

OLDFIELD PARTNERS LLP

EMERGING MARKETS INVESTMENT REPORT

MARCH 2009

Performance Summary as at 31st March 2009

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
March*	+4.5%	+14.4%
2009 to date*	+0.1%	+0.9%
2008	-46.6%	-53.3%
2007	+32.0%	+39.4%
2006	+30.9%	+32.2%
2005	+35.9%	+34.0%
2004	+14.1%	+25.6%
2003	+101.4%	+55.8%
2002	+5.9%	-6.2%
2001	+10.8%	-2.6%
Since Inception**	+238.4%	+107.9%
Since inception pa**	+15.9%	+9.3%

* Estimate used for March 2009.

** Inception 01 Jan 2001.

Performance figures are of the Emerging Markets Equity Composite, calculated on a total return basis inclusive of dividends.

Source: Rawlinson & Hunter, Alta Advisers Ltd, Oldfield Partners LLP, MSCI © and Bloomberg.

Commentary

Emerging markets performed strongly in March. All regions and sectors posted positive gains, but the technology sector and Eastern Europe were notable outperformers. Our recent additions to the portfolio, such as Gazprom and Embraer, performed well, however, overall our tilt towards the companies with less cyclical earnings held us back at this early stage in the rally. Notably our telecom exposure and our smaller capitalisation stocks lagged in the month.

PLDT, Philippino telecom, disappointed us during the month by buying a stake in Meralco, an electric utility. Management billed this as a pre-emptive move, as Meralco has a small telecom business based around its electric wire network. Investors had become accustomed to PLDT paying out a special dividend, to total a 100% payout of earnings, and it is likely PLDT will only pay out 70% for 2009.

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During the month we bought **VTech Holdings**, which is a leading manufacturer of childrens' educational electronic toys and cordless phones. Last summer VTech was the last 'exporter to the Western consumer' stock that we sold, and it is the first that we have bought back. Near term trading will remain difficult, as evidenced by the exit from the market of key competitors, but VTech should be a long term winner. It has a well defined brand and has increasingly won shelf space with its innovative product designs. The company has a solid net cash position, a superb management, and trades on a price earnings ratio of five times.

Towards the end of the month we were exiting **Kimberly-Clark de Mexico**, Mexican manufacturer of tissues and toilet paper. The stock had performed well since purchase and had reached our guide price. We saw little further upside and the possibility of the prices of its two key input costs rising from here.

Sentiment to emerging markets, and wider equity markets, has clearly improved near term. However, investors have hardly thrown caution to the wind. Data for the monthly net inflows into emerging market funds for March showed that they remain subdued. The MSCI Emerging markets index is at a 25% discount to MSCI World on a historic price earnings ratio basis. The fund is trading on a historic price earnings ratio of eight times, a price to cash flow ratio of six times, and a dividend yield of 4%.

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