

OLDFIELD PARTNERS

EMERGING MARKETS INVESTMENT REPORT

MARCH 2015

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
March	-3.4%	-1.4%
2015 to date	-0.7%	+2.2%
2014	-2.4%	-2.2%
1 year	-2.5%	+0.4%
3 years annualised	+1.8%	+0.3%
5 years annualised	+0.7%	+1.7%
Since inception**	+592.4%	+310.5%
Since inception annualised**	+14.5%	+10.4%

*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)**
Samsung Electronics	8.8	+6.1%	+5.4%
SK Telecom	8.2	-6.4%	-6.4%
Infosys	7.2	-4.4%	-4.4%
Thai Beverage	6.8	+9.3%	+8.4%
Embraer	6.8	-12.0%	-12.0%

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

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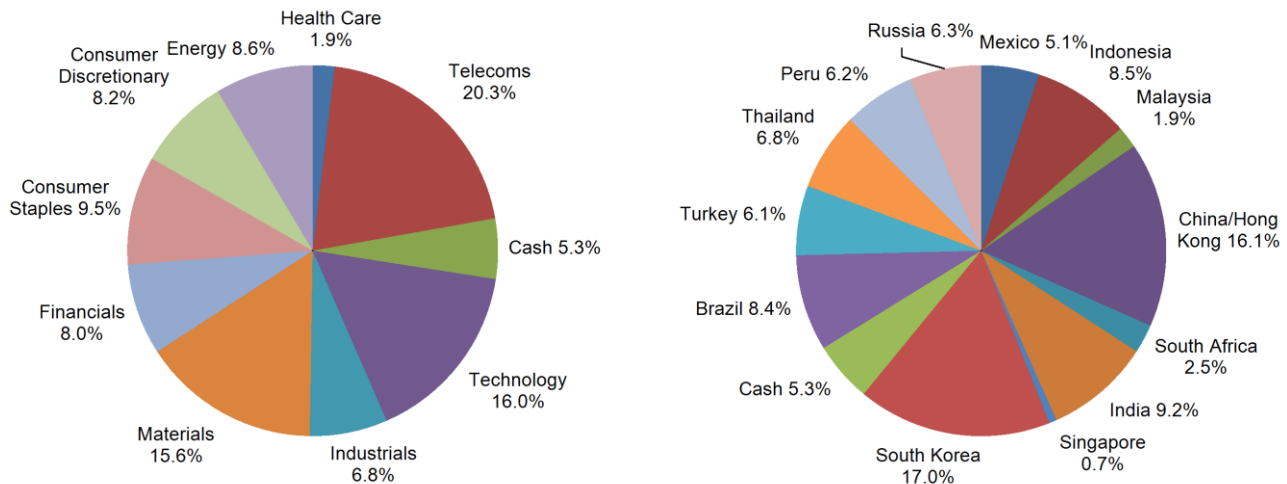
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Sector and country breakdown as at 31st March 2015



Source: Oldfield Partners.

Commentary

The worst performers during the month by contribution were Embraer and Buenaventura. **Embraer** (Brazilian regional jet manufacturer) has been negatively influenced by the poor macro-economic situation in Brazil. The defence business is about 20% of revenues, and continues to grow, increasing exposure to the weak local currency. Unfortunately the Brazilian government is being slow to pay, impacting free cash flow, and some contracts may be delayed as the budget is cut. Overall Embraer is doing well with the majority of revenues in US dollars and with sustained orders in the regional jet market highlighting its strong product offering. Embraer trades on a price earnings ratio of 14, a price to book ratio of 1.5, has a three and a half year order book, and has a strong balance sheet. **Buenaventura** (Peruvian miner) often reflects moves in its most important commodity exposure, the gold price, which was volatile in the month. In addition the mining sector remains out of favour with investors. At its investor day the management focused on the growth coming from its direct mining operations and continued emphasis on cost reduction initiatives. The Cerro Verde copper mine should see output double in the next few years. The stock trades on a prospective price earnings ratio of 10, a price to book ratio of 0.8, and has little debt.

The top performers during the month by contribution were Thai Beverage and Samsung Electronics. **Thai Beverage** (leading Thai alcoholic beverage producer) continued its share price rally on the solid set of fourth quarter results and dividend increase that we wrote about last month. **Samsung Electronics** (Korean consumer electronics) was another stock we covered last month. Investors have increased confidence in the turnaround strategy for the mobile handset division, which had a poor 2014 on the larger iPhone and Chinese competition at the low end, and have been increasing unit sales forecasts for the upcoming Galaxy S6 flagship handset. The stock trades on a price earnings

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ratio of 11 and has net cash at 23% of its market capitalisation - allowing the potential for share buybacks and an increasing dividend.

Other news of note in the portfolio came from **Turkcell** (Turkish mobile operator). Turkcell has paid the dividends it had omitted from 2010 to 2014 due to a shareholder dispute. The dispute dates back to 2005 when Alfa Group (Russian) lent money to Cukurova Group (Turkish), which pledged Turkcell shares in return. This is a one-off dividend yield of 14%, and still leaves the company in a net cash position, and with the ability to pay annual dividends (shareholders permitting). Unfortunately this is likely to be a brief respite in the dispute and was pressed on the two disputing shareholders by manoeuvrings of the Turkish government. Alfa Group has also offered to buy out the Turkish shareholder at an implied 90% premium to the current market capitalisation, but the Turkish government is unlikely to approve a deal allowing Turkcell, the leading mobile operator, to fall into foreign hands, which is something that Alfa Group would certainly know.

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