



Emerging Markets Investment Report

May 2016 Newsletter

Oldfield Partners

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
May	-1.7%	-3.7%
2016 to date	+17.9%	+2.3%
1 year	-2.3%	-17.6%
3 years annualised	-0.9%	-4.9%
5 years annualised	-1.1%	-4.8%
Since inception**	+585.8%	+249.6%
Since inception annualised**	+13.3%	+8.5%

*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	8.4	+3.8%	0.0%
SK Telecom	7.7	+4.1%	+4.1%
Buenaventura	7.5	-5.9%	-5.9%
Thai Beverage	7.2	+19.6%	+16.9%
Ternium	6.8	-6.0%	-6.0%

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

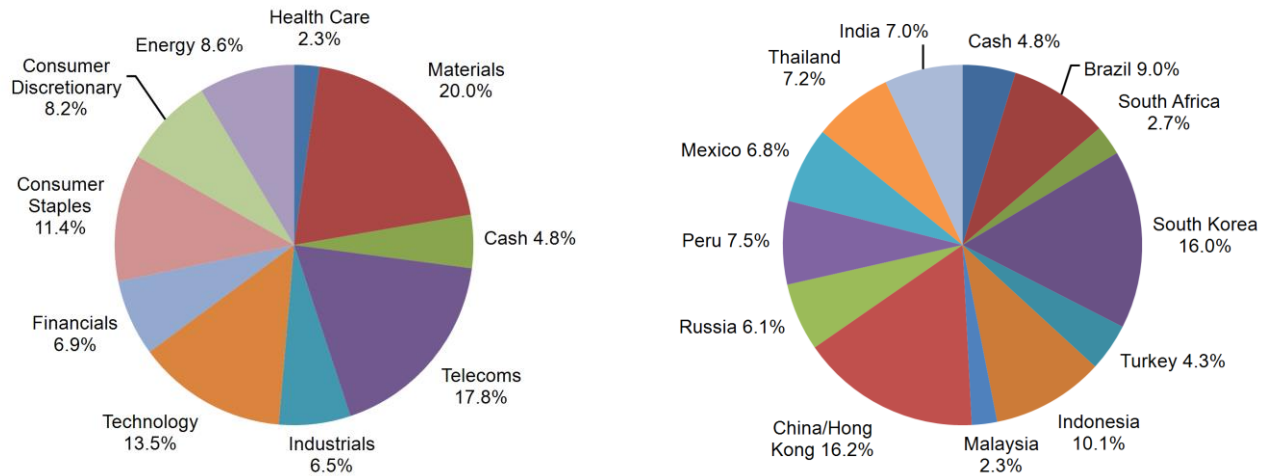
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Sector and country breakdown as at 31st May 2016



Source: Oldfield Partners.

Commentary

The valuation of emerging markets remains attractive with the index trading on a price to book ratio of 1.4, well below the historic longer term average, and the upside to the weighted average price targets of the portfolio is 50%. Emerging market equities remain out of favour with continued outflows year to date, following significant outflows from the asset class every year since 2013.

The bottom performers during the month by contribution were Petrobras and Turkcell. **Petrobras** (Brazilian oil & gas) got another new CEO as the administration changed following the impeachment of President Rousseff. More positively the company successfully regained access to the debt markets. The first quarter results were uneventful. **Turkcell** (leading Turkish mobile operator) was impacted by Turkish politics that weighed on equity market sentiment.

The top performer during the month by contribution was Thai Beverage, followed by two of our telecom stocks, Telkom Indonesia and SK Telecom. **Thai Beverage** (leading alcoholic beverage company in Thailand) had excellent first quarter results showing a solid recovery in the long disappointing beer business and inventory build of spirits by retailers ahead of a tax increase. **Telkom Indonesia** (leading Indonesian telecom company) had very good first quarter results driven by the growth in data, although all the business performed well. Telkom has strong mobile and fixed line franchises, and having by far the best network it is ideally placed to benefit from the growth of wireless data and broadband in the country. Around 60% of its subscribers are using 2G, so the growth to 3G (and less so 4G) remains strong.

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