Oldfield Partners LLP
Emerging Markets Investment Report
May 2013

Performance Summary as at 31st May 2013

US$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets*
May**	-2.3%	-2.6%
2013 to date	+4.5%	-3.4%
Since inception***	+604.1%	+307.1%
Since inception per annum***	+17.0%	+12.0%

*Net Dividends Reinvested.
**Estimate used for May 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	+1.2%	-1.4%
Embraer	8.6	+4.1%	+4.1%
Petrobras	7.3	-6.7%	-6.7%
Infosys	7.0	+1.2%	+1.2%
Ternium	7.0	+2.3%	+2.3%

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

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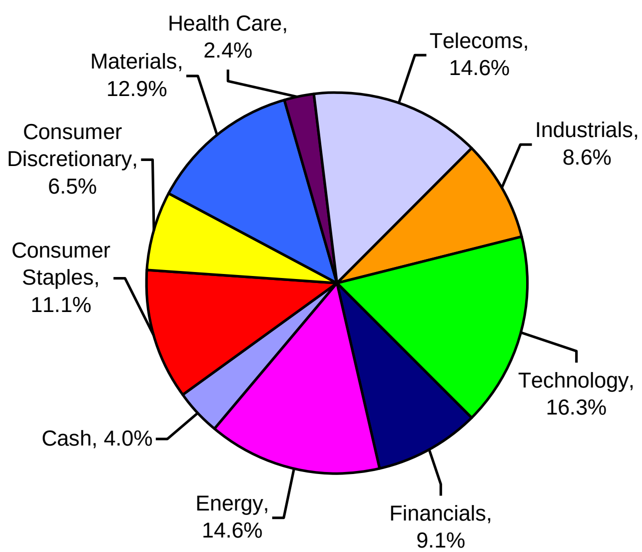
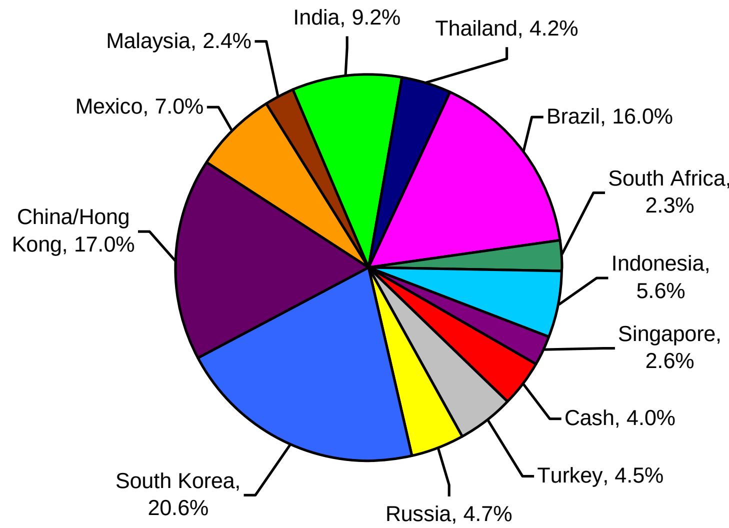
Sector and country breakdown as at 31st May 2013





Source: Oldfield Partners LLP. Representative Portfolio used.

Commentary

The MSCI Emerging Markets Index continues to face concerns ranging from the Chinese economy to potential US monetary policy changes. For some time investors have had the dilemma of choosing between defensive stocks on extended valuations and cheaper cyclical stocks facing macroeconomic uncertainties.

The bottom two performers during the month by contribution were Lee & Man Paper and Yue Yuen. **Lee & Man Paper** (Chinese packaging) fell on concerns over the Chinese economy and softness in containerboard prices in May. Overall the supply and demand picture for the industry looks well balanced. The stock trades on a forward price earnings ratio of 11. **Yue Yuen** (Chinese footwear manufacturer) had poor first quarter results showing erosion in its margins. As Yue Yuen moved away from China to locations in Vietnam and Indonesia it suffered a loss of productivity as new employees were trained. These additional costs cannot be passed on to the clients. We have seen this before as Yue Yuen moved from southern China into the hinterland. In addition, Indonesia had a sharp increase in their minimum wage and generally wages have risen across Asia. Yue Yuen has experience of moving between and operating in the lowest cost regions of Asia. The wage rate for Yue Yuen is 35% lower in Indonesia and 45% lower in

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Vietnam compared to China. China currently accounts for 40% of its production lines and this will fall steadily over time. The stock trades on a price earnings ratio of 9.

The top two performers during the month by contribution were Embraer and SK Telecom. **Embraer** (Brazilian regional jet manufacturer) has benefited from recent new orders from the US. The SkyWest order during the month, following the United and Republic orders, was the third major order this year totalling 137 firm new orders. The production schedule for the next three years is full. These announced orders have approximately 200 options, and Embraer will work hard to translate these into firm orders over the cycle. The Paris air show in mid-June could see more positive news flow. **SK Telecom** (Korean mobile operator) is benefiting from the growth of smartphones, and of smartphones on LTE (4G), in Korea and the higher data usage from this. The typical average revenue per user for a smartphone on 4G is 20% higher than for a smartphone on 3G (and 40% higher than the average mobile user revenue). SK Telecom has 35% of its subscribers using LTE in 2013 rising to an estimated 55% in 2014. Smartphone subscribers account for 60% of its subscriber base. The historic spoiler for the Korean mobile market has been overly aggressive marketing, which for now is being kept in check.

During the month we sold **Indofood** (Indonesian snack foods). The stock had reached our price target. Indofood remains a solid company with exposure to growing consumer spending in Indonesia, and we would be happy to invest again in the future.

Valuations are reasonable with the portfolio trading on a price to book ratio of 1.9 and a historic price to earnings ratio of 13. We have 40% upside to the weighted average of the portfolio's price targets.

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