Oldfield Partners LLP
Emerging Markets Investment Report
July 2009

Performance Summary as at 31st July 2009

US$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
July*	+11.2%	+11.2%
2009 to date*	+45.2%	+51.3%
2008	-46.6%	-53.3%
2007	+32.0%	+39.4%
2006	+30.9%	+32.2%
2005	+35.9%	+34.0%
2004	+14.1%	+25.6%
2003	+101.4%	+55.8%
2002	+5.9%	-6.2%
2001	+10.8%	-2.6%
Since Inception**	**+390.5%**	**+211.6%**
Since inception pa**	**+20.4%**	**+14.2%**

* Estimate used for July 2009.
** Inception 01 Jan 2001.
Performance figures are of the Emerging Markets Equity Composite, calculated on a total return basis inclusive of dividends, inclusive of all distributions to unit holders.
Source: Rawlinson & Hunter, Alta Advisers Ltd, Oldfield Partners LLP, MSCI © and Bloomberg.

Commentary

The summer months have historically been melancholy for emerging markets, so the recent strength has shown that investors are keen to 're-risk' their portfolios. Markets have begun to shrug off bad news and focus on a recovery. Emerging markets have been a clear beneficiary.

Investors have moved to where they see the growth, and this has been China-centric. China trades on a price earnings ratio of 18 and China linked stocks have performed well. US and Western European related investments have lagged year to date, and to the extent that we wonder if they should now play catch up if investors perceive that the recovery is broadening. Investors may become less China obsessed in the second half of 2009, and this may benefit laggard markets, such as Mexico and Eastern Europe.

Emerging markets are the darling of investors currently. The asset class has seen sizeable inflows year to date, and interestingly emerging market ETFs (exchange traded funds) have seen a

Oldfield Partners LLP,
130 Buckingham Palace Road, London, SW1W 9SA.
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
www.oldfieldpartners.com

sizeable chunk of that inflow. The valuation of the MSCI Emerging markets index is currently in the mid cycle area. On a price earnings ratio the index trades at 16 and on a price to book ratio of 2, which are a 5% and 1% premium respectively to their ten year averages. Emerging markets trade at an approximate 5% discount to developed markets. This is hardly table thumping territory for the asset class.

In contrast the portfolio is valued at a price earnings ratio of 10 and a price to book ratio of 1.7. The average return on equity of our portfolio is 18% against 12% for the index. By way of example our investments in China are valued on price earnings ratios of between 5 and 10, which is far below the aggregate China valuation.

During the month the top three performers (by contribution) were Samsung Electronics, **Sino-Forest**, and Asia Satellite. It was particularly heartening to see **Asia Satellite** performing. The company operates satellites spanning Asia, has 80% recurring revenue each year, and half its market capitalisation is net cash. The real catalyst for value being unlocked in this stock lies with its two largest shareholders, who account for 75% of the shares outstanding, but as yet there is no new news to report. **Samsung Electronics** reported a solid set of second quarter results during the month. The deep cyclical divisions of the business, such as memory chips, have yet to begin making a contribution, and so we see further upside as the recovery begins. The bottom three performers were **Philippine Long Distance Telecom** (PLDT), **Thai Beverage** and **Eros** – although there was no disgrace in their monthly performance and no events to report on. We sold PLDT during the month, but retain exposure to the company through our holding in **First Pacific**. First Pacific trades at a 50% discount to its net asset value.

As we pass through results season it is becoming clear that companies implemented effective cost reduction initiatives, which have helped protect the profit line. As one commentator highlighted this is the first recession that management can react in real time using enterprise resource planning (ERP) systems. The top line has been less spectacular, and we may need this to improve from here to buoy market expectations; but the benefit of easier year on year comparisons and sidelined cash balances coming back into the market could support equity markets meanwhile. Viewed from a more optimistic angle the MSCI Emerging Markets index would have to rise another 55% from here to regain its 2007 peak.

Oldfield Partners LLP,
130 Buckingham Palace Road, London, SW1W 9SA.
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
www.oldfieldpartners.com