Oldfield Partners LLP
Emerging Markets Investment Report
April 2009

Performance Summary as at 30th April 2009

US$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
April*	+8.9%	+16.6%
2009 to date*	+9.8%	+17.7%
2008	-46.6%	-53.3%
2007	+32.0%	+39.4%
2006	+30.9%	+32.2%
2005	+35.9%	+34.0%
2004	+14.1%	+25.6%
2003	+101.4%	+55.8%
2002	+5.9%	-6.2%
2001	+10.8%	-2.6%
Since Inception**	+270.9%	+142.5%
Since inception pa**	+17.0%	+11.2%

* Estimate used for April 2009.
** Inception 01 Jan 2001.
Performance figures are of the Emerging Markets Equity Composite, calculated on a total return basis inclusive of dividends, inclusive of all distributions to unit holders.
Source: Rawlinson & Hunter, Alta Advisers Ltd, Oldfield Partners LLP, MSCI © and Bloomberg.

Commentary

The rally in emerging markets continued through April. The second month of sharp double digit gains for the index. The macro news flow has been far from rosy, but has not been getting worse, and this has been supportive of risk assets globally. Cyclical stocks and those with higher debt ratios have rallied strongly on the prospect of economic recovery. The standout country performers year to date are Brazil, Russia, Indonesia and Taiwan.

April saw a number of events that were important to emerging markets. At the start of the month the G20 meeting in London included the larger emerging economies in the spotlight, rather than in the departing photograph. The funding of the IMF was bolstered. Taiwan and China inched closer, with China Mobile's historic investment in a Taiwanese mobile company. Finally, the threat from swine flu in Mexico was dismissed by equity markets after a brief dip, which allowed us the opportunity to increase our exposure to this laggard market.

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Chaoda (Chinese agriculture) was our disappointment during the month. The company spread confusion at the month end as it stated it would honour an early redemption of its convertible bonds, but would place shares in the market. It subsequently cancelled the placing creating uncertainty as to whether this was due to lack of demand or just deemed unnecessary. Chaoda trades on an undemanding valuation with a price earnings ratio of four times, but the poor handling of this event means management needs to act quickly to reassure investors.

During the month the portfolio initiated positions in Lonmin (platinum miner), Corporacion Geo (Mexican house builder), and Sino-Forest (Chinese forestry). This takes the number of holdings in the portfolio to 21. Where we can identify cyclical stocks with good assets at compelling valuations we are happy to add.

Lonmin is the third largest platinum miner globally accounting for approximately 14% of the global output of platinum. The platinum industry is highly concentrated. South Africa accounts for the bulk of global production. The automotive industry is the key user of this group of metals, for emissions control in catalytic converters. The weakness of the global auto demand is well known, but will not remain so forever and meanwhile volumes in China and India paint a healthier picture. Although the near term earnings prospects are poor, we feel there is the opportunity to buy these low cost deposits cheaply.

Geo sells well-built affordable properties to the low (not sub-prime) end of the market. Mexican house builders have solid long term prospects given a young, growing population and a history of housing shortages. Importantly the mortgages are from government agencies, and it remains government policy to support this end of the market. Geo trades on a price earnings ratio of six times.

Sino-Forest is the largest private forestry operator in China, benefiting from proximity to end demand and a shift to faster growing species. China has a growing deficit in wood fibre between demand and local supply. Recently timber and pulp prices have shown some sign of life, but the key question is if Russia imposes export tariffs, which would be a significant positive. The stock trades on a price earnings ratio of six times.

The re-rating of the index in the spring 2009 has been rapid and the historic price earnings ratio is 11.5 times. On a price to book ratio the index is trading at a 10% discount to its ten year average. Certainly the efforts globally by governments to stimulate the world economy, coupled with high investor cash weightings and short covering, have justified a rally in equity markets, but the earnings outlook remains murky. We are cautiously optimistic as we head into the summer, but feel that it would be healthy for emerging markets to see a period of consolidation.

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