

OLDFIELD PARTNERS LLP

EMERGING MARKETS INVESTMENT REPORT

OCTOBER 2012

Performance Summary as at 31st October 2012

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets*
October**	+1.3%	-0.6%
2012 to date	+14.1%	+11.3%
Since inception***	+551.0%	+296.8%
Since inception per annum***	+17.1%	+12.3%

*Net Dividends Reinvested.

**Estimate used for October 2012.

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

Performance of Five Largest Holdings*

	Portfolio Weighting* %	Monthly Performance (local terms**)	Monthly Performance (USD terms**)
Samsung Electronics	9.3	-2.7%	-0.6%
Embraer	8.1	+4.8%	+4.8%
Petrobras	7.2	-7.0%	-7.0%
Lee & Man Paper	7.2	+19.7%	+19.8%
First Pacific	6.7	+2.4%	+2.4%

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

**Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg.

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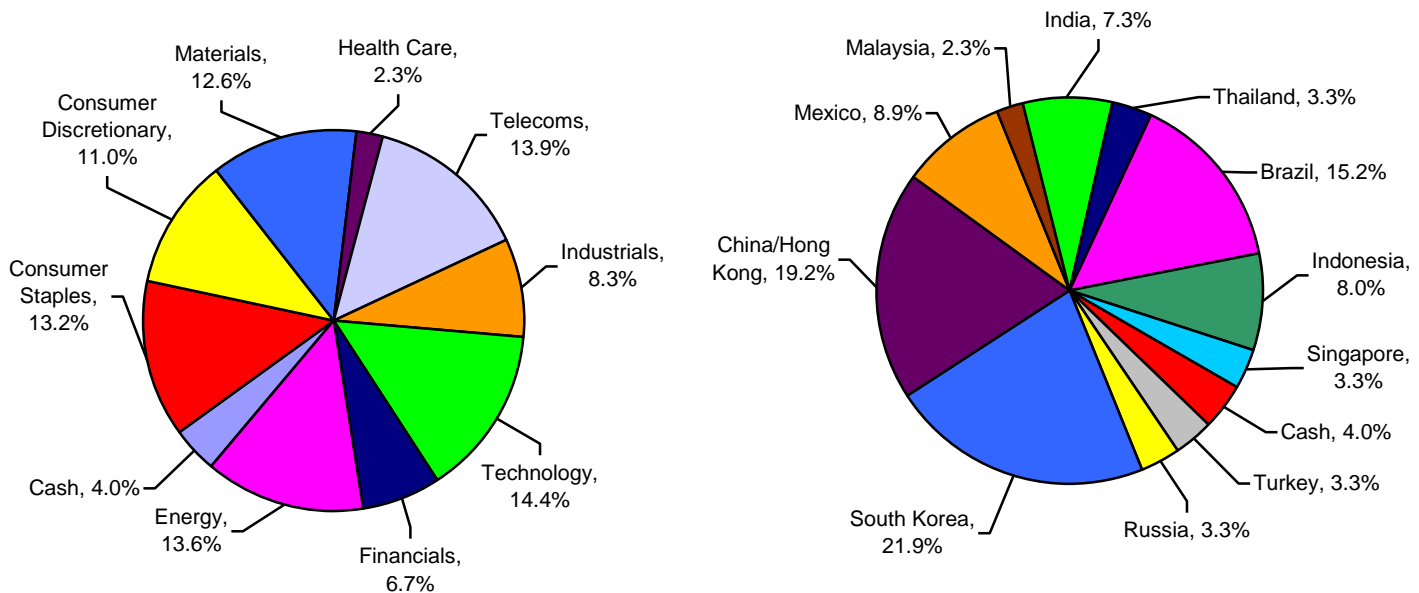
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Sector and country breakdown as at 31st October 2012



Source: Oldfield Partners LLP. Representative Portfolio used.

Commentary

The MSCI Emerging Markets Index in US dollar terms is up 11.3% for the year, with Asia up 15%, Emerging Europe up 10%, and Latin America up 4%. The laggards on a sector view for the year are 'energy' and 'materials' with low single digit returns, and the star performers are 'consumer staples' and 'health care' with 19% and 30% US dollar returns respectively. It is worth noting that the 'consumer staple' and 'healthcare' sectors trade on a historic price earnings ratio of 26, whilst the 'energy' sector trades on a historic price earnings ratio of 8 and a price to book ratio of 1. Overall the MSCI Emerging Markets Index trades on an attractive price to book ratio of 1.6, which is below its long term historic average.

The bottom two performers during the month by contribution were Petrobras and Infosys. **Petrobras** (Brazilian oil) had disappointing third quarter results. Investors have two key concerns with Petrobras. The largest near term investor concern is the discount to import parity notably for diesel prices in Brazil. Historically Petrobras has matched international prices, but with lengthy lags to 'smooth' oil price volatility, allowing a premium or discount. This can be a positive or a negative for the share price, and currently with a discount, it is a negative. The next concern is the scale and complexity for Petrobras in managing its capital expenditure plans to develop the pre-salt resources, with the scope for delays and cost overruns. The recent five year strategic plan looks to have a realistic grounding; it will not be an easy task, but the

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assets in the pre-salt area should add significant value to the company over time. Petrobras trades on a price earnings ratio of 6 and a dividend yield of 4%. **Infosys** (Indian IT services) produced a moderate set of second quarter results (in the context of its reduced year-end guidance). The quarterly results are likely to remain volatile due to the current uncertainties in IT spending, although we may have passed the trough, and pricing trends look to be improving. The company is guiding for 5% sales growth for 2013 against the average expectation of 11-14% growth for the Indian IT services industry. It trades on a price earnings ratio of 16 and has net cash equivalent to 15% of its market capitalisation.

The top two performers during the month by contribution were Lee & Man Paper and SK Telecom. **Lee & Man Paper** (Hong Kong containerboard) has performed well this month as a major competitor has signalled further price increases and the industry has seen subdued capital expenditure. We are entering peak season for packaging demand ahead of Christmas and Chinese New Year. Despite concerns over a slowing Chinese economy over the last year the company's share price has increased 65% this year. It trades on a price to book ratio of 1.5 and a 3% dividend yield. **SK Telecom** (Korean wireless telecom provider) is benefiting from strong growth in 4G (LTE), which subscribers are willing to pay more for than 3G. However, competition between the three Korean wireless players remains fierce. It is hoped that as SK Telecom nears 50% of LTE subscribers, which it feels is its natural market share, then competition may subside. It trades on a price earnings ratio of 8 and a dividend yield of 6%.

We have a very small additional holding at 0.2% of the portfolio, **Triyards Holdings** (Vietnamese shipbuilding), spun out to shareholders from our holding in **Ezra** (Singapore oil services). Ezra is focusing on its core business with the attractive opportunity for increasing deepwater oil services orders. We will monitor Triyards to determine the best course of action.

Please note we have finished our previously announced three month break from accepting new inflows, and are delighted to hear from new and existing investors.

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