



Emerging Markets Investment Report

November 2017 Newsletter

Oldfield Partners

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
November	-0.9%	+0.2%
2017 to date	+20.1%	+32.5%
2016	+31.7%	+11.2%
1 year	+21.5%	+32.8%
3 years annualised	+8.4%	+6.1%
5 years annualised	+7.2%	+4.6%
Since inception**	+820.0%	+403.4%
Since inception annualised**	+14.0%	+10.0%

*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)**
SK Telecom	8.4%	+5.0%	+5.0%
Samsung Electronics	8.3%	-7.8%	-5.1%
Embraer	7.6%	0.0%	0.0%
Lukoil	7.1%	+4.6%	+4.6%
Buenaventura	7.0%	+1.6%	+1.6%

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

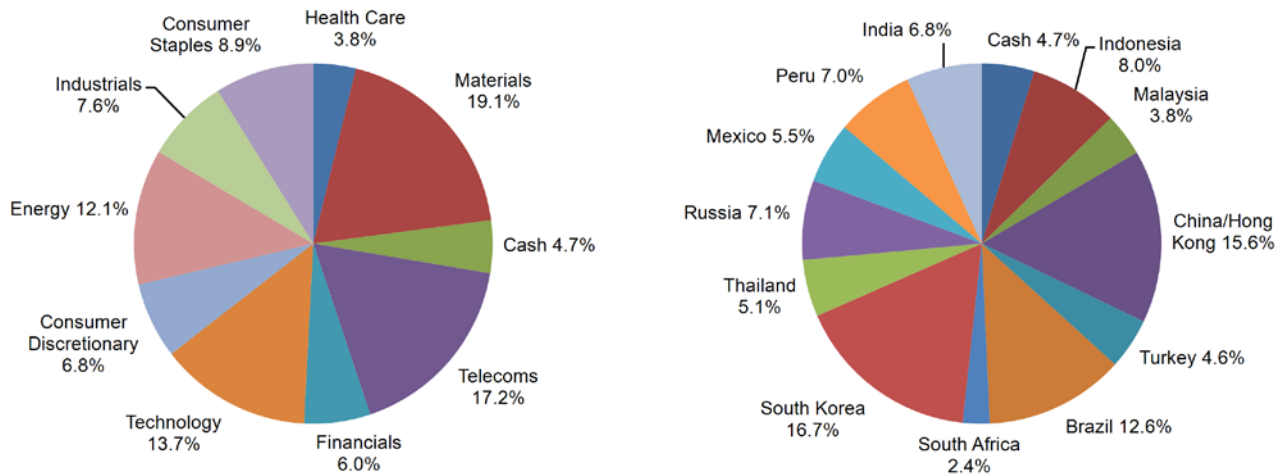
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Sector and country breakdown as at 30th November 2017



Source: Oldfield Partners.

Commentary

Growth investing continued to roundly beat value investing this month. The growth stock phenomenon this year has been driven by a handful of Chinese internet stocks, and it is difficult for us to predict when this trend may reverse. It is clear that the valuation differential between value and growth in emerging market equities is stretched. On a price to earnings ratio the MSCI Emerging Markets Value Index is at a 50% discount to its growth counterpart, and at one third of the valuation on a price to book basis. It is comforting to see that overall the valuations in emerging market equities remain reasonable and that the weighted average of the price targets in the portfolio shows an attractive 39% upside.

The bottom performers by contribution in the month were Petrobras, Ternium, and Indofood. **Petrobras** (Brazilian oil producer) posted another solid quarterly result with positive free cash flow generation and a reduction in leverage, but 2018 is an election year for Brazil and this adds an extra layer of risks to the company's strategic plan. It trades on a price to earnings ratio of nine and a price to book ratio of 0.8. **Ternium** (Latin American steel producer) announced that its long standing and well respected CEO will retire, but he will be Vice Chairman of the board from March 2018, so his forty years of experience in the steel industry will not be lost. It trades on a price to earnings ratio of nine and a price to book ratio of 1.3. **Indofood** (Indonesian consumer foods) saw tougher trading for some of its consumer brands portfolio and its flour business in the third quarter, but the key noodle business held up well. It trades on a price to earnings ratio of 15 and a price to book ratio of 2.2.

The top performers by contribution for the month were SK Telecom, Lukoil, and Top Glove. **SK Telecom** (South Korean telecom) has benefited from its focus on subscriber quality rather than market share, and that fears of further tariff interference by the regulator have faded. It trades on a prospective price to earnings ratio of eight and a price to book ratio of 1.2. **Lukoil** (Russian oil

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producer) had good third quarter results at the end of the month that showed strong free cash generation, lower capital expenditure, and management were able to increase its production growth guidance. It trades on a prospective price to earnings ratio of six and a price to book ratio of 0.8. **Top Glove** (Malaysian rubber glove manufacturer) made a long awaited acquisition, Aspion, that will increase its exposure to medical surgical gloves, which are more specialised and higher margin than standard gloves, and make it the global leader in this segment by market share.

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