



Emerging Markets Investment Report

January 2016 Newsletter

Oldfield Partners

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
January	-0.7%	-6.5%
2016 to date	-0.7%	-6.5%
2015	-16.5%	-14.9%
1 year	-18.2%	-20.9%
3 years annualised	-6.4%	-9.2%
5 years annualised	-4.8%	-5.6%
Since inception**	+477.6%	+219.5%
Since inception annualised**	+12.3%	+8.0%

*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)**
Embraer	8.5	-2.6%	-2.6%
Samsung Electronics	8.1	-8.7%	-11.5%
SK Telecom	7.6	-2.2%	-2.2%
Telkom Indonesia	7.5	+10.4%	+10.4%
Thai Beverage	6.9	-1.4%	-1.9%

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

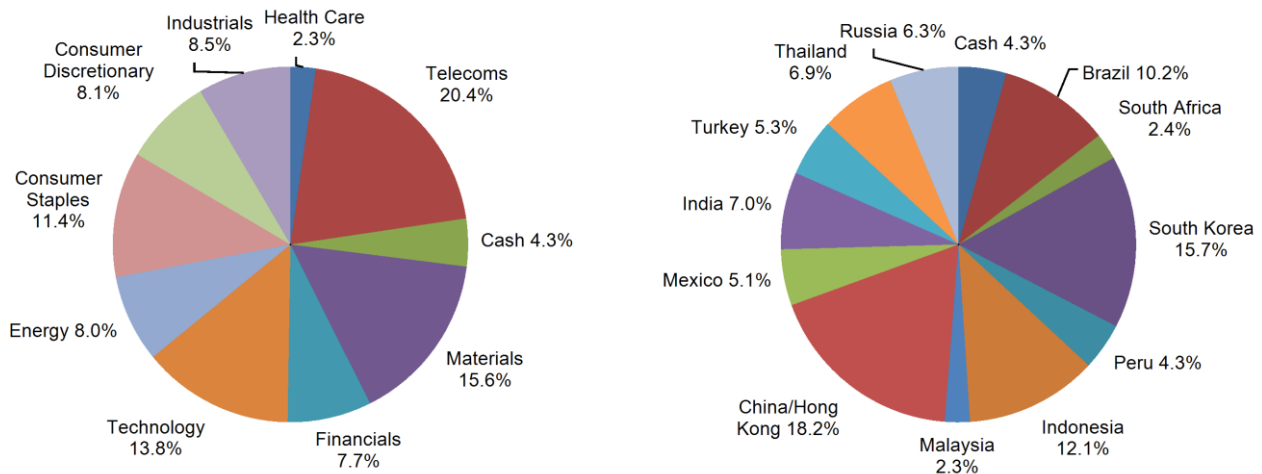
Oldfield Partners

11 Grosvenor Place, London, SW1X 7HH, United Kingdom.
 Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
 www.oldfieldpartners.com

Oldfield Partners LLP is authorised and regulated by the Financial Conduct Authority

Oldfield Partners LLP has approved and issued this communication for use by the Client. It should not be provided to third parties without the consent of Oldfield Partners LLP. Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This document is not a solicitation or offer of investment services. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. Oldfield Partners LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. © 2016 Partnership No. OC309959

Sector and country breakdown as at 31st January 2016



Source: Oldfield Partners.

Commentary

The MSCI Emerging Markets Index had a terrible start to 2016, and the negative sentiment towards the emerging market asset class has clearly yet to change. Against this difficult backdrop the portfolio performed well; and continues with its bias towards higher quality cyclicals, supported by decent balance sheets and/or good assets. The portfolio has less exposure to stable earning stocks, but within this, the telecom stocks are the most notable.

Despite the difficult global macro-economic backdrop we still feel it is possible to do well in selected cyclical stocks that can benefit from positive industry trends or developments, whilst having some downside protection from a decent balance sheet or solid asset base, and low valuations. These are some examples from the portfolio. **Embraer** (Brazilian regional jet manufacturer) has a strong balance sheet, a healthy three year order book, the ongoing replacement cycle in the US, benefits from the weak local currency, and has the right product at the right time, whilst its main competitor (in a near duopoly niche market) is in need of a government bailout. It trades on a price earnings ratio of 12.5 and price to book ratio of 1.4. **Lee & Man Paper** (Chinese containerboard manufacturer) has benefited from the government forcing excess capacity from the smaller scale competitors to withdraw from the industry over the last few years, and it is an indirect means to gain exposure to Chinese consumer growth, and especially retail internet sales growth. It trades on a price earnings ratio of 11 and price to book ratio of 1.2. **Ternium** (Mexican steel producer) may be in a tough global steel market due to China exporting its huge excess capacity, but Ternium benefits from the renaissance of the Mexican manufacturing industry returning from a less competitive China, following years of double digit Chinese wage increases, and particularly of the auto manufacturers that demand its high quality flat steel. It trades on a price earnings ratio of 7 and price to book ratio of 0.5.

Oldfield Partners

11 Grosvenor Place, London, SW1X 7HH, United Kingdom.
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
www.oldfieldpartners.com

Oldfield Partners LLP is authorised and regulated by the Financial Conduct Authority

Oldfield Partners LLP has approved and issued this communication for use by the Client. It should not be provided to third parties without the consent of Oldfield Partners LLP. Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This document is not a solicitation or offer of investment services. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. Oldfield Partners LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. © 2016 Partnership No. OC309959



Emerging Markets Investment Report

January 2016 Newsletter

Oldfield Partners

Among the poor performers during the month by contribution were Samsung Electronics, Petrobras, and Top Glove. **Samsung Electronics** (South Korean consumer electronics) had lacklustre fourth quarter results. The continued focus on shareholder returns, both dividends and share buy-backs, remains a positive, as does the low valuation. **Petrobras** (Brazilian oil & gas) remains in a distressed position having been impacted by the oil price fall, the corruption scandal, and the weaker local currency. The stock price will remain volatile, but in time could perform well if the three aforementioned factors reverse. **Top Glove** (Malaysian rubber gloves) was a star performer last year as the local currency weakened and the company sells its products priced in US dollars into the stable end markets of medical care and food preparation. In the month the local currency strengthened adding a headwind.

The top performers during the month by contribution were Indofood, Telkom Indonesia, and Infosys. Indonesian equities performed well in the sell-off, which benefited both **Indofood** (Indonesian snack foods producer) and **Telkom Indonesia** (leading telecom provider in Indonesia). **Infosys** (Indian IT services) had impressive third quarter results, highlighting a strong deal pipeline, and management were able to raise full year guidance (which should comfort investor concerns over recent pricing pressure and heated competition).

The valuation of emerging market equities continues to be attractive when judged against its longer term valuation history, but there are few positive catalysts at this point to lift sentiment. Valuation alone suggests a decent entry point and this could be enough following years of significant outflows from the asset class. The upside potential from the weighted average of our price targets in the portfolio is 76%.

[Oldfield Partners](#)

11 Grosvenor Place, London, SW1X 7HH, United Kingdom.
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
www.oldfieldpartners.com

[Oldfield Partners LLP](#) is authorised and regulated by the Financial Conduct Authority

Oldfield Partners LLP has approved and issued this communication for use by the Client. It should not be provided to third parties without the consent of Oldfield Partners LLP. Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This document is not a solicitation or offer of investment services. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. Oldfield Partners LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. © 2016 Partnership No. OC309959