

OLDFIELD PARTNERS

EMERGING MARKETS INVESTMENT REPORT

SEPTEMBER 2014

Performance Summary as at 30th September 2014

USD terms	Emerging Markets Equity Composite	Index*
September**	-6.9%	-7.4%
2014 to date**	+4.1%	+2.4%
1 year	+8.3%	+4.3%
3 years annualised	+10.5%	+7.2%
5 years annualised	+5.6%	+4.4%
Since inception***	+644.0%	+320.4%
Since inception annualised***	+15.7%	+11.0%

*MSCI Emerging Markets (Net Dividends Reinvested).

**Estimate used for September 2014.

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

Performance of Five Largest Holdings*

	Portfolio Weighting* (%)	Monthly Performance (local terms**)	Monthly Performance (USD terms**)
SK Telecom	7.9	+1.4%	+1.4%
Embraer	7.8	+1.4%	+1.4%
Thai Beverage	7.5	+7.7%	+5.5%
Infosys	7.0	+1.7%	+1.7%
Samsung Electronics	6.8	-4.1%	-7.9%

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

**Total return inclusive of dividends.

Source: Oldfield Partners and Bloomberg.

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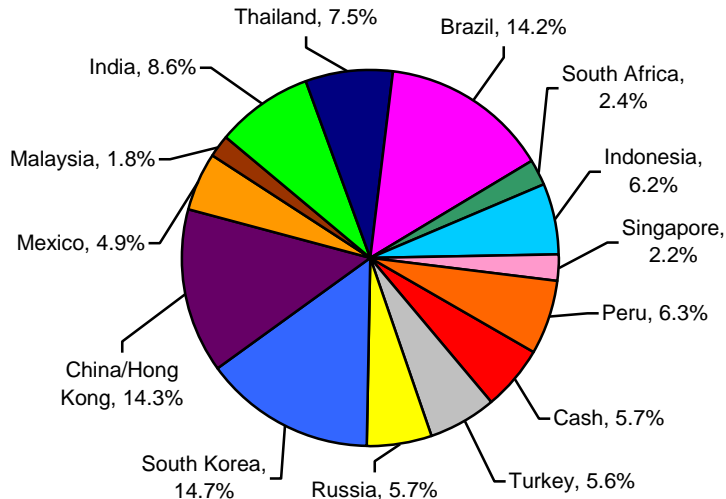
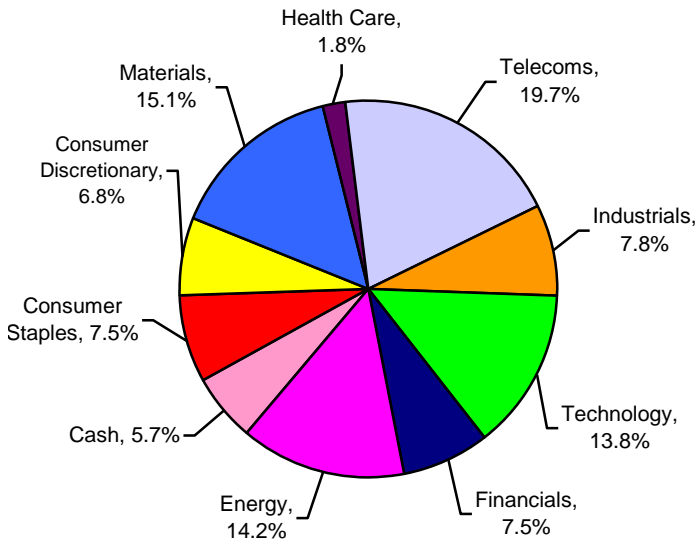
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Sector and country breakdown as at 30th September 2014



Source: Oldfield Partners. Representative Portfolio used.

Commentary

Emerging market equities suffered a sharp reversal in the month following a summer-long rally. Geopolitical tensions, a slowing Chinese economy, and worries over the coming changes to US monetary policy were the root cause of the sell-off. Year-to-date Asia has performed significantly better in US dollar terms than both Latin America and Emerging Europe (which has been dragged down by Russia).

The worst performers during the month by contribution were Petrobras and Buenaventura. **Petrobras** (Brazilian oil & gas) has been buffeted by predictions for the outcome of the Brazilian presidential election. As there was no outright victor in the first round of voting there will be a second round towards the end of the month. The equity market clearly favours a candidate that is not Dilma Rousseff, although she is the favourite to win. **Buenaventura** (Peruvian miner) has been weak with commodity prices and with the re-election of the shamed governor of Cajamarca province (despite being held in jail since June on charges of corruption, bribery, and kidnapping). He has been a vocal opponent of the Minas Conga project by Buenaventura and Newmont Mining. Despite this we see better operating performance for the company in the second half of the year.

The top performers during the month by contribution were Thai Beverage, SK Telecom, and Telkom Indonesia. **Thai Beverage** (Thailand's leading alcoholic beverage producer) had little news flow in the month. **SK Telecom** (Korean mobile provider) has benefited as the Korean regulator moved to prevent excessive competition from the mobile operators by curbing handset subsidies. This helps address the

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long standing problem of aggressive marketing by the mobile operators. **Telkom Indonesia** (Indonesia's leading mobile provider) continues to execute well using its superior network to benefit from the growth of data usage and to increase prices. Smartphone penetration is only at 23% and the regulator is keen to see this grow.

During the third quarter the worst performers by contribution were **Samsung Electronics** (Korean consumer electronics) and **Turkcell** (Turkish mobile operator), and the best performers by contribution were **Thai Beverage** and **SK Telecom**. The portfolio handsomely outperformed the index over the quarter.

The MSCI Emerging Market Index trades at a price to earnings ratio of 12.6 and at a price to book ratio of 1.5, which are both well below their longer term historic averages.

When we launched the Overstone Emerging Markets Equity Fund in November 2008 with US\$3 million we set a maximum capacity of US\$1 billion to ensure that we could manage the portfolio as it had been managed historically, with the ability to invest in small and mid-cap companies. The assets under management for the emerging markets strategy as a whole have grown (with some help from market movements) to US\$1.05 billion today, and we feel it would be prudent not to accept inflows beyond this point unless there are exceptional circumstances, such as the need to replace significant redemptions in a pooled fund in order to maintain the economics for remaining investors. Reinvestment of dividends by existing investors will continue.

This capacity will be reassessed from year to year. Over time the assets in the emerging markets strategy could grow organically to considerably above US\$1 billion but if assets under management fall below that level we would welcome inflows until the US\$1 billion capacity is again filled. Given that emerging markets can be volatile, assets under management may move around significantly so we encourage contact from any existing and potential investors who wish to discuss our ability to accept further investments.

We are currently operating a waiting list containing approximately 12 investors of varying size. We have been asking each to confirm whether their intention is to remain on the list, and to indicate potential investment size. We cannot forecast when the next opportunity to invest might be, but expect there will be opportunities in the future, so would like to have a strong list of like-minded investors to call upon if the situation arises.

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