Oldfield Partners LLP
Emerging Markets Investment Report
January 2011

Performance Summary as at 31st January 2011

US$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
January*	-2.9%	-2.7%
2010	+22.3%	+18.9%
Since Inception**	+637.6%	+325.2%
Since inception pa**	+21.9%	+15.4%

*Estimate used for January 2011.
**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, Northern Trust, MSCI © and Bloomberg.

Performance of Five Largest Holdings*

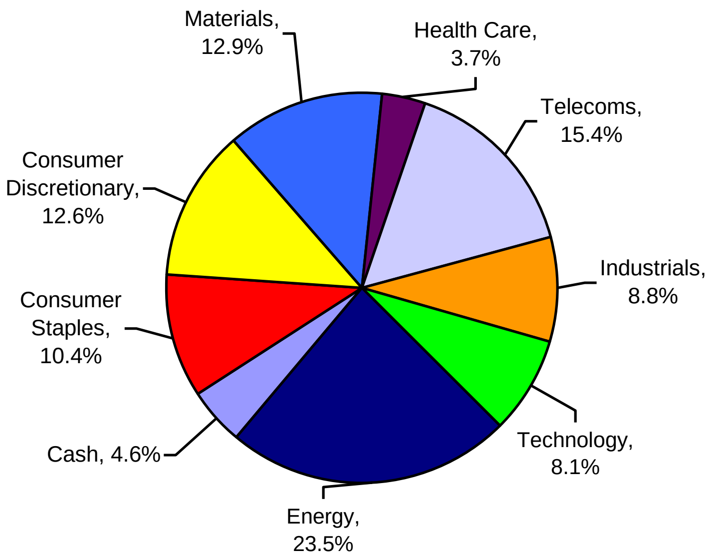
	Portfolio Weighting* %	Monthly Performance (local terms**)	Monthly Performance (US$ terms**)
Samsung Electronics	8.1	+3.4%	+4.4%
Petrobras	7.7	-2.7%	-2.7%
SK Telecom	6.4	-7.1%	-7.1%
Gazprom	6.3	+4.8%	+4.8%
First Pacific	5.4	-3.6%	-3.8%

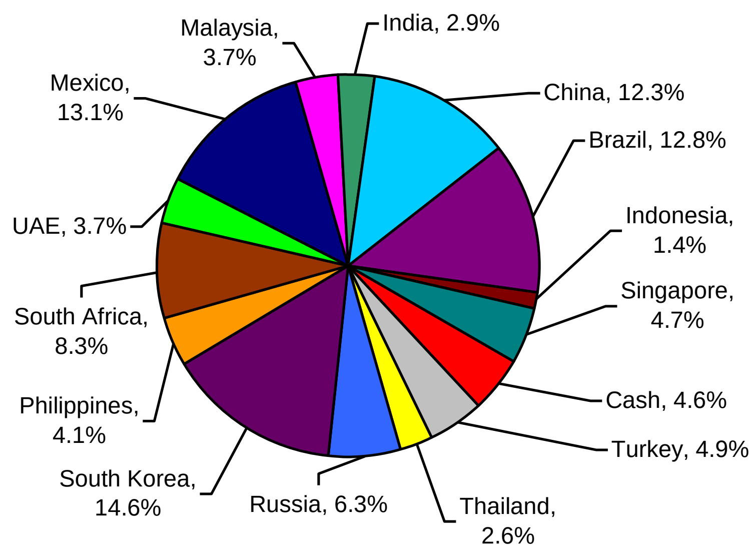
*As at end of period, using a representative portfolio.
**Total return inclusive of dividends.
Source: Oldfield Partners LLP and Bloomberg.

Oldfield Partners LLP,
130 Buckingham Palace Road, London, SW1W 9SA.
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
www.oldfieldpartners.com
Oldfield Partners LLP is authorised and regulated by the Financial Services Authority

OLDFIELD PARTNERS LLP
EMERGING MARKETS INVESTMENT REPORT
JANUARY 2011

Sector and country breakdown as at 31st January 2011





Source: Oldfield Partners. Overstone Emerging Markets Fund.

Commentary

In 2010 Asian equities were the clear winner, but in the first month of 2011 have lagged, along with Latin America, as Eastern Europe has attracted investors. Technology and natural resources have started the year well. However, the MSCI Emerging Markets index has had a poor start to 2011 falling 2.7% in January in US dollar terms.

Inflation is an ongoing topic that will cause discomfort to investors in emerging markets. Events in North Africa highlight the impact of food price inflation, and youth unemployment, and will not have gone unnoticed by many developing market governments. Food prices make up a substantial percentage of many developing countries inflation indices, but much less so for the larger and wealthier developing economies such as Korea or Taiwan. Hence north Asia has outperformed southern Asia so far this year. Those countries and companies better able to cope with inflationary pressures as the global economy recovers may be an important divide this year. The era of relatively cheap Chinese goods is not over, but Chinese exporters working on thin profit margins cannot endlessly absorb rising costs.

We continue to see the widening and deepening of the emerging market asset class. The introduction of the ex-communist states into the free market world economy over the last two decades has greatly enhanced this trend. We may look back on the current events in the Arab world in a similar light. Many

Oldfield Partners LLP,
130 Buckingham Palace Road, London, SW1W 9SA.
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
www.oldfieldpartners.com
Oldfield Partners LLP is authorised and regulated by the Financial Services Authority

developing countries have sought to privatise state companies or reduce direct state holdings – for instance Russia is soon to launch a new wave of state asset sales. In addition the entrepreneurial drive and attraction of a market listing have led to the formation of new companies and the listing of successful private companies. One reason why emerging markets have a low tally in the world equity market indices is that there are large state holdings and a multitude of family businesses within their economies.

The bottom three performers during the month by contribution were SK Telecom, Turkcell, and Lonmin. **SK Telecom** (Korean wireless) reported lacklustre fourth quarter numbers and an unsurprising flat dividend; but it contained marketing expenses, grew smartphone and data traffic, and unusually gave upbeat guidance from management pointing to a more positive 2011. **Turkcell** (Turkish wireless) held an investor day during the month. The three player Turkish mobile market has been competitive since mobile number portability was introduced in 2008, but management believe the competitive situation is now improving. In addition this year should be free of regulatory events. The 'smartphone phenomena' has yet to gather pace in Turkey with only 5% of Turkcell's subscribers owning one in comparison to the 16% global average. Unfortunately events in North Africa depressed regional equity markets including the Turkish market. The other holding affected by events in Egypt was **DP World** (Dubai ports) with a minor exposure to Egypt itself but with a strong regional exposure. **Lonmin** (South African platinum miner) reported its first quarter production figures which supported the company's guidance of 750,000 ounces for the year. This adds further support to the case that management is steadily fixing the internal deficiencies of the company.

The top three performers during the month by contribution were Embraer, Samsung Electronics, and Gazprom. **Embraer** (Brazilian regional jet manufacturer) released strong fourth quarter delivery numbers highlighting that the cycle has turned for the industry, and Embraer has continued to gain market share. Improved product mix and the benefit of cost cutting in the downturn should show through in improved margins. **Samsung Electronics** (Korean semiconductor & consumer electronics) had good full year results driven by memory semiconductors and the growth of smartphones. The semiconductor cycle looks to be bottoming with Samsung having strengthened its industry leading position and margins. Samsung continues to field a strong range of smartphone products. **Gazprom** (Russian gas) has benefited from the cold weather in Europe, recovery prospects in Europe, and concerns over stability of supply from North Africa. During the cold spell the discount of spot gas prices to Gazprom's oil linked contract prices disappeared as markets once again tightened. The company trades on a historic price earnings ratio of 6.

It was unusual for emerging markets to lead the global recovery, and so unusual for them to be at the forefront of the monetary tightening cycle. It is now comforting for emerging market investors to see a recovery across the global economy and their traditional export markets.

Oldfield Partners LLP,
130 Buckingham Palace Road, London, SW1W 9SA.
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
www.oldfieldpartners.com