Oldfield Partners LLP
Emerging Markets Investment Report
March 2011

Performance Summary as at 31st March 2011

US$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
March*	+4.4%	+5.9%
2011 to date	+0.3%	+2.0%
2010	+22.3%	+18.9%
Since Inception**	+661.5%	+346.0%
Since inception pa**	+21.9%	+15.7%

*Estimate used for March 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**)
Petrobras	7.5	+1.6%	+1.6%
Samsung Electronics	7.4	+1.0%	+3.5%
Gazprom	7.1	+10.0%	+10.0%
SK Telecom	7.1	+6.9%	+6.9%
Sino Forest	5.7	+16.5%	+16.9%

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

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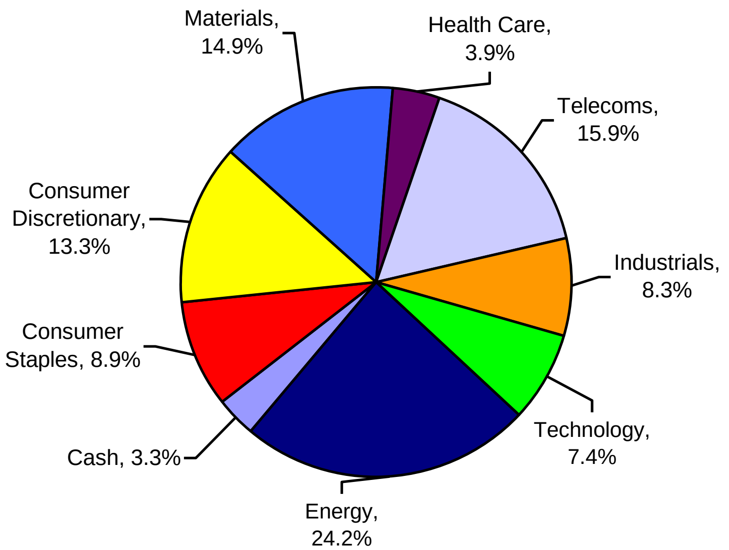
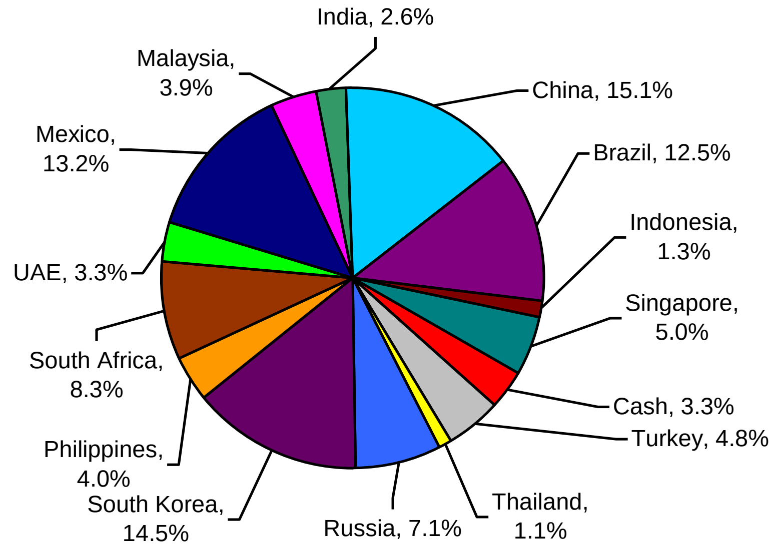
Sector and country breakdown as at 31st March 2011





Source: Oldfield Partners LLP. Representative Portfolio used.

Commentary

One commentator noted that the market is suffering from 'black swan fatigue' following the series of disasters over the last few years from the natural (earthquakes, hurricanes, flooding, tsunamis), a global financial crisis, man-made incidents, and political change in the Middle-East. Yet the valuation of the MSCI Emerging market index remains around its long term historical average. It is worth commenting on the impact of the most recent incidents, the Middle-East and Japan, on the portfolio.

These events are often a surprise to the market, even to those that pride themselves on their macro insights, and the full impacts unknown in the immediate aftermath. The tragedy in Japan is still unfolding and its lasting effect on the global supply chain still unknown. **Top Glove** (Malaysian latex gloves) and **Lonmin** (South African platinum) were impacted in quite different ways, but from a common source: the Japanese auto-industry. With automobile production at a halt there is less demand for platinum group metals to make auto-catalysts, but also for rubber to make tyres. The share price of Lonmin has remained depressed, but in contrast the 20% fall in the rubber price was a welcome relief to Top Glove. **Chaoda** (Chinese vegetable producer) is in a strong position to export produce (via distributors) to the Japanese market, as it meets the stringent quality standards of this market, but initial fear driven rumours of a Chernobyl style radiation cloud caused concern for the stock. **Samsung Electronics** (Korean consumer electronics) looks to have avoided the supply chain issues impacting the global technology companies thanks in part to its, sometimes maligned, Chaebol structure of component manufacturers. The impact on

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the portfolio from the Middle-East has been limited to our holdings in **Turkcell** (Turkish telecom) and **DP World** (Dubai port operator). Turkey is already a stable democracy, and the impact of competition in the local mobile market is far more of a threat than events in surrounding countries. DP World released buoyant full year results in the month, and highlighted increasingly strong volume growth in early 2011 including the UAE region. However, a further deterioration in the stability of the Persian Gulf could have an effect on the company with its key asset being the Jebel Ali port in Dubai. Our energy exposure has benefited from both events, with **Gazprom** (Russian gas) having performed strongly on the positive pricing potential of the likely diversion of Middle-Eastern liquid natural gas (LNG) supplies from the European market towards Japan and a loss of supply from the North African countries to the European market.

It is inflation, through increasing energy and food prices, that remains the key threat to emerging markets. The main impact on the portfolio has been through exposure to the consumer sector. Our exposure to energy and basic materials has been a positive counterbalance this year. It is heartening to see companies like **Yue Yuen** (Chinese footwear manufacturer) exhibiting pricing power in passing on cost increases to its customers recently, but many companies have to absorb rising costs in their margins.

The top three performers by contribution during the month were **Sino-Forest** (Chinese forestry), **Gazprom** (Russian gas) and **Ezra** (Singapore oil services). The bottom three performers by contribution during the month were **Lonmin** (South African platinum miner), **Eros** (Indian Bollywood film producer), and **Chaoda** (Chinese agriculture).

First Pacific benefited in the month as **PLDT** (Philippine telecom), one of its key holdings, moved to consolidate the Philippine mobile market by buying the number three player. This would leave the Philippine wireless market as a duopoly again, and has been well received by investors despite the high valuation paid to complete the deal and dilution from issuing shares. PLDT will continue to pay a generous dividend to First Pacific. First Pacific continues to trade at a 45% discount to its net asset value.

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