

# OLDFIELD PARTNERS LLP

## EMERGING MARKETS INVESTMENT REPORT

### JUNE 2011

#### Performance Summary as at 30<sup>th</sup> June 2011

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
June*	-6.8%	-1.5%
2011 to date	-11.0%	+0.9%
2010	+22.3%	+18.9%
Since Inception**	+575.9%	+340.8%
Since inception pa**	+20.0%	+15.2%

\*Estimate used for June 2011.

\*\*Inception 01 Jan 2001.

Performance figures are of the Emerging Markets Equity Composite, calculated net of all fees and expenses 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**)
Samsung Electronics	8.5	-8.4%	-7.5%
Petrobras	7.7	-1.9%	-1.9%
KT&G Corp	7.3	+4.9%	+5.9%
SK Telecom	7.3	+5.7%	+5.7%
Embraer	6.1	-3.9%	-3.9%

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

\*\*Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg.

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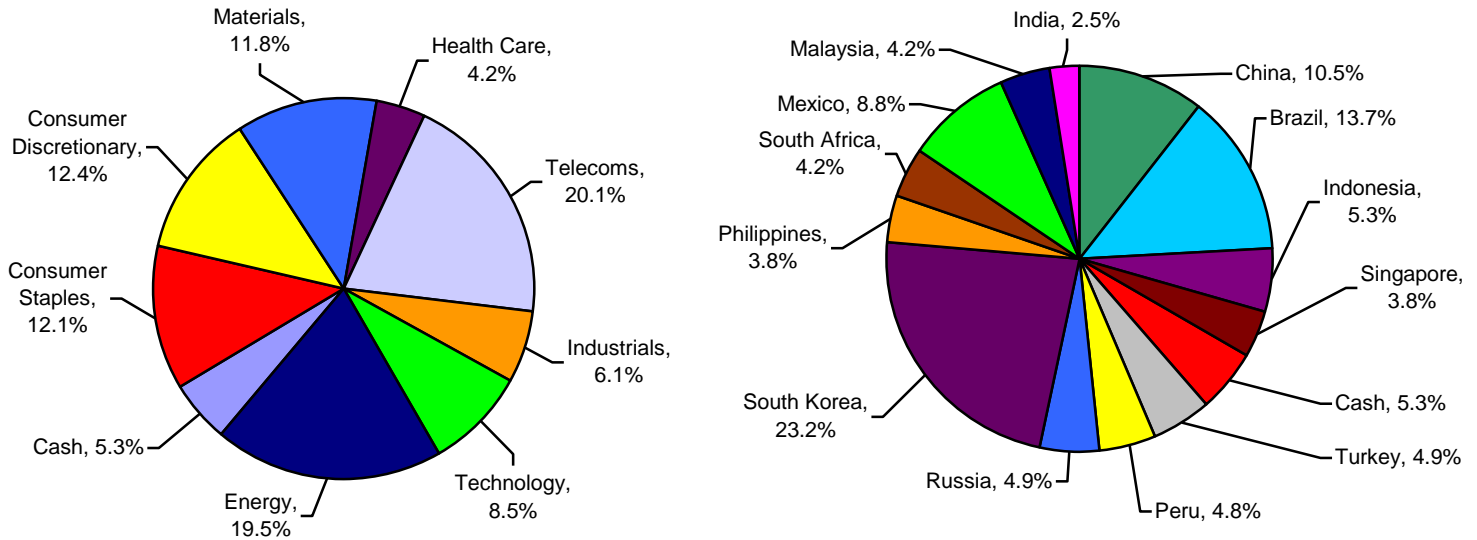
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#### Sector and country breakdown as at 30<sup>th</sup> June 2011



Source: Oldfield Partners LLP. Representative Portfolio used.

#### Commentary

Markets have traded sideways this year as investors moved between optimism and pessimism on the global outlook. Emerging markets entered the tightening cycle early and overall continue to be mindful of inflationary pressures. The fund has not performed well this month, in a large part due to exposure to **Sino-Forest** (Chinese forestry).

The bottom three performers by contribution during the month were Sino-Forest, Samsung Electronics, and Buenaventura. **Sino-Forest** (Chinese forestry) remains depressed following allegations by a short seller that the company is not genuine and improper in its conduct with third parties. We have held calls with a local competitor, a forestry expert recently returned from China, and management. We have not found reason to suspect any wrong doing by management, and we have increased our holding in the company at this depressed valuation. We await the findings of the independent committee formed to investigate the allegations. **Samsung Electronics** (Korean consumer electronics) has been troubled by its LCD business, however, the mobile handset business continues to perform well. We continue to favour Samsung Electronics as a market leader in many of its businesses but trading on an attractive valuation of nine times earnings. **Buenaventura** (Peruvian gold miner) has been unsettled following the election of a more populist government in Peru. This may embolden workers and will likely lead to an increase in taxes for the mining sector. Although the markets worst fears for the new government are unlikely to be realised.

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The top three performers by contribution during the month were KT&G, SK Telecom, and First Pacific. **KT&G** (Korean tobacco) has performed well as investors focused on domestic price increases by a foreign competitor. This has allowed KT&G the flexibility to either take market share or follow by increasing prices. It has so far opted to increase its market share. We continue to like **SK Telecom** (Korean mobile), and other mobile operators, as the adoption of smartphones drives data usage. **First Pacific's** (Hong Kong holding company) assets are in the Philippines and Indonesia. PLDT (telecom) and Indofood (vertically integrated branded consumer foods) make up 70% of the net asset value, and despite its assets being listed First Pacific trades at a 50% discount to its net asset value.

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