

OLDFIELD PARTNERS

EMERGING MARKETS INVESTMENT REPORT

JULY 2015

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
July	-4.7%	-6.9%
2015 to date	-5.1%	-4.2%
1 year	-14.4%	-13.4%
3 years annualised	+3.6%	+0.6%
5 years annualised	+0.2%	+0.6%
Since inception**	+561.2%	+284.7%
Since inception annualised**	+13.8%	+9.7%

*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	8.0	-6.9%	-10.5%
Embraer	7.8	-7.8%	-7.8%
SK Telecom	7.5	-3.2%	-3.2%
Infosys	6.6	+6.6%	+6.6%
Telkom Indonesia	6.4	-0.9%	-0.9%

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

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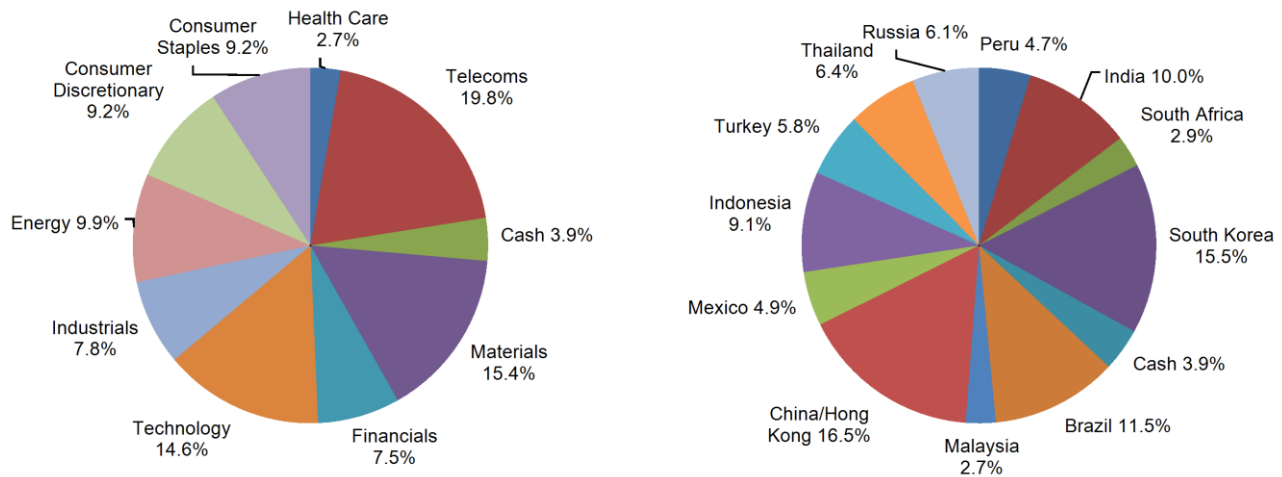
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Sector and country breakdown as at 31st July 2015



Source: Oldfield Partners.

Commentary

The MSCI Emerging Markets Index took a sharp tumble in the month, and the portfolio fell with it, but less so. The rally in the local Chinese equity market earlier in the year has all but unwound. Investors continue to worry foremost about the start of the US tightening cycle and the ongoing slowdown in the Chinese economy, and have pulled over \$20 billion from the asset class this year. The valuation of the MSCI Emerging Markets Index is well below its longer term historic average, and so attractive, but lacking a clear catalyst over the summer months. As an interesting comparison Russia is the best performing emerging market (of size) this year – despite facing the major headwinds of sanctions and lower oil prices – but it was, and still is, on the cheapest valuation of all.

The worst performers during the month by contribution were **Buenaventura** (Peruvian miner), **Petrobras** (Brazilian oil & gas), and **Samsung Electronics** (South Korean consumer electronics). The share price of Buenaventura has fallen with the gold price, and poor sentiment towards gold, as the European crisis fades and the US inches closer to a tightening cycle. Petrobras remains under pressure from the corruption scandal repercussions and the weaker oil price dents sentiment. Management have not adjusted domestic fuel prices to reflect the sharply lower international oil price, and so they are at a premium. Unfortunately in the month the company received an unexpected tax ruling, and although small, if the company needs to provision for similar cases it may impact profits. Samsung Electronics is showing good resilience in its mobile handset and semiconductor businesses, but the ongoing

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generational transition of the family and the wider Samsung group restructuring is likely to keep the share price under pressure until a definitive event occurs. It trades at book value, which has long been a good entry point for the patient investor.

The top performers during the month by contribution were **Eros International** (Indian Bollywood films) and **Infosys** (Indian IT services). We first invested in Eros in 2006 with a long term view to the management quality, market opportunity, and unrivalled content, and have seen many ups and downs along the way. The share price of Eros has performed very well recently as its film slate has met success and the possibility arose of selling a stake in its online media business, ErosNow. ErosNow was given little valuation by investors but could have a value approaching the entire company's market capitalisation as before the recent share price rally. Infosys has been another volatile, but successful, performer since our investment in 2012 as the business grappled with the recovery in IT services demand, its positioning in the industry, and internal management changes. Infosys had strong first quarter results in the month highlighting the success of the ongoing changes in the company to increase cross selling and stimulate new large client wins. Management were able to raise its US dollar full year revenue guidance.

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