Oldfield Partners
Emerging Markets Investment Report
May 2015

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
May	-2.7%	-4.0%
2015 to date	+0.7%	+5.7%
1 year	-4.2%	0.0%
3 years annualised	+7.5%	+6.0%
5 years annualised	+2.7%	+4.1%
Since inception**	+601.8%	+324.4%
Since inception annualised**	+14.5%	+10.5%

*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	8.1	-7.3%	-10.3%
Embraer	7.6	-3.4%	-3.4%
SK Telecom	7.2	-17.4%	-17.4%
Buenaventura	6.6	+0.1%	+0.1%
Lukoil	6.5	-6.3%	-6.3%

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

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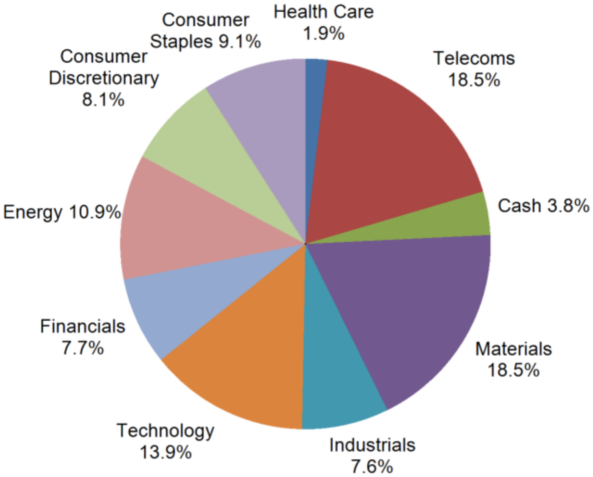
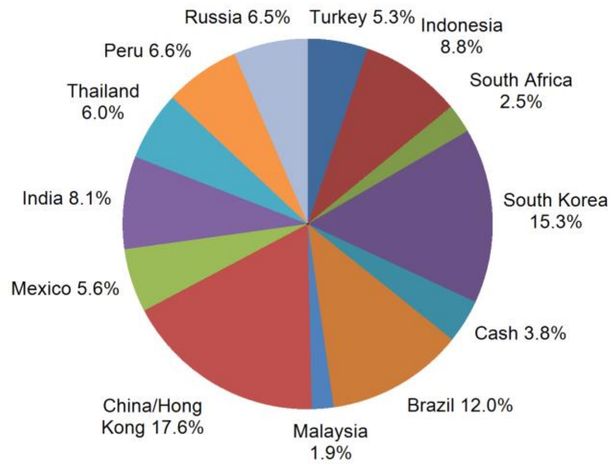
Sector and country breakdown as at 31st May 2015





Source: Oldfield Partners.

Commentary

It has been a difficult year to date for emerging market equities with a large net outflow from the asset class. The two notable areas of good performance for emerging markets have been Chinese equities and the energy sector (and so Russia). We have over 50% upside to the weighted average of the price targets in the portfolio, and believe that emerging markets are attractively valued.

The worst performers during the month by contribution were our two Korean companies, SK Telecom and Samsung Electronics. **SK Telecom** (leading Korean mobile operator) has been weak as investors fret about mobile competition heating up and the possibility of another player entering the market (unlikely in our opinion). Although there will be episodes of competition from time to time it is less likely that Korea will revert to its bad old ways of cut-throat competition. The market is mature and the regulator (and government) is in favour of restrained competition. SK Telecom continues to promote a more shareholder friendly agenda with share buy backs and potential dividend increases. The company trades on a price earnings ratio of 11. **Samsung Electronics** (Korean consumer electronics) continues to do well in its two key divisions, semiconductors and mobile handsets, and we have written on these recently. It also has a more shareholder friendly agenda than in the past with share buy backs and dividend increases. Samsung Electronics trades on a price earnings ratio (excluding cash) of 6.

The top performers during the month by contribution were Lee & Man Paper and Telkom Indonesia. **Lee & Man Paper** (Chinese containerboard producer) has belatedly joined the Chinese equity rally. The recent strong move in its share price coincides with the product price increases it made rather than just Chinese liquidity, and so we are hopeful it is based on fundamentals. As capacity additions are restrained in the Chinese containerboard industry Lee & Man Paper should be a key beneficiary.

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The government is keen to reduce smaller less environmentally efficient players, and recently the Guangdong provincial government was even offering cash incentives to them to close. Fears of a large share overhang have receded as the family bought the shares Nippon Paper wanted to sell as it exits the relationship with the company. The stock trades on a price earnings ratio of 12.5. **Telkom Indonesia** (leading Indonesian mobile operator) is benefiting from the growth in mobile, moving from 2G to 3G, and now broadband in an underpenetrated market. Broadband penetration in Indonesia is around 10%, and Telkom has the added benefit of being the operator that can offer bundled packages and has superior networks. With a rock solid balance sheet and growth in free cash flow there is scope, if the government approves, for more generous dividends.

The emerging market equity funds we manage have collectively fallen below the capacity limit for the strategy of US$1 billion. We want to highlight to existing and potential investors that the funds have capacity available and we would be delighted to discuss the emerging market opportunity with interested investors.

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