

# OLDFIELD PARTNERS LLP

## EMERGING MARKETS INVESTMENT REPORT

### NOVEMBER 2010

#### Performance Summary as at 30<sup>th</sup> November 2010

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
November*	-0.3%	-2.6%
2010 to date*	+13.2%	+11.0%
<b>Since Inception**</b>	<b>+603.2%</b>	<b>+307.9%</b>
<b>Since inception pa**</b>	<b>+21.7%</b>	<b>+15.2%</b>

\* Estimate used for November 2010.

\*\* Inception 01 Jan 2001.

Performance figures are of the Emerging Markets Equity Composite, calculated net of all fees and expenses 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, MSCI © and Bloomberg.

#### Performance of Five Largest Holdings \*

	Portfolio Weighting * %	Monthly Performance (local terms**)	Monthly Performance (US\$ terms**)
Samsung Electronics	8.1	+10.9%	+7.6%
SK Telecom	6.9	-2.4%	-2.4%
Gazprom	6.2	+1.5%	+1.5%
Petrobras	6.2	-5.7%	-5.7%
Sino-Forest	5.9	+10.3%	+9.4%

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

\*\*Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg

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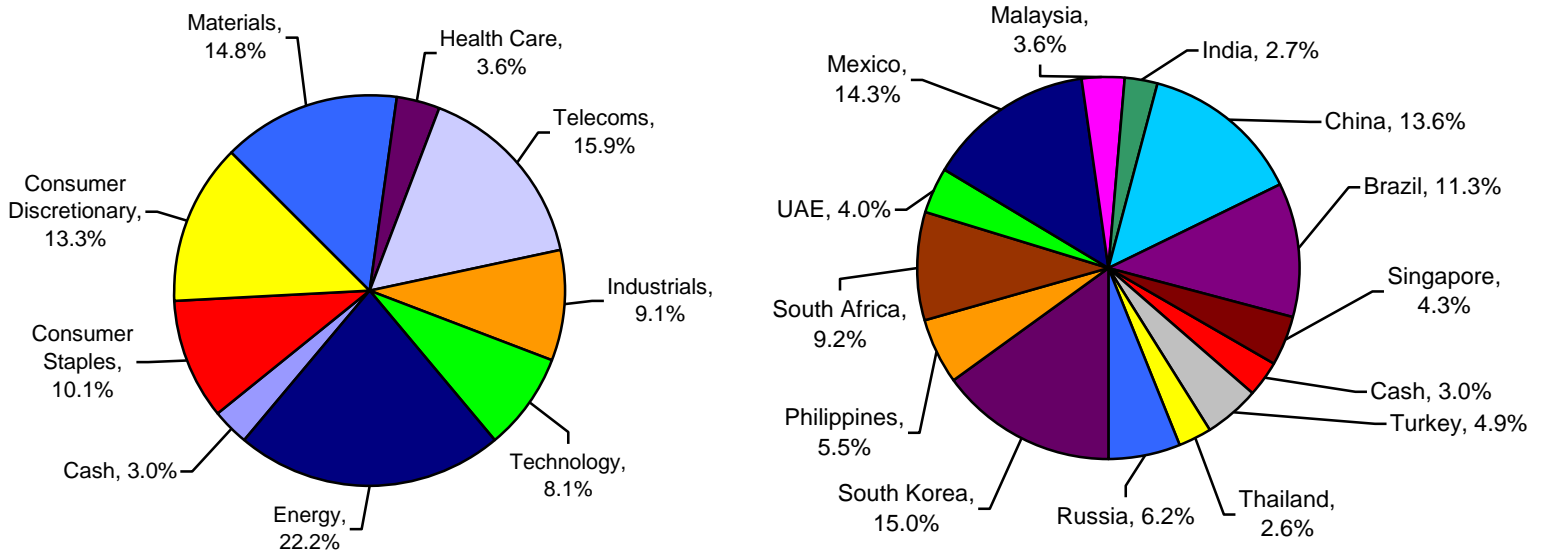
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#### Sector and country breakdown as at 30<sup>th</sup> November 2010



Source: Oldfield Partners. Overstone Emerging Markets Fund.

#### Commentary

Inflation in emerging markets is a topic we see regularly mentioned by commentators. In particular the increase in food prices is of concern to many emerging market countries given its large weighting in most consumer price indices. Many emerging countries, such as China and India, are seeing increases in inflation; but many, such as Mexico and South Africa, still have significant slack in their economies. It is clear that emerging markets, in general, have led the global monetary tightening cycle, but we are still early on in this process. Although we do not specifically look to benefit from macro-economic themes, such as inflation, we do hold many companies in the portfolio that are either commodity producers or have the ability to pass on higher costs by virtue of their solid market shares.

The top three performers this month by contribution were Samsung Electronics, Sino-Forest, and Eros International. **Samsung Electronics** (Korean consumer electronics), is likely to see all four of its major divisions performing well by mid-2011, following a recent dip in its semiconductor and flat screen businesses. All its key divisions are global market leaders and it has continued to cement this lead through the recent downturn. A recent management reshuffle and talk of restructuring within the Samsung group has been well received by the market. **Sino-Forest** (Chinese forestry) had strong third

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quarter results, and gave a clearer outline on its re-planting and growth plans. **Eros International** (Indian Bollywood films) posted a solid set of first half results during the month with sales and earnings per share both increasing over 20% accompanied by a positive outlook statement by management. The company is well placed to benefit from the groundwork laid over the last several years with its leading position in Indian films, a growing market audience, and a visible slate of film releases for the coming year.

The bottom three performers this month by contribution were Ezra Holdings, Petrobras, and First Pacific. **Ezra Holdings** (Singapore oil services) recently undertook a rights issue with the proceeds contributing to its acquisition of Aker Marine Contractors (AMC) that helps launch the company into the deep-water services market. Three quarters of Ezra's vessels are capable of deep-water deployment, but have historically not been employed for this use. It has a young fleet (average three years) operating on long term contracts to tide it over the transition. Following a recent meeting with management in Singapore we find the move towards deep-water services to be sensible, as the market is growing and the number of global players consolidating. **Petrobras** (Brazilian oil producer) has been out of favour with investors following the equity issuance in the autumn and the purchase of 5 billion barrels of oil reserves from the government in the 'pre-salt' Santos basin. We find the valuation of Petrobras attractive and the opportunity to develop the pre-salt oil reserves of the Santos basin is almost unrivalled in the global oil industry. We do acknowledge it may take time for investors to warm to Petrobras again. **First Pacific** (Hong Kong holding company) trades at a 45% discount to its net asset value, which is comprised of listed companies in the Philippines and Indonesia. The two largest holdings are **PLDT** (Philippine telecom) and **Indofood** (Indonesian food company) accounting for 75% of its net asset value. We believe First Pacific has attractive holdings that are held at too large a discount to its net asset value.

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