Oldfield Partners LLP
Emerging Markets Investment Report
September 2012

Performance Summary as at 28th September 2012

US$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets*
September**	+6.2%	+6.0%
2012 to date	+12.5%	+12.0%
Since inception***	+541.8%	+299.2%
Since inception per annum***	+17.1%	+12.5%

*Net Dividends Reinvested.
**Estimate used for September 2012.
***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	9.2	+9.2%	+11.2%
Embraer	7.8	-0.7%	-0.7%
Petrobras	7.2	+7.2%	+7.2%
First Pacific	6.6	+2.3%	+2.3%
Lee & Man Paper	6.4	+6.9%	+6.9%

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

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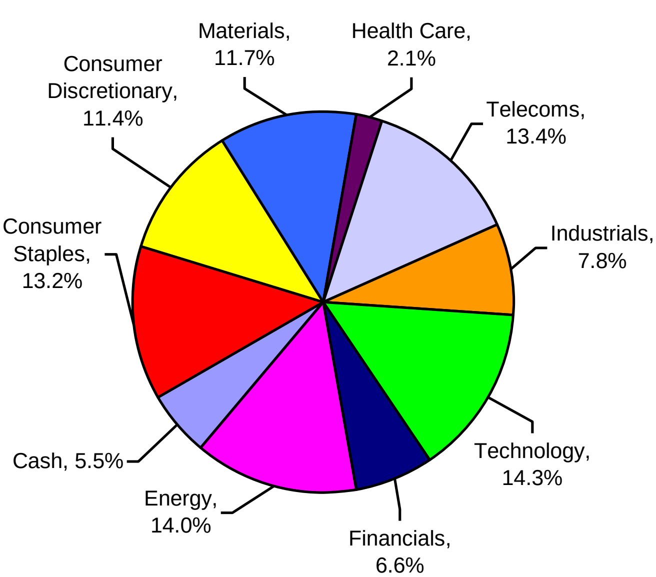
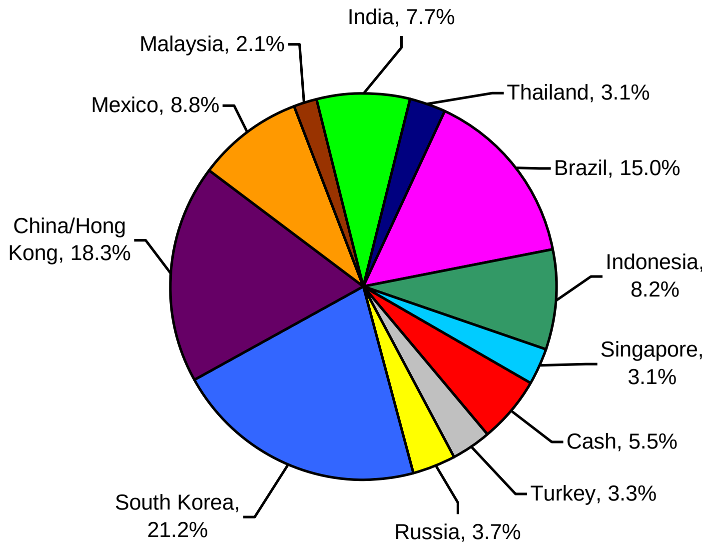
Sector and country breakdown as at 28th September 2012





Source: Oldfield Partners LLP. Representative Portfolio used.

Commentary

The low growth global economy and 'great recession' are prompting an underlying shift by governments in emerging economies. This can be seen in many emerging market countries - for instance the BRICs (Brazil, Russia, India, and China) are each tweaking their development model. India has long been a consumer and service economy, but is waking up to the need to invest in manufacturing. China has been reliant on its export business and high levels of fixed asset investment, but is encouraging a consumer economy. Russia is again trying to foster a broader mix of industry and to reduce the role of the state rather than rely overwhelmingly on natural resource extraction. Even Brazil, a consumer economy with a natural resource export business attached, is undergoing a shift towards investment in infrastructure. These are long term changes and any impact will be gradual.

During the month **Thai Beverage** and **Heineken** agreed to split **Fraser & Neave** (F&N), after a summer of corporate manoeuvring, leaving Heineken to take over the beer business (**Asia Pacific Breweries**) and Thai Beverage and its related family company (**TCCA**) to make an offer for the remainder (soft drinks, food, and property businesses). Thai Beverage owns a little under 30% of F&N. This would be a good fit for Thai Beverage in many ways as the company seeks to increase its non-alcoholic exposure. Its recently acquired soft drinks distribution business in Thailand (**Serm Suk**) is shortly to lose the Pepsi contract for Thailand,

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and the introduction of an own brand beverage line from F&N would be higher margin. Thai Beverage would get an interest in **Myanmar Breweries**, with a 70% market share, which will be an important growth market and a natural fit for Thai Beverage. F&N would give Thai Beverage greater exposure outside of Thailand, notably in Malaysia and Singapore. The deal is debt funded, which has pushed net debt to equity well above 100%, but the solid cash flow from these businesses and potential for asset sales makes this comfortable. The final outcome of the deal and strategic plan are yet to be announced. The share price of Thai Beverage is up over 60% this year in a positive response to the potential acquisition.

The bottom three performers by contribution during the month were Top Glove, KT&G, and Embraer. **Top Glove** (Malaysian latex gloves) has seen an increase in the latex price by 18% since its August low, although this leaves the price flat since the start of the year. Latex accounts for 60% of its input costs. Another significant input cost is labour, which is set to rise with the implementation of the minimum wage policy in January 2013. In response Top Glove is automating all its production lines, which could lead to a 20% reduction in headcount by year end.

The top three performers by contribution during the month were Samsung Electronics, Yue Yuen, and Corp Geo. **Samsung Electronics** (Korean consumer electronics) looks to have strong sales momentum for its Galaxy S3 and Note mobile products, boding well for its third quarter results, despite the launch of the iPhone 5. **Yue Yuen** (Hong Kong footwear manufacturer) had third quarter results early in the month showing a stabilisation in its margins. **Corp Geo** (Mexican homebuilder) has rallied following its second quarter results that showed an improvement in its free cash flow generation, and expectations are that this improvement will continue over the second half. The stock is cheap on a historic price earnings ratio of 6.

The recent rally in emerging market equities still leaves valuations for the MSCI Emerging Markets index comfortably below their long term historic averages. The portfolio is on a prospective price earnings ratio of 10 and a price to book ratio of 1.7.

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