

OLDFIELD PARTNERS LLP

EMERGING MARKETS INVESTMENT REPORT

OCTOBER 2013

Performance Summary as at 31st October 2013

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets*
October**	+5.7%	+4.9%
2013 to date	+7.8%	+0.3%
Since inception***	+625.8%	+322.7%
Since inception per annum***	+16.7%	+11.9%

*Net Dividends Reinvested.

**Estimate used for October 2013.

***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	9.0	+7.2%	+8.1%
Petrobras	7.4	+8.5%	+8.5%
KT&G	7.0	+0.6%	+1.6%
Embraer	6.7	-9.5%	-9.5%
Lee & Man Paper	6.6	+22.5%	+22.5%

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

**Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg.

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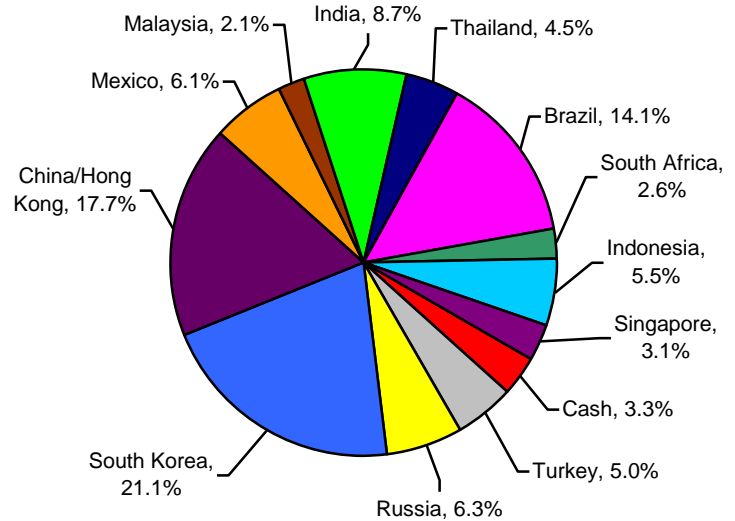
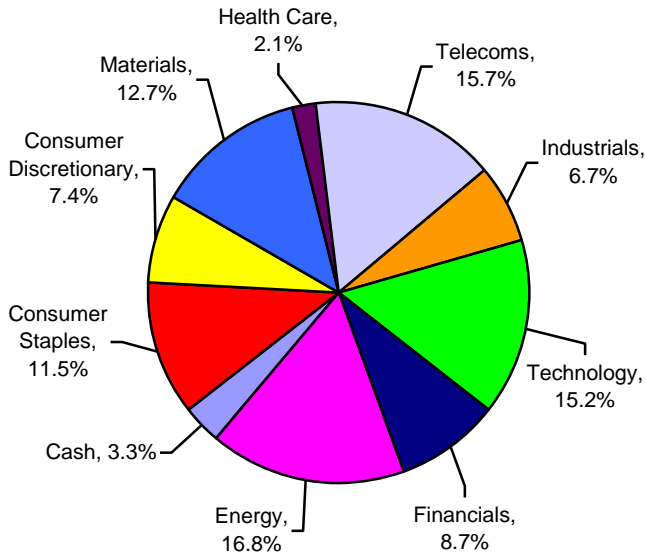
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Sector and country breakdown as at 31st October 2013



Source: Oldfield Partners LLP. Representative Portfolio used.

Commentary

The MSCI Emerging Markets index had a strong month. Investors have found comfort in the 'delay' to US tapering of bond purchases, the US government shut-down non-event, and decent Chinese economic growth numbers. Valuations remain attractive, and more so in the cyclical stocks.

The bottom two performers during the month by contribution were Embraer and Top Glove. **Embraer** (Brazilian regional jet manufacturer) fell at month-end as a US airline, Jet Blue, deferred some orders. Embraer has a solid three year order book and so this should not be a major issue. The quarterly results after month-end were weak, but management believe the bottom end of the year-end guidance can be met. **Top Glove** (Malaysian latex glove manufacturer) had full year results. Continued solid performance should come from improving product mix, new automation in place, and continued capacity expansion. Latex is the key input cost and its price remains subdued on industry production surplus.

The top three performers during the month by contribution were Lee & Man Paper, Samsung Electronics, and Infosys. The share price of **Lee & Man Paper** (Chinese containerboard) responded to the better sentiment towards Chinese economic growth by investors. The industry remains balanced with some small price increases possible in peak season. For the larger players, such as Lee & Man, this is an enjoyable

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position. **Samsung Electronics** (Korean consumer electronics) posted good third quarter results showing the resilience of smartphone margins and the strong performance from the semiconductor division. The market remains sceptical on smartphones, but we see the scale, marketing strength, solid line up of mid-tier products, and internal component advantage that Samsung has allowing it to perform well. In semiconductors Samsung should benefit from a far less cyclical industry, which has now fully consolidated around a few players. After month-end Samsung held its investor day showcasing its longer term growth strategy, but slightly disappointing on immediate hopes for shareholder returns, by only increasing the target dividend yield to 1% (approximately double the current level) as part of a forthcoming total shareholder return decision to be communicated early next year. **Infosys** (Indian IT services) had solid second quarter results showing a broad based recovery in IT services allowing management to meaningfully increase the lower-end of its 2014 revenue guidance. The return of Murthy to Executive Chairman in June has allowed a more focused and disciplined approach that should show further benefits going forward.

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