



# Emerging Markets Investment Report

## February 2016 Newsletter

Oldfield Partners

### Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
February	+5.6%	-0.2%
2016 to date	+4.8%	-6.6%
1 year	-14.9%	-23.4%
3 years annualised	-5.0%	-8.9%
5 years annualised	-3.5%	-5.4%
Since inception**	+509.7%	+218.9%
Since inception annualised**	+12.7%	+7.9%

\*MSCI Emerging Markets (Net Dividends Reinvested). \*\*Inception 1<sup>st</sup> 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)**
Embraer	8.4	+4.1%	+4.1%
Samsung Electronics	7.7	+2.6%	+0.4%
SK Telecom	7.6	+5.6%	+5.6%
Thai Beverage	6.8	+2.9%	+4.2%
Yue Yuen Industrial	6.6	+3.4%	+3.5%

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

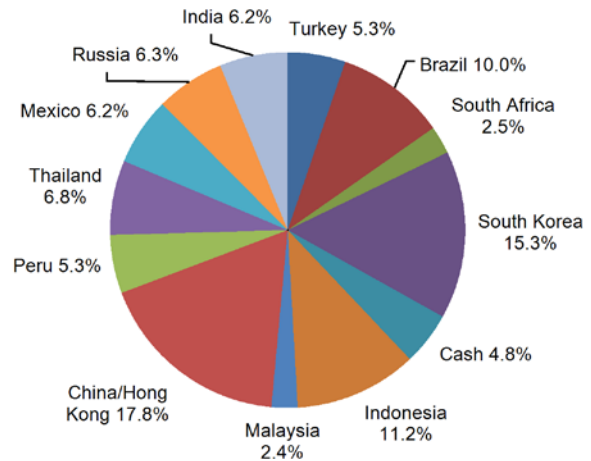
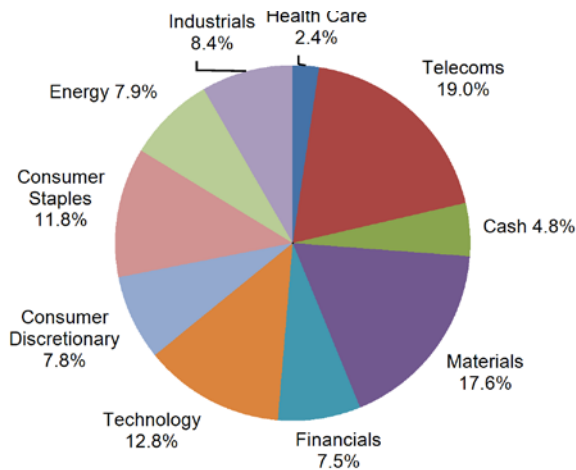
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### Sector and country breakdown as at 29<sup>th</sup> February 2016



Source: Oldfield Partners.

### Commentary

The portfolio performed well in the month and year to date. The performance of the asset class stabilised as investors hoped for stimulus measures from the European Central Bank (ECB) and the Chinese annual National People's Congress in March. Commodity prices recovered, most notably for the portfolio were gold and oil, and emerging market currencies stabilised. The valuation for the asset class remains attractive, and the upside potential from the weighted average of our price targets in the portfolio is 62%.

Among the laggards during the month by contribution were Infosys, Eros, and Telkom Indonesia. **Infosys** (Indian IT services) had an uneventful month following strong results and increased guidance in January. **Eros** (Indian Bollywood films) had its third quarter results in the month, and management believe the company will meet its target of being free cash flow positive by its year end. The next quarterly results will be crucial to regaining investor confidence following the short seller attack last year. **Telkom Indonesia** (the leading telecom company in Indonesia) traded sideways in the month following a period of strong share price performance since last autumn. We had been reducing exposure to the stock during the month.

The top performers during the month by contribution were Ternium, Buenaventura, and Indofood. **Ternium** (South American steel producer) had full year results in the month that were blighted by an impairment charge for its Brazilian business, but showed strong underlying free cash flow generation and good cost control. Mexico is its key production area and continues to be in a sweet spot for steel demand, and Ternium is well placed to increase its focus on value added production. **Buenaventura** (Peruvian miner) had disappointing results as gold production fell, but good cost control and solid cash flow generation show management initiatives working. The gold price continues to rise in 2016 and this

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is the single most important driver for the stock. **Indofood's** (Indonesia snack foods) most important business is noodles, of which it is the dominant producer in Indonesia, and this continues to grow and show solid pricing power. Its flour and plantation businesses, both the largest in Indonesia, are given no value by investors. Year to date Indofood is the largest contributor to performance in the portfolio having risen 44%.

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