

OLDFIELD PARTNERS LLP

EMERGING MARKETS INVESTMENT REPORT

JULY 2011

Performance Summary as at 29th July 2011

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
July*	+1.7%	-0.4%
2011 to date	-9.4%	+0.4%
2010	+22.3%	+18.9%
Since Inception**	+587.8%	+338.9%
Since inception pa**	+20.0%	+15.0%

*Estimate used for July 2011.

**Inception 01 Jan 2001.

Performance figures are of the Emerging Markets Equity Composite, calculated net of all fees and expenses 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	8.6	+2.2%	+3.5%
Petrobras	7.5	+0.2%	+0.2%
KT&G Corp	7.2	-1.2%	+0.1%
SK Telecom	6.1	-14.9%	-14.9%
Embraer	6.1	-4.1%	-4.1%

*As at end of period, using a representative portfolio.

**Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg.

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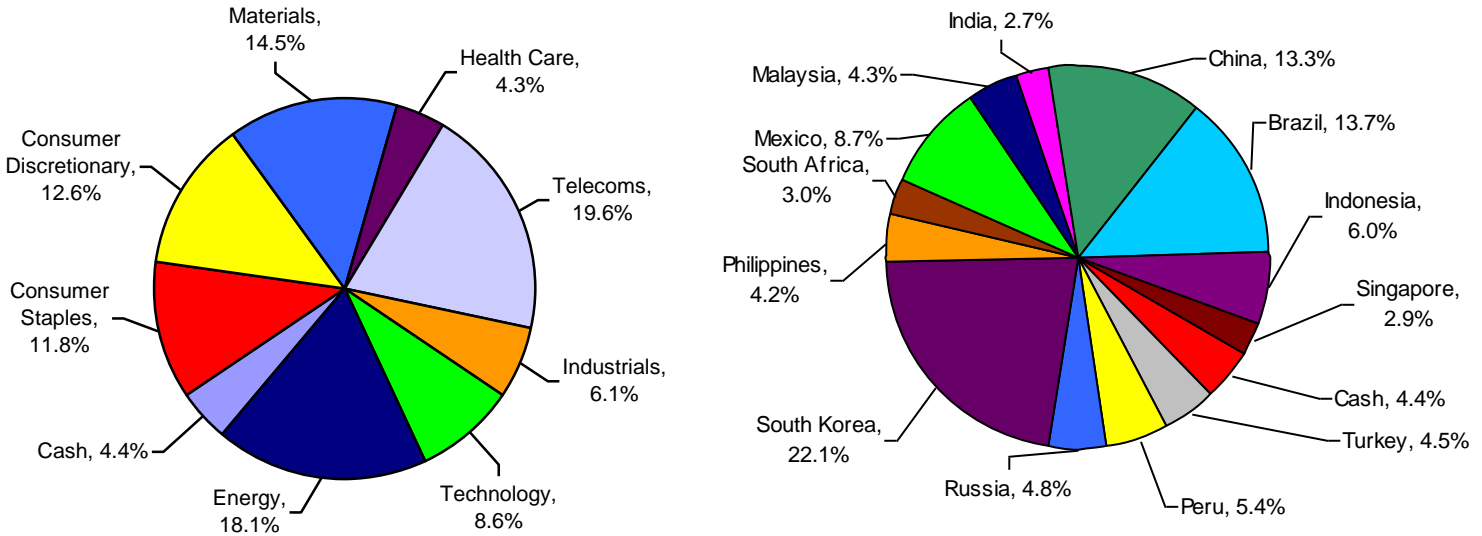
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Sector and country breakdown as at 29th July 2011



Source: Oldfield Partners LLP. Representative Portfolio used.

Commentary

Macro-economic concerns abound. Concerns over continued tightening by China and a slowdown from the US and Europe continue to impact equity market sentiment. Latin America has been caught in the middle and is the worst performer this month (and year), whilst Asia has held up reasonably well. Overall the MSCI Emerging markets index has moved sideways this year. Cyclical and exporting stocks are not in favour as investors seek domestic demand orientated exposure. Emerging markets have seen an outflow year to date of approximately \$12 billion after two years of significant inflow.

The bottom two performers by contribution during the month were SK Telecom and Geo. **SK Telecom** (Korean mobile operator) was a disappointment as it entered a bid to buy a stake in Hynix (Korean semiconductors). This overturns the progress the company had made with investors in becoming a more focused and shareholder friendly company. We see little justification for such an investment, and it would join stakes such as in **Posco** (Korean steel manufacturer) in SK Telecom's 'portfolio'. The company has a history of submitting interest in companies without following through, so we are watching at this stage. SK Telecom trades on a price earnings ratio of 8 and a 6% dividend yield. The share price of **Geo** (Mexican homebuilder) has been weak this year on concerns over slowing economic growth and the company's growth plans. Geo is investing in pre-fabricated units, geographic expansion, higher rise buildings, and supply chain improvements. The supply of mortgages for low income housing in Mexico remains underpinned by quasi-government funded institutions and pent up demand is substantial due to

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historically poor housing supply. We do not see any change in the fundamentals over the medium term. Geo fared well operationally in the last downturn, which favoured the low income segment and the larger players. Geo trades on a price earnings ratio of 9 and a price to book ratio of 1.3.

Our most problematic holding for 2011, **Sino-Forest** (Chinese forestry), regained some composure in June and the share price increased 130% during the month (and over three fold from its recent low). It is still down 68% year to date and will remain highly volatile. Sentiment improved as a couple of well regarded investors took significant stakes (over 25% combined) in the company ahead of the report by the independent committee. We have tripled our holding in the company since the share price corrected sharply in early June (following the report by the short seller Muddy Waters) and believe the share price remains significantly undervalued on a price earnings ratio of 5. It was (by far) our best performer by contribution during the month.

The other strong performers by contribution during the month were First Pacific and Buenaventura. **First Pacific** (Hong Kong holding company) continues to trade at a 50% discount to net asset value, whilst its underlying holdings in Indonesia and the Philippines continue to perform well. A recent visit to **Indofood** (one of First Pacific's holdings) in Indonesia highlighted the strength of this operating company and the attractiveness of the consumer space in this country. **Buenaventura** (Peruvian gold miner) gained with the gold price and the 'moderate' behavior of the recently elected President in appointing his key ministers.

We sold the last of our holding in **Lonmin** (South African platinum) during the month. We had been steadily selling from late May. Lonmin has been a troubled holding for us, with a promising corporate restructuring set against rising labour costs (and militancy) and uncertain automotive demand in Europe. Each time Lonmin looked to be on track to meet a strategic objective another 'one off' incident would occur.

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