



Emerging Markets Investment Report

April 2016 Newsletter

Oldfield Partners

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
April	+4.1%	+0.5%
2016 to date	+19.9%	+6.3%
1 year	-3.2%	-17.9%
3 years annualised	-1.1%	-4.6%
5 years annualised	-2.0%	-4.6%
Since inception**	+598.0%	+263.1%
Since inception annualised**	+13.5%	+8.8%

*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)**
Buenaventura	9.0	+37.9%	+37.9%
Samsung Electronics	8.3	-5.0%	-5.3%
SK Telecom	7.0	+2.1%	+2.1%
Ternium	6.9	+13.5%	+13.5%
Lukoil	6.5	+10.3%	+10.3%

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

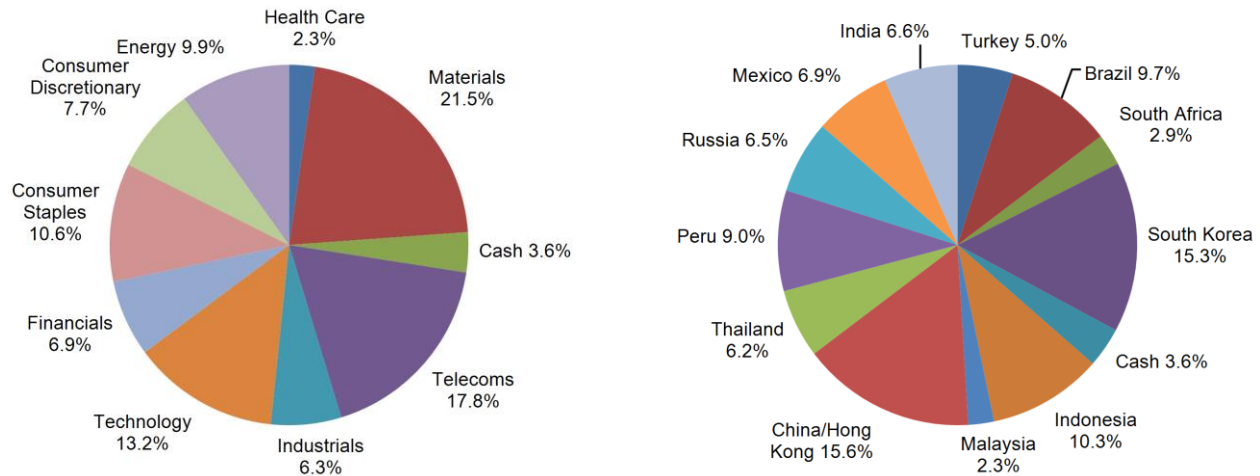
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Sector and country breakdown as at 30th April 2016



Source: Oldfield Partners.

Commentary

The valuation of emerging markets remain attractive with the index trading on a price to book of 1.4, well below the historic longer term average, and the upside to the weighted average price targets of the portfolio is 55%.

The bottom performers during the month by contribution were Embraer, First Pacific, and Samsung Electronics. **Embraer** (Brazilian regional jet manufacturer) had solid first quarter results in the month. The order book remains healthy and management reaffirmed its guidance for the year. It has a price to earnings ratio of 10, trades at book value, and has a solid balance sheet. **First Pacific** (Hong Kong listed diversified financial) trades at over a 50% discount to its net asset value, which looks excessive. **Samsung Electronics** (Korean consumer electronics) had excellent first quarter results in the month. Mobile telecom margins were strong on the launch of its new flagship handset and the focus on costs in the mid and low end handsets. The valuation remains highly attractive trading at book value, six times earnings (excluding cash) and an increasingly shareholder friendly focus by management.

The top performers during the month by contribution were Buenaventura, Ternium, and Petrobras. **Buenaventura** (Peruvian miner) has been unloved by investors for the last three years together with the gold price. The management have used these years to focus on costs to great effect. Precious metals account for 80% of the business. The gold price continued to rally in April (+20% year to date) and the share price has rallied strongly. The Cerro Verde copper mine is the second leg of the business and has completed its expansion, and should double output this year. **Ternium** (Latin American steel producer) has its core focus in Mexico, which has been a bright spot in a difficult global steel market. More recently global steel prices have jumped, and management's strong cost control was rewarded in the first quarter results. It has a price to earnings ratio of 10, trades at book value,

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and has a solid balance sheet. **Petrobras** (Brazilian oil & gas) has seen its share price almost triple from the January low. At that time we wrote (admittedly with a hint of desperation) that the distressed share price could rally if the negative factors of the oil price, scandal, and local currency reversed – and all three turned more positive since. Management remain focused on deleveraging the balance sheet with a difficult political backdrop.

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