

OLDFIELD PARTNERS LLP

EMERGING MARKETS INVESTMENT REPORT

APRIL 2012

Performance Summary as at 30th April 2012

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
April*	-1.6%	-1.2%
2012 to date	+13.3%	+12.7%
2011	-24.9%	-18.4%
Since Inception**	+546.0%	+301.8%
Since inception per annum**	+17.9%	+13.1%

*Estimate used for April 2012.

**Inception 01 Jan 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 LLP, Northern Trust, MSCI © and Bloomberg.

Performance of Five Largest Holdings*

	Portfolio Weighting* %	Monthly Performance (local terms**)	Monthly Performance (US\$ terms**)
Embraer	8.1	+8.3%	+8.3%
Samsung Electronics	8.0	+9.0%	+9.2%
Petrobras	7.4	-13.3%	-13.3%
First Pacific	7.1	-2.1%	-2.0%
SK Telecom	6.9	-2.8%	-2.8%

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

**Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg.

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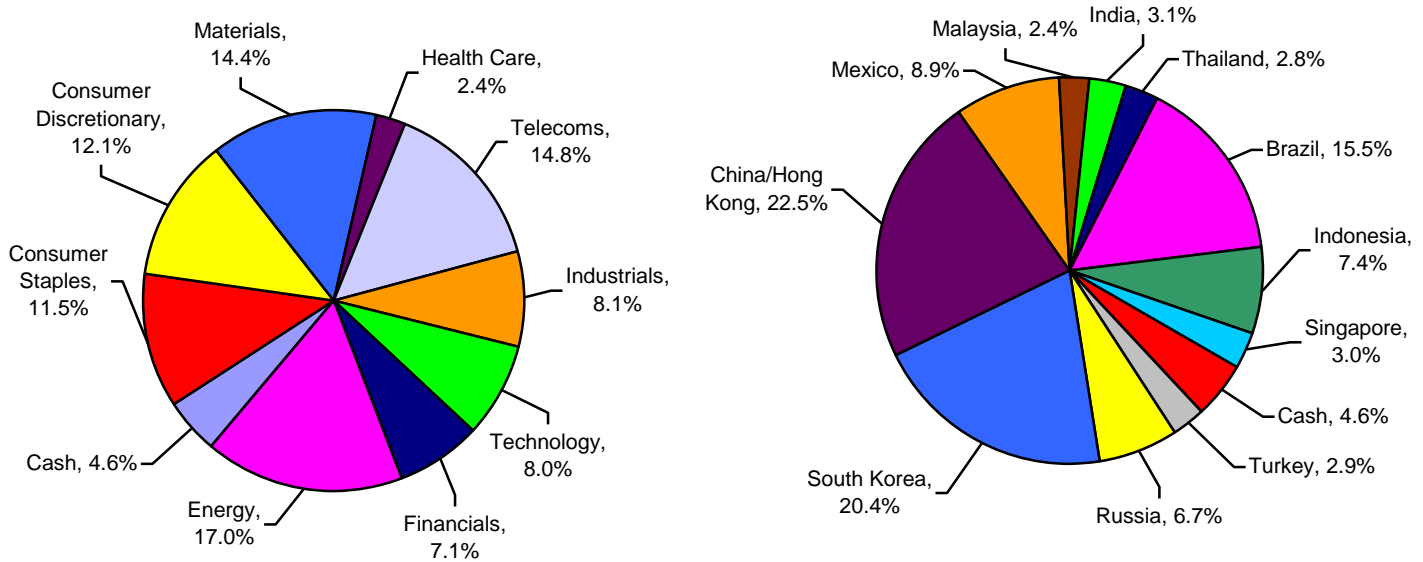
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Sector and country breakdown as at 30th April 2012



Source: Oldfield Partners LLP. Representative Portfolio used.

Commentary

Valuations in emerging markets remain reasonable and we are cautiously optimistic heading into the summer period. The portfolio trades on a historic price earnings ratio of 11 and a price to book of 1.5, and retains a modest cyclical tilt.

The bottom three performers by contribution during the month were Petrobras, Huabao International, and Geo. At the end of the month a short seller released a report on **Huabao International** (Chinese flavours & fragrances). Among the accusations the short seller has made are that Huabao has inflated its margins, its local Chinese subsidiary filings do not match the Hong Kong consolidated accounts, and related party acquisitions were at unfavourable prices. Huabao has responded by issuing a detailed report denying these allegations and insisting that it has always made full disclosures to Hong Kong standards. The company has made its local subsidiary accounts available for inspection and published the reconciliation from Chinese accounting to Hong Kong accounting standards. The related party acquisitions were fully disclosed and the valuations look to be reasonable (and in one case substantially more favourable than the short seller reports). Huabao has a history of dividend payments, solid free cash flow, and good disclosure, and has been audited without event by PricewaterhouseCoopers (PwC) since 2006. Huabao has stated it will use a minimum of HK\$500 million of its net cash position to buy back shares (around 4% of the

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shares). In addition the Chairperson and founder has committed to buy shares, after the release of the results in June. The timely release of the full year results in June is crucial. The share price is down 6% for the year and 21% over the month. It is a 3% holding in the portfolio.

Corporacion Geo (Mexican home builder) disappointed the market by releasing first quarter results that did not show an improvement in its cash flow generation, and make achieving its promised target for the year harder. Management maintained their full year guidance; and say that the move towards higher rise buildings and pre-fabricated construction in the lower income segment will lead to better results. The shares trade on a price earnings ratio of 6 and at 0.8 times book value. The negative sentiment towards **Petrobras** (Brazilian oil) stems from the same issues highlighted last month, with Argentina's move to nationalise YPF adding to a difficult backdrop.

The top three performers by contribution during the month were Telkom Indonesia, Embraer, and Samsung Electronics. **Telkom Indonesia** (Indonesian telecom) released a solid set of first quarter results showing favourable growth trends in data usage and good cost control. With a strong balance sheet and solid free cash flow there is upside potential for the 4% dividend yield. **Embraer** (Brazilian regional jet manufacturer) released encouraging first quarter results showing the solid up-cycle for the regional jet market and Embraer's favourable product portfolio. The Brazilian government has announced a stimulus package for the export sector to last until 2014 that should materially benefit Embraer by reducing payroll taxes by 20%. The Farnborough Air Show in July should lead to increased orders and focus investor attention on the sector. **Samsung Electronics** (Korean consumer electronics) is performing admirably in all its divisions, but the telecom division was the standout success in the first quarter results. Samsung has an unrivalled breadth of smartphone offerings coupled with its leading internal component supply allowing strong growth in volumes and profitability. The latest smartphone model, the Galaxy S3, unveiled in early May looks to build on this success.

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