



Emerging Markets Investment Report

June 2017 Newsletter

Oldfield Partners

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
June	+0.7%	+1.0%
2017 to date	+10.0%	+18.4%
2016	+31.7%	+11.2%
1 year	+13.7%	+23.7%
3 years annualised	+4.0%	+1.1%
5 years annualised	+7.8%	+4.0%
Since inception**	+742.7%	+349.9%
Since inception annualised**	+13.8%	+9.5%

*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)**
Samsung Electronics	8.5%	+6.4%	+4.1%
SK Telecom	8.2%	+2.2%	+2.2%
Lee & Man Paper	7.4%	+7.1%	+6.9%
Embraer	7.3%	-7.5%	-7.5%
Yue Yuen Industrial	6.5%	+4.3%	+4.1%

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

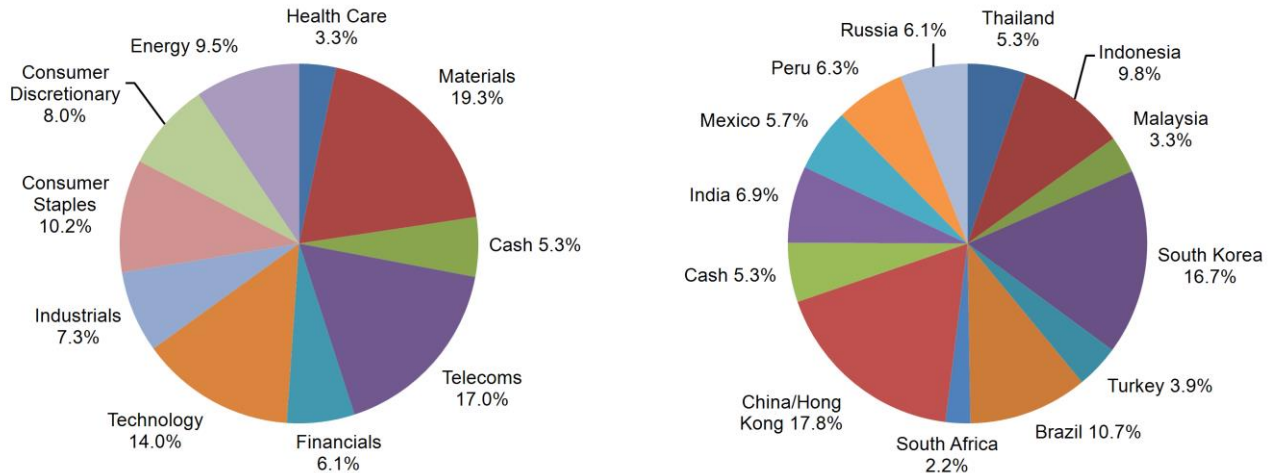
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Sector and country breakdown as at 30th June 2017



Source: Oldfield Partners.

Commentary

Growth investing continues to outperform value investing this year, and the performance of technology stocks has been especially strong. The financial performance of the companies in the portfolio this year has on the whole been rather good, and we remain comforted by the 41% upside to the weighted average of the price targets in the portfolio.

The laggards during the month by contribution were Embraer, Buenaventura, and Petrobras. **Embraer** (Brazilian regional jet manufacturer) faces a transition year to a new generation of regional jets, which has caused a dip in orders. The company has a strong balance sheet and a long order book of around three years. The company trades at book value. **Buenaventura** (Peruvian miner) reacted to a weaker gold price in the month. The company trades at book value. **Petrobras** (Brazilian oil producer) saw another bout of political instability in Brazil and a weaker oil price, but management continue to execute the deleveraging strategy successfully. The company trades on a price to book ratio of 0.6.

The top performers by contribution for the month were Lee & Man Paper, Ternium, and Samsung Electronics. **Lee & Man Paper** (Chinese containerboard manufacturer) is benefitting from the solid demand for packaging in China and the government led reduction in industry capacity. The company trades on a prospective price earnings ratio of ten. **Ternium** (Latin American steel producer) has rebounded as the 'Trump threat' to Mexico has receded and the company is well placed to benefit from the growth of the manufacturing industry in Mexico. The company trades on a price earnings ratio of nine and a price to book ratio of 1.3. **Samsung Electronics** (Korean consumer electronics) has seen its semiconductor division perform strongly this year, as the

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industry is consolidated and focused on profit maximisation, and the display and handset divisions continue to do well. The company trades on a prospective price earnings ratio of ten and a price to book ratio of 1.7.

The top performers in the second quarter by contribution were **Lee & Man Paper**, **Samsung Electronics**, and **Ternium**. The worst performers were **Embraer**, **Petrobras**, and **Lukoil**. The top performers year-to-date by contribution are **Samsung Electronics** and **SK Telecom**, both of which have benefitted from their exposure to semiconductors. The worst performers year-to-date were **Lukoil** and **Petrobras**, which have been impacted by the lower oil price.

Broker Research Costs

From 1st January 2018, Oldfield Partners will pay directly itself for all broker and specialist research received, rather than payment being through trading commission charged to investors.

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