

OLDFIELD PARTNERS LLP

EMERGING MARKETS INVESTMENT REPORT

SEPTEMBER 2013

Performance Summary as at 30th September 2013

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets*
September**	+5.4%	+6.5%
2013 to date	+2.0%	-4.4%
Since inception***	+586.8%	+303.1%
Since inception per annum***	+16.3%	+11.5%

*Net Dividends Reinvested.

**Estimate used for September 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	9.2	-0.1%	+3.1%
KT&G	7.5	+6.1%	+9.4%
Petrobras	7.3	+17.3%	+17.3%
Embraer	7.0	-1.2%	-1.2%
Infosys	6.6	+3.8%	+3.8%

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

**Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg.

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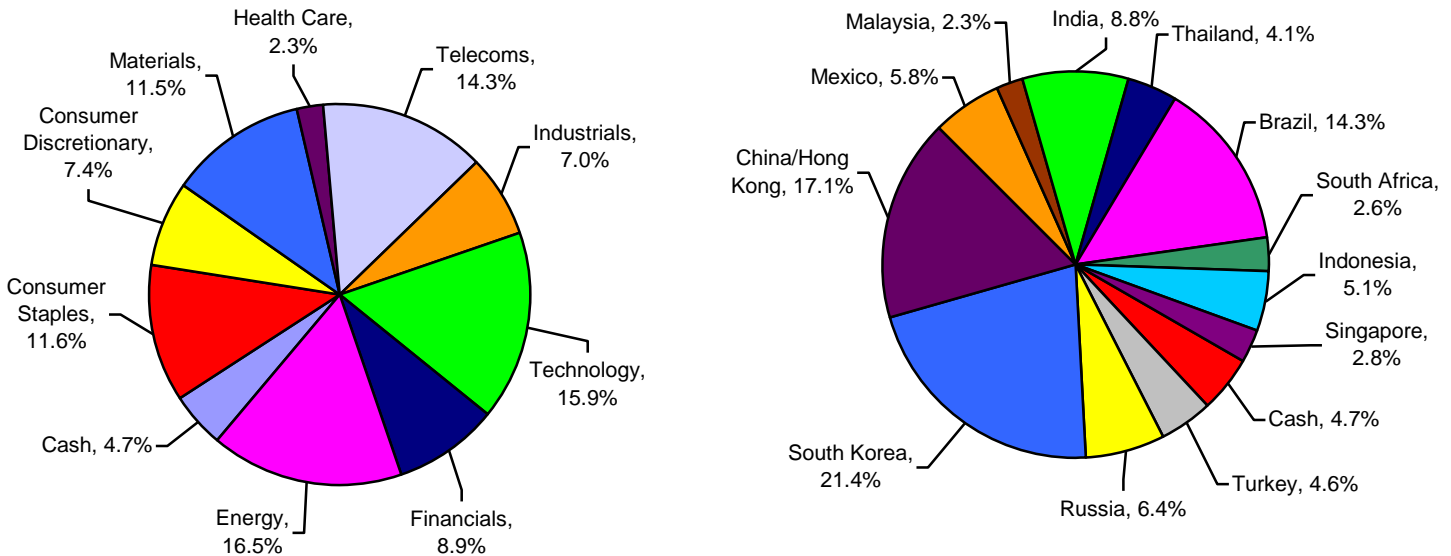
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Sector and country breakdown as at 30th September 2013



Source: Oldfield Partners LLP. Representative Portfolio used.

Commentary

The bottom two performers during the month by contribution were Yue Yuen and Ternium. A meeting with **Yue Yuen** (Hong Kong footwear) in Hong Kong to discuss the on-going move of production away from China gave comfort. Moving production lines has caused volatility in its margins as new facilities and staff are brought up to speed. The company sees its manufacturing gross margins recovering to its historic average next year. The company aims to maintain its respectable dividend through any short term turbulence, even if it surpasses the higher limit of its historic dividend pay-out range, and is in a strong financial position. It trades on a price earnings ratio of 9.5 and a price to book ratio of 1.1. **Ternium** (Latin America steel) had a poor month for its share price, but we see it entering a sweet spot. Two new high-end steel facilities in Mexico are ramping up production next year, which will be focussed on the growing Mexican automobile production industry. This also marks an end to the company's current capital expenditure programme. It trades on a price earnings ratio of 11.5 and at book value.

The top two performers during the month by contribution were Petrobras and Ezra. **Petrobras** (Brazilian oil & gas) continues to trade on news surrounding the possibility of a price increase to move domestic and

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international fuel prices to parity. There is a proposal to make the adjustments more formulaic, rather than ad hoc, which would be a positive, as it would reduce uncertainty. Petrobras trades on a price earnings ratio of 8.5. **Ezra** (Singapore oil services) had a dramatic share price move during the month (+50%) on rumours of a takeover bid. This was subsequently denied. As order books for the larger players are full it has left opportunity for the smaller players like Ezra to grow. It trades at book value.

The top two performers over the third quarter were **Infosys** (Indian IT services) and **Petrobras** (Brazilian oil & gas), and the bottom two performers were **Embraer** (Brazilian regional jet manufacturer) and **Telkom Indonesia** (Indonesian mobile operator). Portfolio turnover for the year to date has been low at around 20%. The upside potential to the weighted average of our price targets is 40%.

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