



Emerging Markets Investment Report

August 2016 Newsletter

Oldfield Partners

USD terms	Emerging Markets Equity Composite	Index*
August	-2.5%	+2.5%
2016 to date	+32.1%	+14.5%
1 year	+25.8%	+11.8%
3 years annualised	+5.6%	+1.1%
5 years annualised	+4.6%	-0.4%
Since inception**	+668.4%	+291.3%
Since inception annualised**	+13.9%	+9.1%

*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	9.1%	+5.3%	+5.0%
SK Telecom	7.6%	-4.9%	-4.9%
Buenaventura	7.0%	-15.7%	-15.7%
Lukoil	7.0%	+4.9%	+4.9%
Lee & Man Paper	6.2%	+6.7%	+6.7%

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

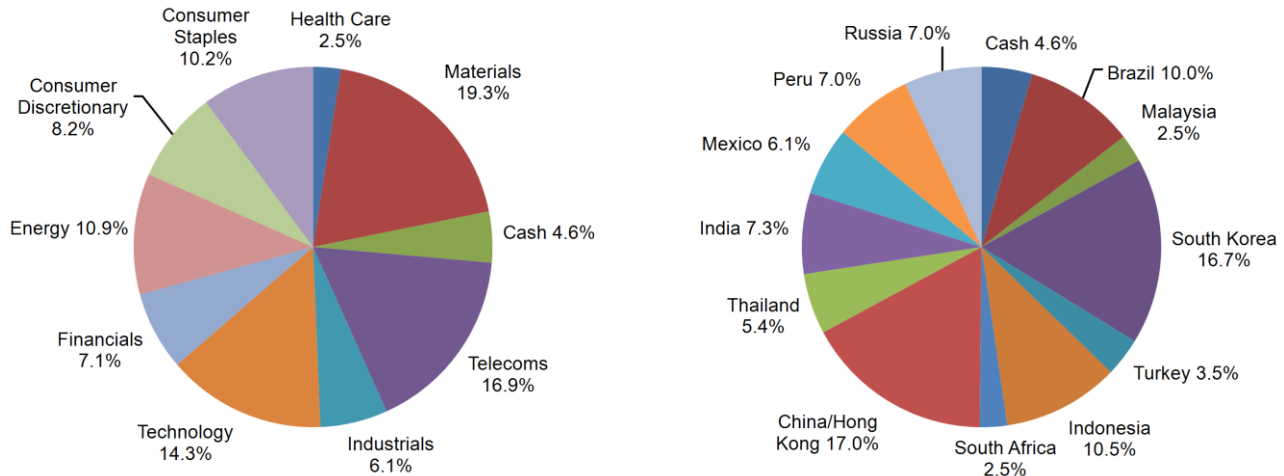
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Sector and country breakdown as at 31st August 2016



Source: Oldfield Partners.

Commentary

Emerging market equities have seen solid inflows into the asset class over the summer. The valuations remain attractive. The upside potential for the portfolio from the weighted average of the price targets is 40%.

The laggards during the month by contribution were Buenaventura and Ternium. The biggest disappointment was a souring of sentiment towards gold miners in the month due to the increasing possibility of a US interest rate rise in 2016. The gold price fell a modest 3% in the month, but gold miners' share prices saw profit taking after a strong rally year to date. **Buenaventura** (Peruvian miner) trades at book value with a strong balance sheet. **Ternium** (Latin American steel producer) had strong second quarter results in the month and expects the momentum to continue through the second half of the year. The Mexican steel market remains in a sweet spot. Ternium trades on a price earnings ratio of 10, at book value, and has a strong balance sheet.

The top performers during the month by contribution were Samsung Electronics and Lee & Man Paper. In addition the oil price rallied in the month, which benefited the oil names – **Petrobras** (Brazil) and **Lukoil** (Russia). **Samsung Electronics** (Korean consumer electronics) has benefited from increasing investor confidence in the mobile handset division, following the successful release of the Galaxy S7, and for a recovery in the DRAM cycle. More recently a recall for the newly released Note 7 due to battery issues has hurt the share price, although it is likely the issue can be resolved quickly. Samsung Electronics trades on a price earnings ratio of 10, a price to book value of 1.2, and has net cash. **Lee & Man Paper** (Chinese containerboard manufacturer) posted strong first half results, with a positive supply/demand backdrop allowing containerboard price increases over the summer. Industry supply discipline and forced closure of smaller players by the government suggest the positive industry fundamentals will continue. Lee & Man Paper trades on a price earnings ratio of 11 and a price to book ratio of 1.7.

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