



# Emerging Markets Investment Report

## July 2016 Newsletter

Oldfield Partners

### Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
July	+6.3%	+5.0%
2016 to date	+35.4%	+11.8%
1 year	+19.2%	-0.7%
3 years annualised	+5.8%	-0.3%
5 years annualised	+2.8%	-2.7%
Since inception**	+687.8%	+281.8%
Since inception annualised**	+14.2%	+9.0%

\*MSCI Emerging Markets (Net Dividends Reinvested). \*\*Inception 1<sup>st</sup> 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	9.2	+8.1%	+11.8%
Buenaventura	9.0	+22.6%	+22.6%
SK Telecom	7.3	+9.5%	+9.5%
Ternium	6.9	+13.8%	+13.8%
Thai Beverage	6.4	+13.7%	+14.2%

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

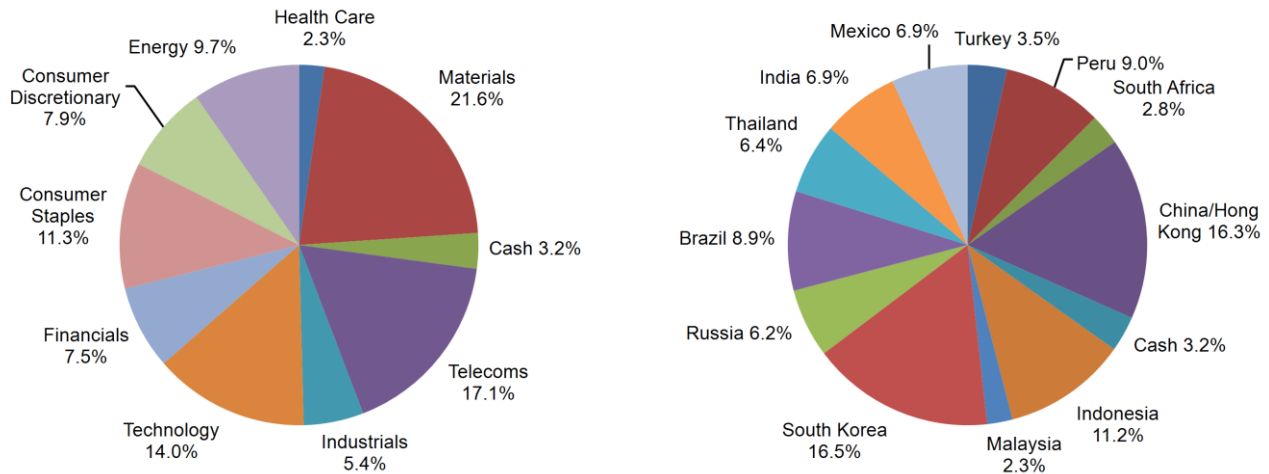
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### Sector and country breakdown as at 31<sup>st</sup> July 2016



Source: Oldfield Partners.

### Commentary

Recently there have been solid inflows into emerging market equities and net inflow this year has turned positive. The weaker and stronger performers in the portfolio this month were a continuation of the performance pattern we have seen this year.

The laggards during the month by contribution were Embraer, Infosys, and Turkcell. **Embraer** (Brazilian regional jet manufacturer) has been impacted by the weaker business jet environment. This is unlikely to improve near term, and management will act on costs and right-sizing production to protect margins. **Infosys** (Indian IT services) had disappointing first quarter results leading it to cut full year revenue growth guidance. It was another weaker quarter from discretionary spending hurting consulting. **Turkcell** (Turkish mobile operator) was impacted by the uncertainty created by the attempted coup in Turkey. The government's subsequent reaction being perhaps as worrying as the coup itself, and the situation needs watching before any addition to Turkcell could be made.

The top performers during the month by contribution were Buenaventura and Samsung Electronics. These are the two largest positions in the portfolio. **Buenaventura** (Peruvian miner) had strong second quarter results boosted by higher gold prices and good cost performance. **Samsung Electronics** (Korean consumer electronics) had strong second quarter results with all divisions performing well or entering an upturn phase. It is particularly pleasing to see mobile handset operating margins back to 16% following last year's fall to 8%. The outstanding operational ability has the company well placed strategically, and its financial strength should see further shareholder returns coming.

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