



Emerging Markets Investment Report

September 2015

Oldfield Partners

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
September	-3.9%	-3.0%
2015 to date	-15.7%	-15.5%
1 year	-21.1%	-19.3%
3 years annualised	-3.0%	-5.3%
5 years annualised	-3.0%	-3.6%
Since inception**	+487.2%	+239.4%
Since inception annualised**	+12.7%	+8.6%

*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	9.2	+4.0%	+3.8%
SK Telecom	8.5	+7.3%	+7.3%
Embraer	8.0	+1.2%	+1.2%
Infosys	7.2	+11.2%	+11.2%
Yue Yuen Industrial	7.0	+4.6%	+4.6%

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

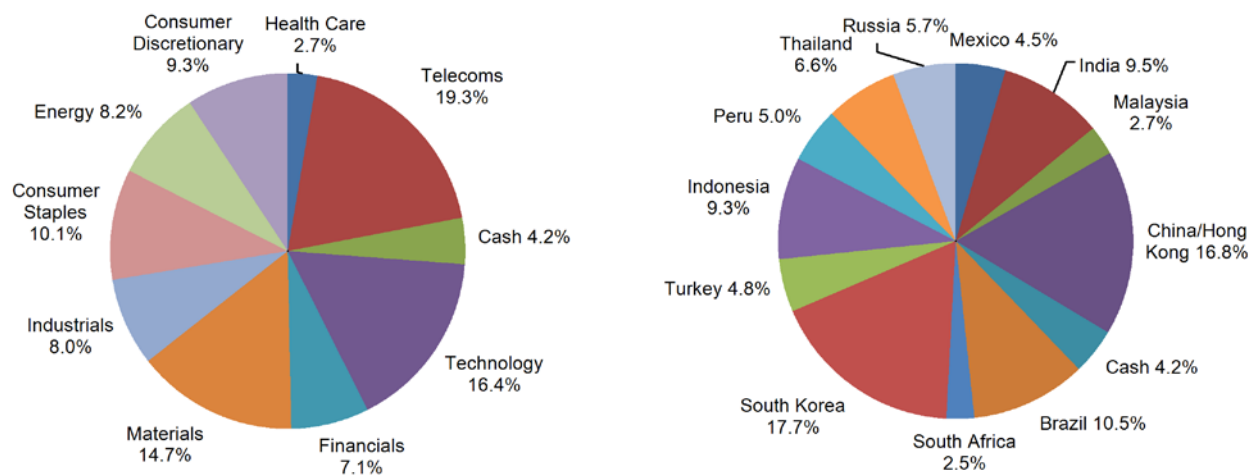
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Sector and country breakdown as at 30th September 2015



Source: Oldfield Partners.

Commentary

September was another negative month of performance for emerging market equities and closed off a strongly negative quarter. The MSCI Emerging Market Equities Index has fallen 25% in US dollar terms from its peak in April. Latin America has been by far the weakest regional performer this year.

The worst performers during the month by contribution were Petrobras and Telkom Indonesia. **Petrobras** (Brazilian oil & gas) has been impacted by the low oil price environment, the weaker Brazilian currency, and the rating downgrade by S&P of the country and the company. After month end Petrobras was able to increase domestic fuel prices, now trading at a healthy premium to international prices, despite the difficult economic and political circumstances in Brazil. The company still faces tough decisions in developing its new deep-water assets in a low oil price environment, but the new management has shown it is capable of making hard decisions. **Telkom Indonesia** (Indonesian telecom operator) was affected by the fall in the Indonesian currency over the summer and negative sentiment towards Indonesia. Operationally the company remains well placed.

The top performers during the month by contribution were Infosys and SK Telecom. **Infosys** (Indian IT services) is a beneficiary of the fall in the Indian currency and the decent demand backdrop for IT services in the US, which is its major market. **SK Telecom** (Korean mobile telecom operator) has been more focussed on shareholder return with share buy backs and a nod towards a dividend increase.

The top performers during the third quarter by contribution were **Infosys** (Indian IT services), **Yue Yuen** (Hong Kong shoe manufacturer), and **Eros International** (Indian Bollywood film producer). The

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worst performers by contribution were **Buenaventura** (Peruvian miner), **Petrobras** (Brazilian oil & gas), and **Ternium** (Latin American steel producer).

Against a difficult backdrop for emerging market equities there are now some glimmers of hope. The Chinese government has made some moves to stabilise the economy, with interest rate cuts, a depreciation of the currency, and measures to help property and automotive sales. Few believers in the official 7% GDP growth target remain, and the government seems happy with a lower level of growth driven by the consumer side of the economy. The Federal Reserve held off increasing interest rates, and opinion is divided on whether there will be an increase this year, early next year, or at all. More inventive measures to help the US economy may be needed in the future. In any case emerging market currencies stopped weakening at the end of the quarter. The MSCI Emerging Market Equities Index trades on a valuation of 1.35 times book value, which is towards the bottom-end of its historic trading range (one times book being a seldom achieved low). The upside potential from the weighted average of our price targets in the portfolio is a hearty 75%.

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