



Emerging Markets Investment Report

September 2016 Newsletter

Oldfield Partners

Performance Summary

| USD terms | Emerging Markets Equity Composite | Index* |
|------------------------------|-----------------------------------|---------|
| September | +3.3% | +1.3% |
| 2016 to date | +36.4% | +16.0% |
| 1 year | +35.2% | +16.8% |
| 3 years annualised | +4.9% | -0.6% |
| 5 years annualised | +7.6% | +3.0% |
| Since inception** | +693.6% | +296.3% |
| Since inception annualised** | +14.0% | +9.1% |

*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 | 8.8% | -1.4% | +0.2% |
| SK Telecom | 7.7% | +4.1% | +4.1% |
| Buenaventura | 7.6% | +12.0% | +12.0% |
| Lukoil | 7.3% | +8.6% | +8.6% |
| Lee & Man Paper | 6.7% | +12.5% | +12.5% |

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

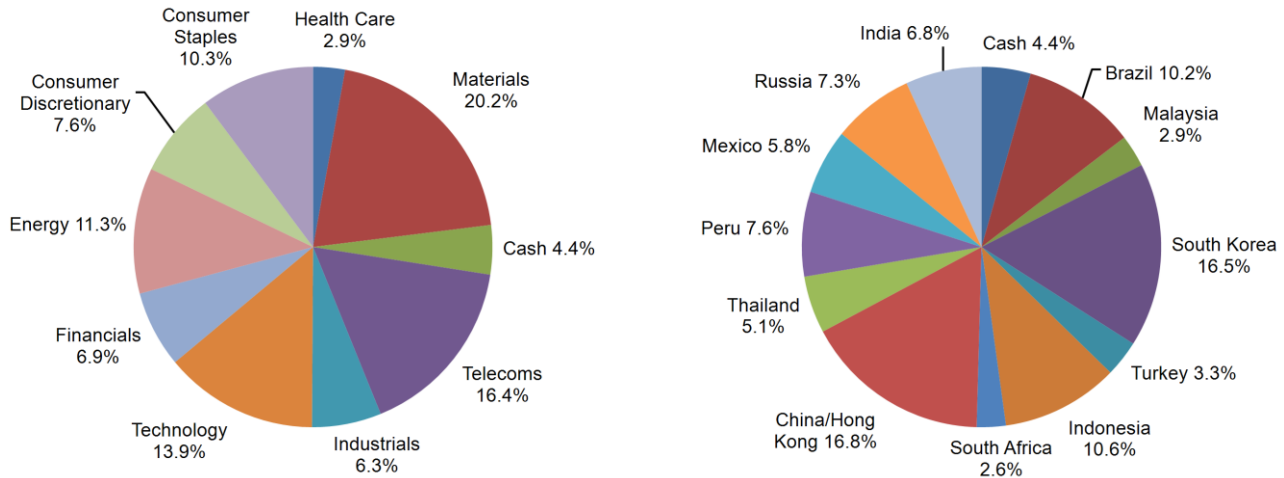
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Sector and country breakdown as at 30th September 2016



Source: Oldfield Partners.

Commentary

It was a volatile month. Emerging market equities were buffeted by news flow from the US election, the US interest rate decision, and the European banking sector. There is still plenty in the world to worry about. The asset class continued to attract inflows throughout.

We do not like to make judgements on political process or democratic outcomes, but where we see a potential impact on the portfolio we must acknowledge it. The US election is one month away, and while a Clinton victory could be seen as business as usual, the election of Trump could have an impact on market sentiment. The US is a special case because of its global importance both economically and geo-politically. Any move by the US to withdraw into itself, turning away from globalisation, and re-assessing past global alliances would clearly not be the best outcome for emerging market equity investors. That said over time change creates opportunity for an active investor.

The two stocks in the portfolio that could be most impacted by a Trump victory are Ternium and Infosys. **Ternium** (South American steel producer) has its main production assets in Mexico and benefits from NAFTA making Mexico an attractive manufacturing base to export into the US from. **Infosys** (Indian IT services) has the US as its key market and needs the visa system to work its outsourcing model optimally. We will continue to monitor the election, but at this stage a Clinton victory looks to be the most likely outcome.

The political backdrop in emerging markets has become (even) livelier recently with Duterte in the Philippines and Erdogan in Turkey. A move towards strongman politics can be a blessing or a curse to equity investors, and each case will need to be monitored.

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The laggards during the month by contribution were **Eros** (Indian Bollywood films), **First Pacific** (Hong Kong listed holding company), and **Embraer** (Brazilian regional jet manufacturer). The top performers by contribution were **Buenaventura** (Peruvian miner), **Lee & Man Paper** (Chinese containerboard manufacturer), and **Lukoil** (Russian oil producer).

Over the third quarter the best performers by contribution were Samsung Electronics (South Korean consumer electronics), **Lee & Man Paper** (Chinese containerboard manufacturer), and Buenaventura (Peruvian miner). The laggards were **Embraer** (Brazilian regional jet manufacturer), Infosys (Indian IT services), and **Turkcell** (Turkish mobile telecom operator).

The upside potential for the portfolio from the weighted average of the price targets is 40%. Although the performance of the portfolio year to date has been good, we still believe the upside potential for the portfolio remains significant.

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