OLDFIELD PARTNERS
EMERGING MARKETS INVESTMENT REPORT
APRIL 2014

Performance Summary as at 30th April 2014

USD terms	Emerging Markets Equity Composite	Index*
April**	+0.8%	+0.3%
2014 to date**	+0.2%	-0.1%
2013	+6.1%	-2.6%
1 year	-0.7%	-1.8%
3 years annualised	-2.5%	-3.7%
5 years annualised	+13.8%	+11.1%
Since inception***	+615.5%	+310.1%
Since inception annualised***	+15.9%	+11.2%

*MSCI Emerging Markets (Net Dividends Reinvested).
**Estimate used for April 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	7.9	0.0%	+2.8%
Embraer	7.0	-2.7%	-2.7%
Petrobras	6.5	+13.7%	+13.7%
SK Telecom	6.5	+2.3%	+2.3%
Lukoil	6.0	-4.9%	-4.9%

*As at end of period, using a representative portfolio.
**Total return inclusive of dividends.
Source: Oldfield Partners and Bloomberg.

Oldfield Partners
130 Buckingham Palace Road, London, SW1W 9SA.
Telephone: +44 (0)20 7259 1000   Email: info@oldfieldpartners.com
www.oldfieldpartners.com

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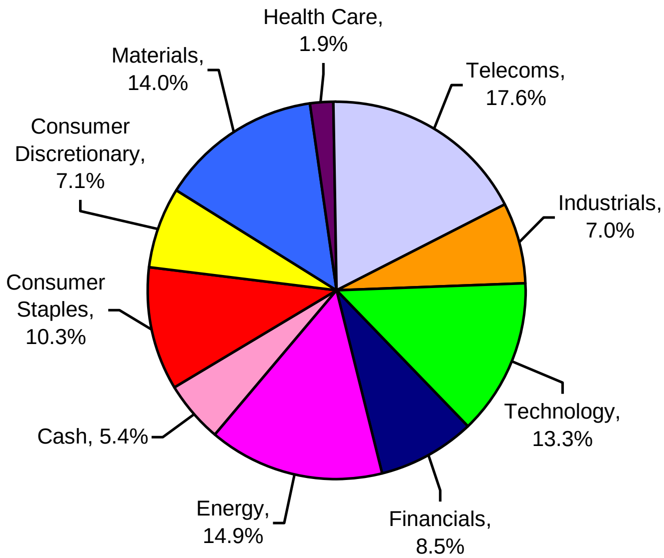
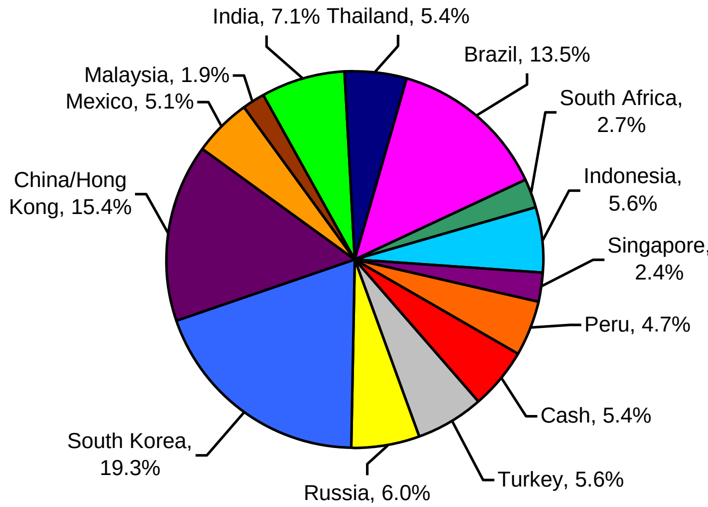
Sector and country breakdown as at 30th April 2014





Source: Oldfield Partners. Representative Portfolio used.

Commentary

The MSCI Emerging Markets Index traded sideways in April. Year to date Latin America has seen the best performance and Eastern Europe the worst. Investor interest in emerging markets equities remains muted, and there was limited flow into the asset class over the month, but this made little impact on the significant outflows seen in both 2014 and 2013. The valuation of the MSCI Emerging Markets Index remains well below its longer term historic average, and this provides a support to equity markets.

The worst two performers during the month by contribution were Lee & Man Paper and Yue Yuen. **Lee & Man Paper** (Chinese containerboard manufacturer) is suffering from the poor sentiment created by the slowing Chinese economy. We view this as unfair as the key end markets for its products are the Chinese consumer sectors, where there is continuing growth. Overall the demand and supply for the industry look to be in balance during the current seasonally weaker period. **Yue Yuen** (Hong Kong shoe manufacturer) was impacted by a strike in its Dongguan factory (c.10% of its total capacity) over wages and workers benefits. This is a small event in a wider structural shift for the company. Employing Chinese workers has been getting increasingly expensive in recent years, and Yue Yuen continues to move production to lower wage countries. Vietnam and Indonesia are now 70% of the total. This transition will continue and be a hindrance to smooth operations of the company. Labour is around 20% of costs, and only limited automation can be introduced. Yue Yuen trades on a price to earnings ratio of 12, price to book ratio of 1.1, and a dividend yield of 5%.

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The top two performers during the month by contribution were Petrobras and First Pacific. **Petrobras** (Brazilian oil & gas) has been a strong recent performer. Weak election poll results for the Rousseff administration have outweighed any negative headlines, such as an investigation of the poor acquisition of a US refinery in 2006 (itself likely politically motivated to discredit Rousseff). The current administration is viewed by many investors as too quick to meddle in the economy, and has obstructed parity in domestic and international fuel prices for Petrobras to help it control domestic inflation. **First Pacific** (Hong Kong holding company) trades on a 37% discount to its net asset value, which we view as too high given the solid underlying assets (mostly listed in the Philippines and Indonesia) and management efforts to improve shareholder returns.

When we launched the Overstone Emerging Markets Equity Fund in November 2008 with US$3 million we set a maximum capacity of US$1 billion to ensure that we could manage the portfolio as it had been managed historically, with the ability to invest in small and mid-cap companies. The assets under management for the emerging markets strategy as a whole have grown to US$900 million, and we feel it would be prudent to stick to that original US$1 billion so we will not accept inflows beyond that point unless there are exceptional circumstances, such as the need to replace significant redemptions in a pooled fund in order to maintain the economics for remaining investors.

This capacity will be reassessed from year to year. Over time the assets in the emerging markets strategy could grow organically to considerably above US$1 billion but if assets under management fall below that level we would welcome inflows until the US$1 billion capacity is again filled. Given that emerging markets can be volatile, assets under management may move around significantly so we encourage contact from any existing and potential investors who wish to discuss our ability to accept further investments.

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