

# OLDFIELD PARTNERS

## EMERGING MARKETS INVESTMENT REPORT

### JANUARY 2014

#### Performance Summary as at 31<sup>st</sup> January 2014

USD terms	Emerging Markets Equity Composite	Index*
January**	-6.1%	-6.5%
2014 to date**	-6.1%	-6.5%
2013	+6.1%	-2.6%
1 year	-4.9%	-10.2%
3 years annualised	-3.1%	-3.3%
5 years annualised	+14.8%	+14.8%
Since inception***	+570.7%	+283.8%
Since inception annualised***	+15.6%	+10.8%

\*MSCI Emerging Markets (Net Dividends Reinvested).

\*\*Estimate used for January 2014.

\*\*\*Inception 1<sup>st</sup> 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, Northern Trust, MSCI © and Bloomberg.

#### Performance of Five Largest Holdings\*

	Portfolio Weighting* (%)	Monthly Performance (local terms**)	Monthly Performance (USD terms**)
Samsung Electronics	7.8	-6.7%	-8.4%
Embraer	7.3	-4.6%	-4.6%
Infosys	6.5	+3.5%	+3.5%
Lukoil	6.4	-9.0%	-9.0%
Ternium	6.2	-4.9%	-4.9%

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

\*\*Total return inclusive of dividends.

Source: Oldfield Partners and Bloomberg.

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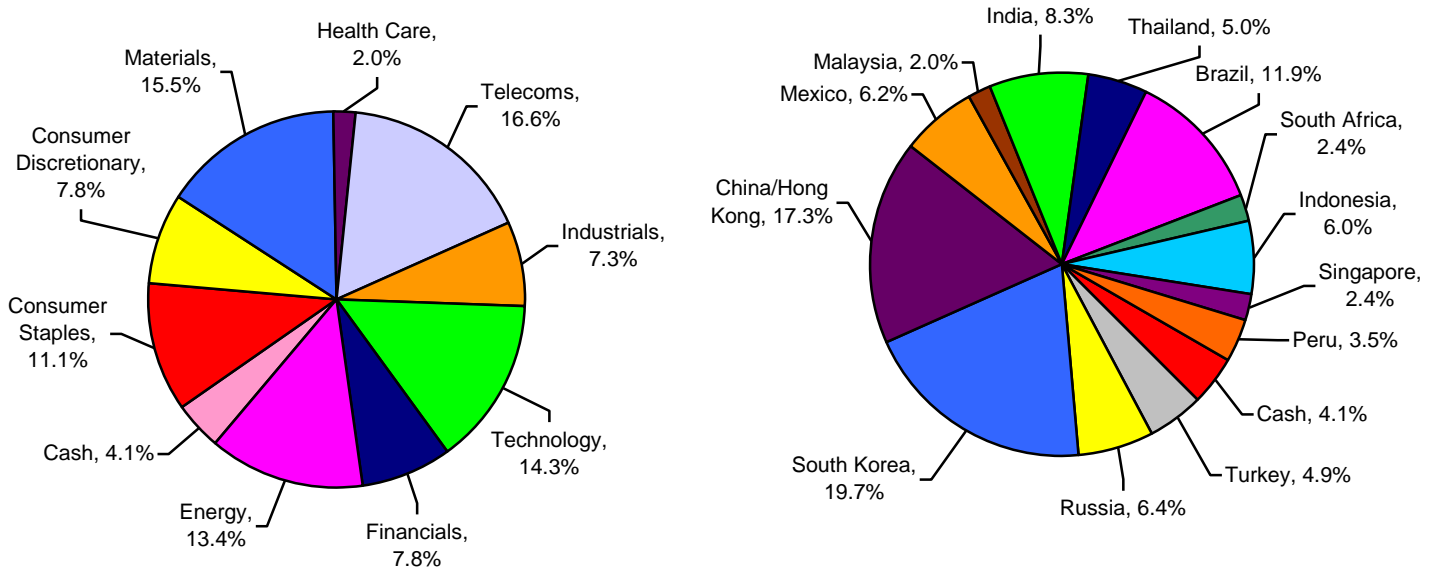
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#### Sector and country breakdown as at 31<sup>st</sup> January 2014



Source: Oldfield Partners. Representative Portfolio used.

#### Commentary

Emerging markets are caught in a storm of political worry, economic slowdown, and reducing liquidity. Media coverage of political events in Thailand, Ukraine, and Turkey paints an unsettling back-drop; and there are numerous up-coming elections across emerging markets in 2014. Emerging market currencies, especially those countries with weaker finances, have fallen sharply; and Argentina devalued. The Federal Reserve tapering of its monetary policy largesse reduces incoming liquidity to the global economy, and some emerging market countries have had to increase interest rates. Investors are concerned over slower economic growth in China and a potential slowing of the US recovery.

The bottom two performers during the month by contribution were Petrobras and Ezra. **Petrobras** (Brazilian oil) has continued to be a poor performer, and has been hurt by the weakness of the Brazilian currency and the Government's hand in the fuel price policy. In an election year the Brazilian government is less likely to increase domestic fuel prices to match international prices, leaving Petrobras subsidising the country's use of gasoline and diesel. **Ezra's** (Singaporean oil services) share price fell in disappointment that the chatter over the last quarter of a takeover bid was more likely to be merely a potential separate listing for its deep water oil services division. The company is well positioned to benefit from the continued growth in deep water oil exploration spend.

[Oldfield Partners](#)

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The top two performers during the month by contribution were Infosys and Buenaventura. **Infosys** (Indian IT services) is benefiting from the gradual recovery in information technology demand in the US (and less importantly Europe), and a sharper focus on its cost base. **Buenaventura** (Peruvian miner) was a solid performer as the gold price (c.75% of sales are precious metals) rose over the month reflecting its safe haven status.

The MSCI Emerging Markets index trades on valuations towards the bottom end of its historic valuation range, which should be viewed as supportive. The portfolio trades on a price earnings ratio of 11. The index has fallen 6% in US dollar terms in 2014, with steady selling pressure, but as yet there is little sign of panic selling, despite multiple excuses to do so.

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