

OLDFIELD PARTNERS LLP

EMERGING MARKETS INVESTMENT REPORT

MARCH 2013

Performance Summary as at 29th March 2013

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets*
March**	+0.2%	-1.7%
2013 to date	+5.9 %	-1.6%
Since inception***	+613.3%	+314.6%
Since inception per annum***	+17.4%	+12.3%

*Net Dividends Reinvested.

**Estimate used for March 2013.

***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 LLP, Northern Trust, MSCI © and Bloomberg.

Performance of Five Largest Holdings*

	Portfolio Weighting* %	Monthly Performance (local terms**)	Monthly Performance (USD terms**)
Samsung Electronics	9.2	-1.1%	-3.4%
Embraer	8.5	+5.3%	+5.3%
First Pacific	7.5	+2.5%	+2.4%
Petrobras	6.8	+8.5%	+8.5%
KT&G	6.8	-0.8%	-3.1%

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

**Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg.

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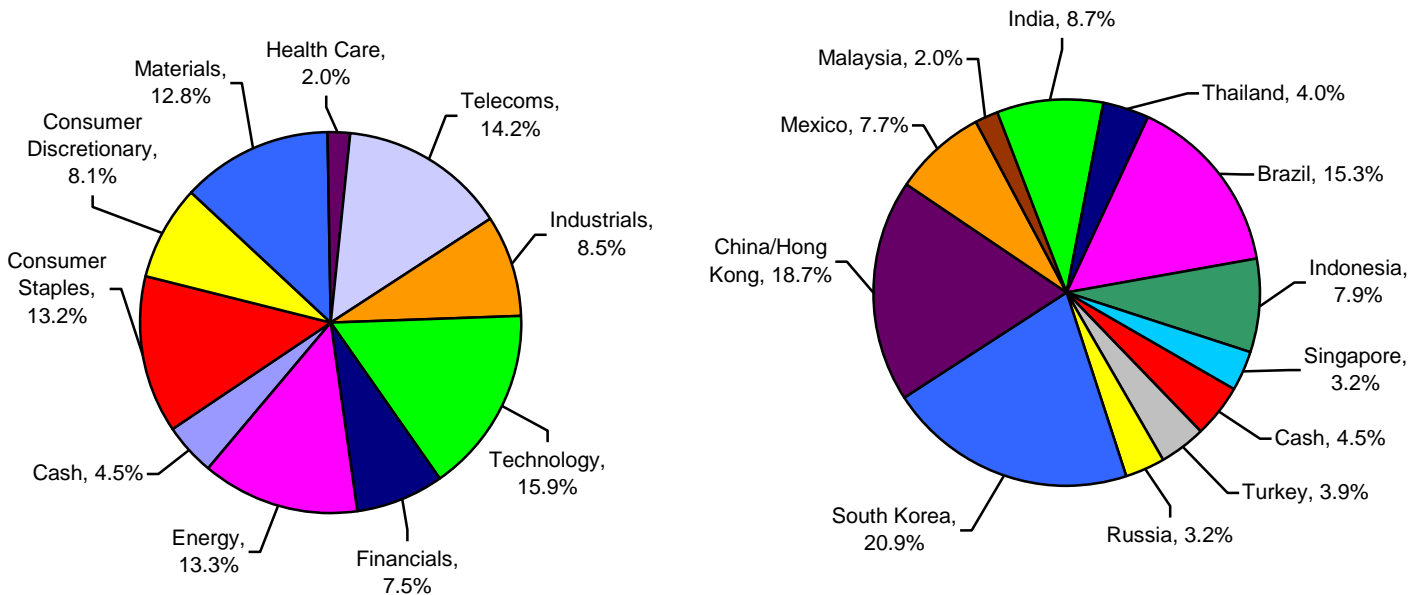
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Sector and country breakdown as at 29th March 2013



Source: Oldfield Partners LLP. Representative Portfolio used.

Commentary

The MSCI Emerging Markets index continues to struggle in 2013 faced with a stronger US dollar and lacklustre returns from commodities. Within emerging markets it is notable that the defensive sectors trade on high price earnings multiples, for example the consumer staples sector on 26 times earnings, and the more cyclical sectors on lower valuations, for example the energy sector trading on a price earnings multiple of 8. The portfolio has a cyclical skew.

Among the worst performers during the month by contribution were Corporacion Geo and Samsung Electronics. **Geo** (Mexican homebuilder), along with the listed Mexican homebuilder sector, continues to be under pressure from the uncertainty surrounding the new government's forthcoming housing policy. Geo has curtailed growth to promote cash flow generation. During the month **Samsung Electronics** (Korean consumer electronics), our largest holding, released its flagship Galaxy S IV smartphone, which will be available in April. The overall technical specification of the phone showcases Samsung's strength in components. The launch across 155 countries highlights the benefits of scale and marketing breadth, which is difficult for its competitors to match. Quarterly sales of the phone are estimated at 25 million units. In terms of features it is viewed as evolutionary, rather than revolutionary, but looks sure to secure Samsung's position in a more competitive high-end smartphone market.

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Among the best performers during the month by contribution were Petrobras and Embraer. **Petrobras** (Brazilian oil & gas) had a surprise increase in the price of diesel. The surprise being that it came on the heels of a price increase in January. It shows that Petrobras, and the government as a shareholder, are committed to international fuel price parity for domestic fuel sales. Petrobras also gave its updated five year business plan, which reassured investors that the company was on target with production growth and capital expenditure plans. **Embraer** (Brazilian regional jet manufacturer) had solid fourth quarter results during the month with operating margins of 12% benefiting from improved sales mix and efficiencies coming through. Embraer is well placed to strengthen its order book from further US regional jet orders this year and the Paris air show this summer.

The portfolio has comfortably outperformed the index for the first quarter of 2013. Valuations are reasonable with the portfolio trading on a price to book ratio of 2 and a historic price to earnings ratio of 13.5. We have 40% upside to the weighted average of the portfolio's price targets.

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