

OLDFIELD PARTNERS

EMERGING MARKETS INVESTMENT REPORT

JULY 2014

Performance Summary as at 31st July 2014

USD terms	Emerging Markets Equity Composite	Index*
July**	+3.1%	+1.9%
2014 to date**	+8.1%	+8.2%
1 year	+16.2%	+15.3%
3 years annualised	+4.0%	+0.4%
5 years annualised	+9.5%	+7.3%
Since inception***	+672.5%	+344.1%
Since inception annualised***	+16.2%	+11.6%

*MSCI Emerging Markets (Net Dividends Reinvested).

**Estimate used for July 2014.

***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, Northern Trust, MSCI © and Bloomberg.

Performance of Five Largest Holdings*

	Portfolio Weighting* (%)	Monthly Performance (local terms**)	Monthly Performance (USD terms**)
Samsung Electronics	7.6	+1.6%	-0.4%
Embraer	7.5	+4.4%	+4.4%
SK Telecom	7.2	+9.1%	+9.1%
Petrobras	6.9	+7.5%	+7.5%
Turkcell	6.4	+4.7%	+4.7%

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

**Total return inclusive of dividends.

Source: Oldfield Partners and Bloomberg.

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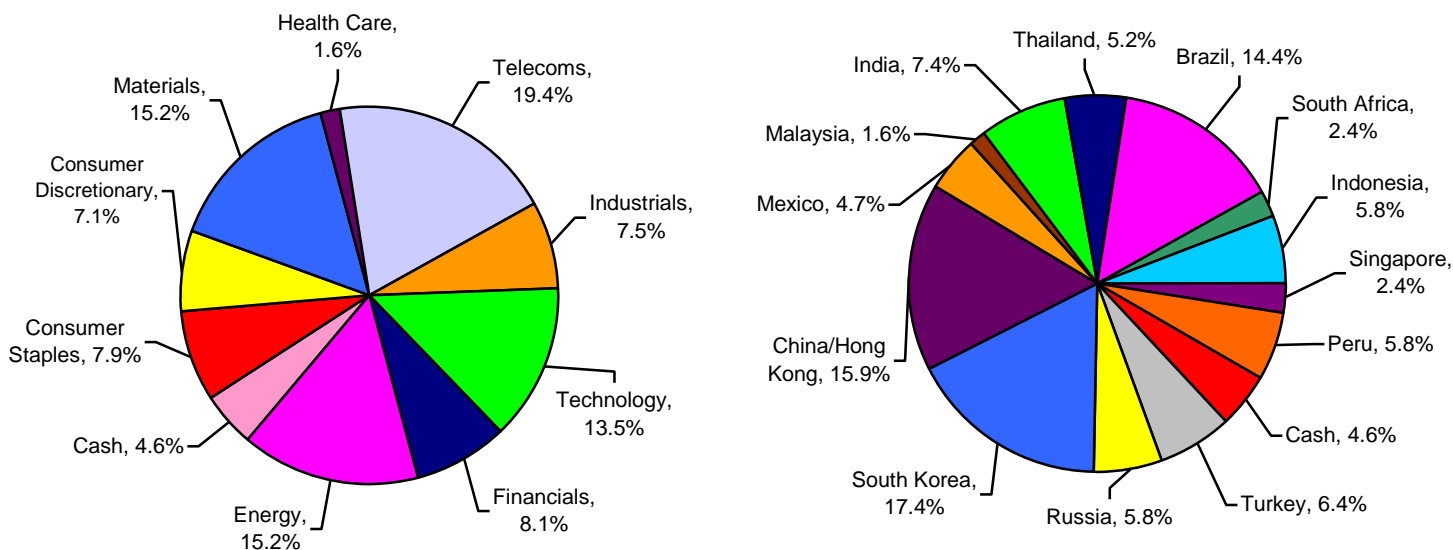
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Sector and country breakdown as at 31st July 2014



Source: Oldfield Partners. Representative Portfolio used.

Commentary

Emerging market equities continued to rally, and the portfolio handsomely outperformed the MSCI Emerging Markets Index over the month. Valuations for emerging markets continue to look attractive.

The worst performers during the month by contribution were Ternium and Lukoil. **Lukoil** (Russian oil & gas producer) suffered from the negative sentiment created by the downing of a commercial aircraft over the Ukraine and increased sanctions against Russia from the EU and the USA. Although the impact of sanctions on Lukoil look limited to date, their scope has been widened to impact some parts of the oil industry and companies with state involvement. Lukoil trades on a price earnings ratio of 4, 0.5 times book value, and has a strong balance sheet. **Ternium** (Latin American steel producer) had slightly disappointing second quarter results, which highlighted a strong Mexican steel market, but were impacted by cost headwinds and maintenance stoppages. Exposure to Argentina is a negative to sentiment. Management was slightly more optimistic for the third quarter results. Ternium trades on a price earnings ratio of 10.5 and at one times book value.

The top performers during the month by contribution were SK Telecom, Lee & Man Paper, and Petrobras. **SK Telecom** (Korean mobile operator) had solid second quarter results, and we remain positive on the growth it is seeing in mobile data and the moves by the regulator to curb excessive

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marketing costs. There is scope to increase its dividend in the future, given ample free cash flow and a strong balance sheet. It trades on a price earnings ratio of 12 and 1.6 times book value. **Lee & Man Paper** (Chinese packaging) expects the seasonally stronger second half to be better with new capacity coming online and possible price increases towards year end. In China there is likely to be little new capacity added for the industry over the next two years. The company trades on a price earnings ratio of 12 and 1.4 times book value. **Petrobras** (Brazilian oil & gas producer) has seen its share price moved around on the expectations for the Brazilian elections in October, but arguably more important, there is also a solid oil production growth story this year (+5%) as the new pre-salt assets start producing. Petrobras trades on a price earnings ratio of 10 and 0.8 times book value.

Chaoda Modern (Chinese agriculture) suffered another setback with the resignation of its auditor, citing limitations to the scope of the audit that would require responses from third parties that may not co-operate. Without audited accounts the company's shares will remain suspended. The company is looking for a new auditor; however, following this event the future looks highly uncertain. We have held the shares at a zero price in the portfolio since May 2012.

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