equities have had a strong start to the year. Inflows to emerging market equities for the first two months of 2017 have eclipsed those for all of 2016. We remain comforted by the below historic average valuations of emerging market equities and by the 40% upside of the weighted average of our price targets in the portfolio.

The laggards during the month by contribution were Buenaventura and Lukoil. **Buenaventura** (Peruvian miner) was weak ahead of its fourth quarter results. The results after month end showed good cost control, positive contribution from the Cerro Verde copper mine expansion, and a useful addition to mineral reserves. **Lukoil** (Russian oil producer) saw the ruble continue to strengthen and the oil price remain flat in the month, but we would not read anything deeper into such short term moves.

The top performers for the month were Ternium, Thai Beverage, and Infosys. **Ternium** (Latin American steel producer) announced an acquisition of a high-end steel slab facility (CSA) in Brazil. This has a strong strategic rationale for Ternium, addressing its slab deficit and increasing exposure to Brazil, and was done at well below replacement cost. **Thai Beverage** (leading alcoholic beverage producer in Thailand) had first quarter results that showed the strength of the spirits and beer business. The mourning period following the death of the king saw weaker volumes, but was offset by cost control and notably by less marketing expense. **Infosys** (Indian IT services) has seen a dispute between the founders and the current management team regarding some behaviour of the management team. This looks to be a difference of opinion in the running of the company rather than a serious breach. More positive is that management have indicated a renewed interest in improving shareholder returns and in curbing any large acquisitions, and that the founders have agreed not to air their grievances in public first.

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