Oldfield Partners LLP
Emerging Markets Investment Report
May 2012

Performance Summary as at 31st May 2012

US$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
May*	-12.7%	-11.2%
2012 to date	-1.1%	+0.1%
Since Inception**	+464.3%	+256.7%
Since inception per annum**	+16.4%	+11.8%

*Estimate used for May 2012.
**Inception 01 Jan 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 (US$ terms**)
Samsung Electronics	8.8	-12.9%	-16.6%
First Pacific	8.6	-5.1%	-5.1%
Petrobras	7.8	-13.8%	-13.8%
Embraer	7.8	-18.6%	-18.6%
Lee & Man Paper	6.7	-6.3%	-6.4%

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

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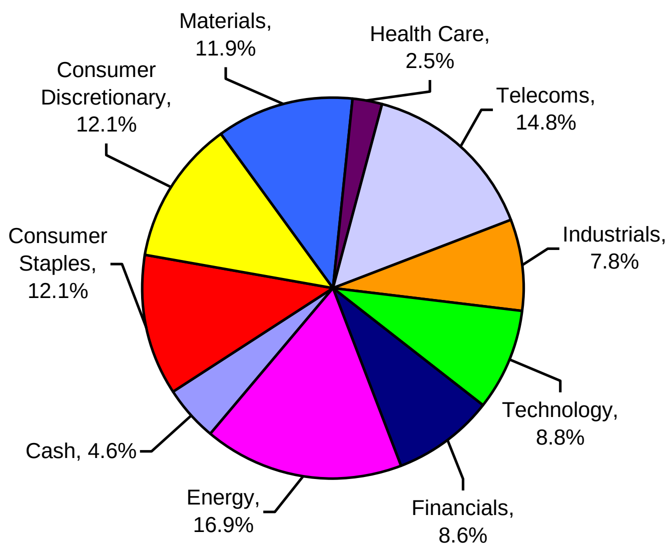
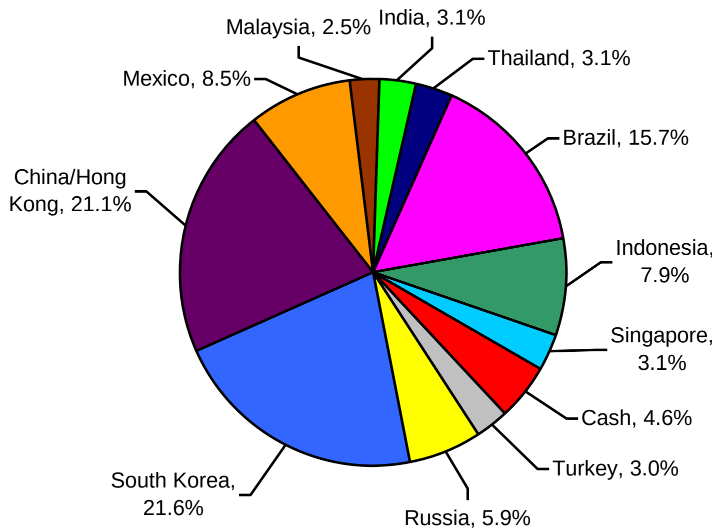
Sector and country breakdown as at 31st May 2012





Source: Oldfield Partners LLP. Representative Portfolio used.

Commentary

Emerging markets reacted badly to the uncertainties coming from Europe and a slowdown in the rate of growth of the Chinese economy. Many cyclical stocks revisited share price levels seen last summer. The visibility and type of the political-economic responses to the current crisis are difficult to judge, but valuations of the MSCI Emerging Markets Index are once again towards the bottom end of the historic range.

We have had a tough calendar year with our mainland Chinese stocks. We looked for certain qualities when investing in China: an entrepreneur to drive the business, high margins by merit of leading market positions or a better business model, alignment with government policy initiatives, and ability to grow in a fast developing economy. Short sellers found many of these qualities attractive too and often rightly so as high margins and the integrity of dealings by the entrepreneur or with third parties were questioned. Auditors who had worked with the companies without incident for years froze or resigned without comment. During the month we have moved **Chaoda Modern** (Chinese vegetable grower) to a zero price in the portfolio as the auditor resigned and we sold **Huabao International** (Chinese tobacco flavouring) ahead of its June full year results release. The uncertainty of a positive outcome in both cases was too great. We hope the auditor stays the course with Huabao International and the results are released successfully, as

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we would revisit this stock, but it felt like we had seen this scenario too often before. Once this purge of Chinese companies has run its course those remaining should have solid corporate governance and trade on attractive valuations, and warrant renewed investor interest. It does not feel we are quite there yet with over thirty Chinese stocks listed in Hong Kong failing to publish accounts so far this year.

This month the performance of stocks in the portfolio had less to do with news flow in the individual names and more to do with wider events in the world and investor sentiment. The bottom three performers by contribution during the month were **Embrae**r (Brazilian regional jets), **Samsung Electronics** (Korean consumer electronics), and **Gazprom** (Russian gas). Embraer and Samsung Electronics had been solid outperformers year to date. The top three performers by contribution during the month were **Thai Beverage** (alcoholic beverages in Thailand), **KT&G** (Korean tobacco), and **Indofood** (Indonesian consumer foods). Each of these stocks has defensive qualities.

The portfolio trades on a historic price to earnings ratio of 10.4 and on a price to book ratio of 1.4. We hold more cash than usual in the hope of taking advantage of volatility in individual stocks.

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