Oldfield Partners
Emerging Markets Investment Report
November 2014

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
November	-1.8%	-1.1%
2014 to date	+1.0%	+2.5%
1 year	+0.4%	+1.0%
3 years annualised	+7.5%	+5.3%
5 years annualised	+4.1%	+3.5%
Since inception**	+621.2%	+320.9%
Since inception annualised**	+15.2%	+10.9%

*MSCI Emerging Markets (Net Dividends Reinvested). **Estimate used for November 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, MSCI © and Bloomberg.

Performance of Five Largest Holdings*

Stock	Portfolio Weighting* (%)	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
SK Telecom	8.1	+1.9%	+1.9%
Infosys	7.8	+4.5%	+4.5%
Embraer	7.6	-4.4%	-4.4%
Samsung Electronics	7.5	+3.5%	-0.2%
Turkcell	7.1	+8.5%	+8.5%

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

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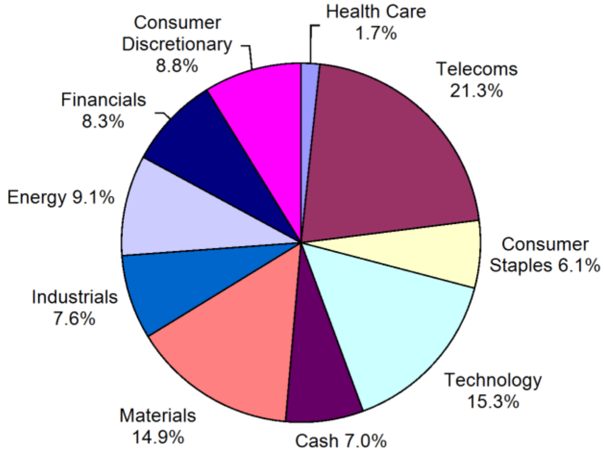
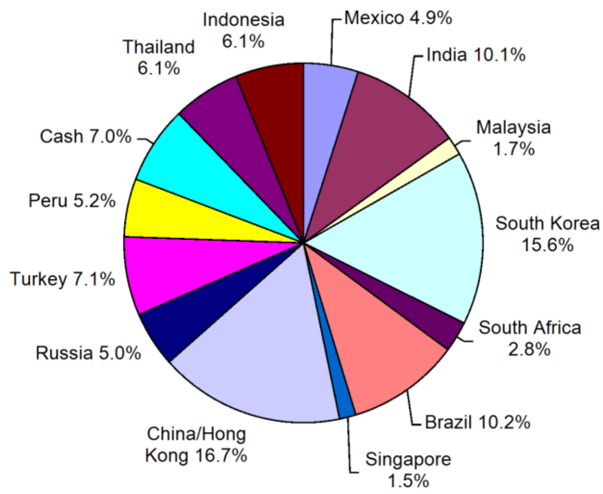
Sector and country breakdown as at 30th November 2014





Source: Oldfield Partners.

Commentary

Emerging market equities have fallen sharply since September (around 10% in US dollar terms) with concerns over a Chinese economic slowdown, US monetary policy change, various geo-political concerns, and more recently a sharp fall in commodity prices. Overall this is not a good macro-economic backdrop for the performance of emerging market equities. So far this year approximately $10 billion has flowed out of the emerging market equity asset class. Emerging markets are arguably better able to adjust than in the past; for instance with interest rate cuts seen in China recently, overall the economies are in better financial health, and more of the countries have floating currencies.

The worst performers during the month by contribution were Thai Beverage and Petrobras. **Thai Beverage** (leading alcoholic beverage producer in Thailand) had third quarter results that disappointed the market, but were reflective of a seasonally weaker quarter and harsh comparatives. Volumes in the spirits business fell 11% year-on-year due to inventory building last year ahead of a tax hike. Overall Thai Beverage has held up well against a weaker consumer backdrop, as the consumer has traded down to its brands and rural communities have been less impacted. **Petrobras** (Brazilian oil & gas) has been impacted by the sharp fall in global oil prices and the on-going investigation into corruption in contracts for its downstream division, mostly notably the building of its new refineries. Petrobras is the victim, and is fully co-operating with the relevant authorities, but it will likely need to take write-offs (if assets are found to be held above fair value) and must actively improve its internal controls. The conclusion of the investigation and extent of any financial impact remain uncertain at this time. Petrobras has long been an attractive upstream proposition, but with the drag of an unattractive downstream division. We have approximately halved the position (to around a 2.5% weight) to reflect

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the uncertainty in the on-going investigation and the less attractive oil price environment on its upstream division.

The top performers during the month by contribution were **Turkcell** (Turkish mobile operator) and **Yue Yuen** (Hong Kong athletic shoes manufacturer). We wrote on both holdings in last month's newsletter, and their share prices continued to rally after solid underlying third quarter results.

After a long wait, of about a year, **Samsung Electronics** (Korean consumer electronics) said it would do a $2 billion share buyback, which is approximately 1.2% of its shares. The timing of the announcement came as a surprise to investors, as the company had recently said it would address the shareholder return issue in its fourth quarter results. This does provide hope of further measures coming in the end-January results. Despite the poor trading of its mobile handsets division recently, the semiconductor division is doing well, and the valuation is attractive trading on a price to earnings ratio (ex-cash) of 5.

Turnover year-to-date has been low at 12%. The portfolio trades on a historic price to earnings ratio of 12.7 and a price to book ratio of 1.9.

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