

OLDFIELD PARTNERS LLP

EMERGING MARKETS INVESTMENT REPORT

JUNE 2013

Performance Summary as at 30th June 2013

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets*
June**	-7.7%	-6.4%
2013 to date	-3.6%	-9.6%
Since inception***	+549.5%	+281.1%
Since inception per annum***	+16.1%	+11.3%

*Net Dividends Reinvested.

**Estimate used for June 2013.

***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 LLP, Northern Trust, MSCI © and Bloomberg.

Performance of Five Largest Holdings*

	Portfolio Weighting* %	Monthly Performance (local terms**)	Monthly Performance (USD terms**)
Samsung Electronics	9.4	-12.7%	-13.7%
Embraer	8.1	+1.9%	+1.9%
Infosys	7.5	-1.3%	-1.3%
KT&G	6.7	-6.8%	-7.8%
Ternium	6.6	-2.9%	-2.9%

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

**Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg.

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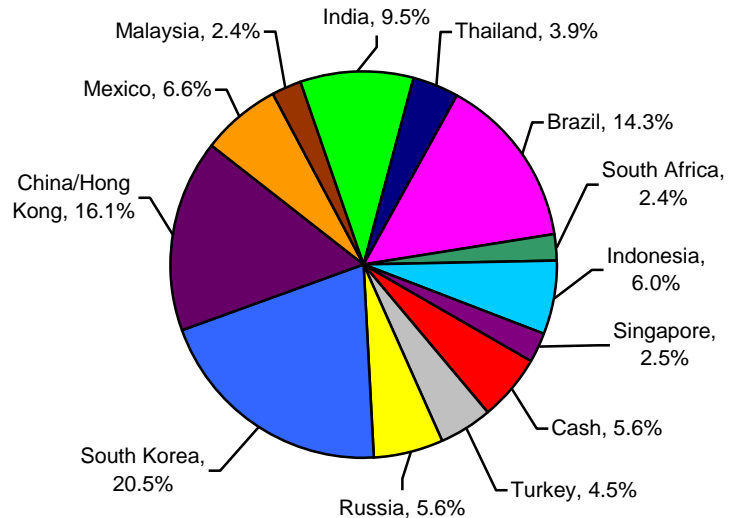
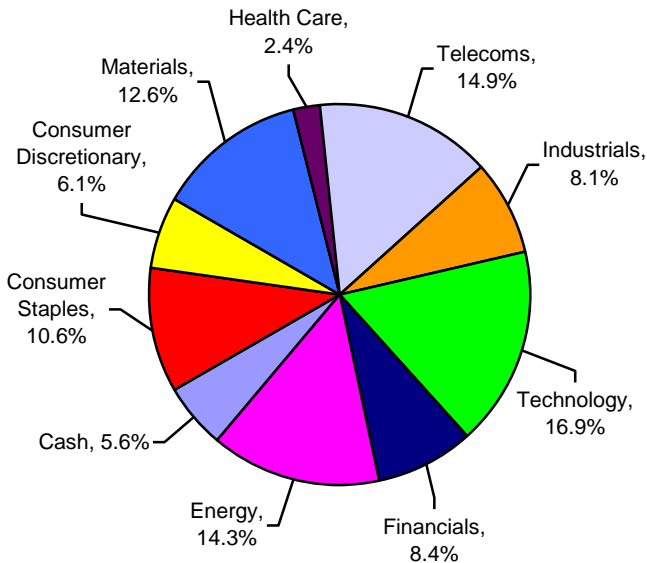
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Sector and country breakdown as at 30th June 2013



Source: Oldfield Partners LLP. Representative Portfolio used.

Commentary

Emerging Market equities saw a significant sell off in June on concerns over US monetary policy changes, unrest in Turkey and Brazil, and a slowing Chinese economy. This brought emerging market valuations back to an attractive level compared with their historic average with a price to book ratio of 1.4. Emerging markets trade on a price to book ratio similar to those of Europe and Japan, 1.5 and 1.3 respectively, with the US trading on a higher valuation of 2.4.

The bottom three performers during the month by contribution were Petrobras, Samsung Electronics, and First Pacific. **Petrobras** (Brazilian oil) was impacted by both the weaker Brazilian real and concerns over street protests making it harder for the company to close the discount between domestic and international fuel prices. **Samsung Electronics** (Korean consumer electronics) has been a poor performer in 2013 because of concerns about weaker than expected sales of its new Galaxy S4 smartphone, an overcrowded smartphone space, and maturity of the developed markets for smartphones. Samsung Electronics has a wide breath of smartphone product offering, including at the lower end, and a geographic spread that should help sustain margins. The semiconductor division is also performing well on strong pricing for DRAM and NAND memory as industry capital expenditure has been controlled. **First Pacific** (Hong Kong holding company) had a rights issue that we subscribed to in the month. It is looking for small acquisitions,

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and has a good track record, but no stated targets as yet. We continue to find the valuation attractive - a 40% discount to net asset value.

The top two performers during the month by contribution were Embraer and SK Telecom. We wrote on both these stocks last month. **Embraer** (Brazilian regional jet manufacturer) has benefited from recent new orders from the US. The strength of the order book adds visibility to its earnings, and helped protect the share price in the wider market sell-off. **SK Telecom** (Korean mobile operator) is benefiting from the growth of smartphones, and of smartphones on LTE (4G), and the higher data usage from this. The stock trades on a price earnings ratio of 13, price to book ratio of 1.2, and has a 4.7% dividend yield.

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