

OLDFIELD PARTNERS

EMERGING MARKETS INVESTMENT REPORT

OCTOBER 2014

Performance Summary as at 31st October 2014

USD terms	Emerging Markets Equity Composite	Index*
October	-1.3%	+1.2%
2014 to date	+2.8%	+3.6%
1 year	+1.2%	+0.6%
3 years annualised	+6.6%	+3.2%
5 years annualised	+5.5%	+4.6%
Since inception**	+634.4%	+325.4%
Since inception annualised**	+15.5%	+11.0%

*MSCI Emerging Markets (Net Dividends Reinvested). **Estimate used for October 2014. ***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)**
Infosys	7.9	+11.4%	+11.4%
Embraer	7.8	-1.5%	-1.5%
SK Telecom	7.8	-8.4%	-8.4%
Thai Beverage	7.6	0.0%	-0.2%
Samsung Electronics	7.4	+5.1%	+3.5%

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

Oldfield Partners

130 Buckingham Palace Road, London, SW1W 9SA.
 Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
 www.oldfieldpartners.com

Oldfield Partners LLP is authorised and regulated by the Financial Conduct Authority

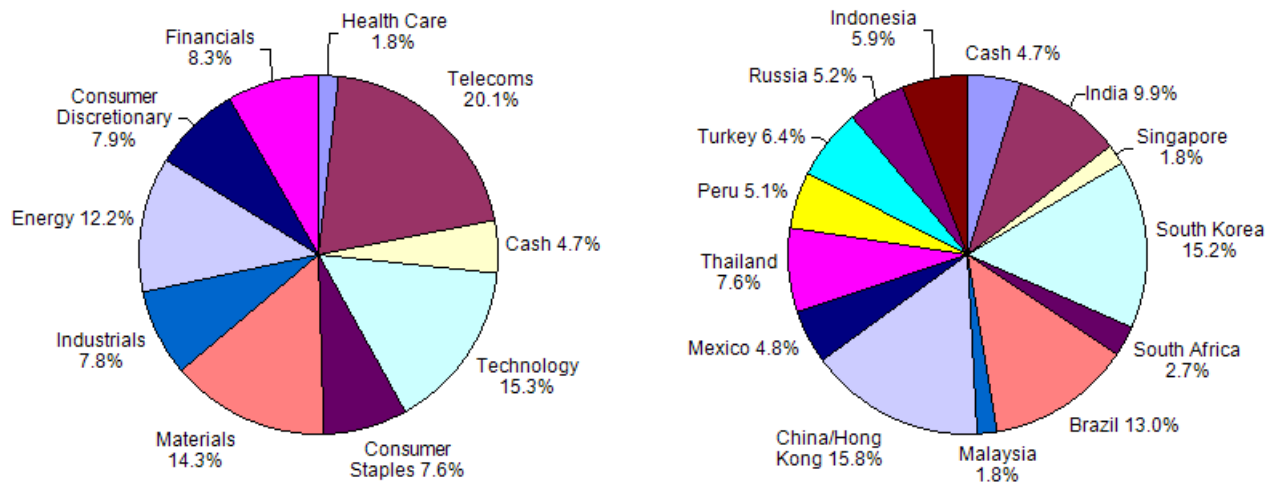
Oldfield Partners LLP has approved and issued this communication for use by the Client. It should not be provided to third parties without the consent of Oldfield Partners LLP. Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This document is not a solicitation or offer of investment services. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. Oldfield Partners LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. © 2014 Partnership No. OC309959

OLDFIELD PARTNERS

EMERGING MARKETS INVESTMENT REPORT

OCTOBER 2014

Sector and country breakdown as at 31st October 2014



Source: Oldfield Partners.

Commentary

It was a difficult month for the portfolio, with our exposure to energy and materials performing poorly as commodity prices fell sharply, in particular our exposure to precious metals and oil. The portfolio trades on a historic price earnings ratio of 12.7, which is in line with the MSCI Emerging Markets Index, and comfortably below the historic average for the price earnings ratio of the index.

The worst performers during the month by contribution were Buenaventura, Petrobras, and SK Telecom. **Buenaventura** (Peruvian miner) had solid Q3 results, but the weakness in the gold price overwhelmed its stronger operational performance. The company showed a fall in cash costs for gold as key operations returned to higher quality ore grades as promised. Management maintained their year-end guidance. When we bought Buenaventura we had looked at the possibility of a sharp gold price correction, and found Buenaventura attractive, with its lower cost operations and strong balance sheet. The share price is currently below its low seen in late 2008 when the gold price was below \$800/oz. **Petrobras** (Brazilian oil & gas) has endured a rollercoaster ride with the Brazilian presidential elections and allegations of corruption from a former divisional head. The closely run presidential elections have ended with a victory for the current administration, which was taken poorly by investors. The allegations that inflated prices were used on some domestic projects to pay kickbacks to politicians are currently being investigated. Petrobras has hired two agencies, one US and one Brazilian, to investigate and one divisional head has stepped aside. After

Oldfield Partners

130 Buckingham Palace Road, London, SW1W 9SA.
 Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
 www.oldfieldpartners.com

Oldfield Partners LLP is authorised and regulated by the Financial Conduct Authority

Oldfield Partners LLP has approved and issued this communication for use by the Client. It should not be provided to third parties without the consent of Oldfield Partners LLP. Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This document is not a solicitation or offer of investment services. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. Oldfield Partners LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. © 2014 Partnership No. OC309959

OLDFIELD PARTNERS

EMERGING MARKETS INVESTMENT REPORT

OCTOBER 2014

month end Petrobras was granted a fuel price increase for both diesel (+5%) and gasoline (+3%). This has brought domestic prices into parity with international prices, following the fall in global oil prices and volatility in the Brazilian currency, and is a good outcome for Petrobras. **SK Telecom** (Korean mobile telecom) saw its share price weaken as some politicians commented that the new legislation aimed to curb competition between the three mobile telecom companies was not to the benefit of the consumers, and that tariffs should be lowered to compensate. SK Telecom's Q3 results showed operational strength as ARPU looks on track to increase +5% this year on strong data usage growth driven by 4G (LTE) take up. LTE penetration is now 57%, and management see this increasing to 70% in 2015, and 80% by 2016.

The top performers during the month by contribution were Infosys, Turkcell, and Yue Yuen. **Infosys** (Indian IT services) had solid Q2 results and operationally Infosys has performed well over the last 18 months, with an 8% improvement in utilisation and a 2.5% improvement in operating margin. The new CEO, Sikka, outlined his vision for the company in a very high level overview. He sees innovation and re-skilling driving Infosys to engage in themes such as artificial intelligence and developing new products in areas like mobility and big data, whilst not losing touch with more traditional services. He believes Infosys can grow sales 15-18% per annum and maintain 25-28% margins. He plans to be able to share details with investors by April 2015. **Turkcell** (Turkish mobile telecom) had Q3 results showing growth from the core Turkish mobile telecom business, despite increased competition, and solid growth from its subsidiaries, despite its small Ukrainian operation. Smartphones in Turkey reached 37% penetration, with increasing data usage in mobile and broadband, and postpaid subscribers increased to 43% suggesting a move towards a higher quality subscriber base. **Yue Yuen** (Hong Kong footwear manufacturer) responded to positive guidance from **Nike** (US sportswear designer) for 2015, which is Yue Yuen's largest customer. During the month we visited **Shenzhou International** (Chinese textile manufacturer), which has entered the athletic footwear business this year by producing the 'flyknit' shoe for Nike. The 'flyknit' athletic shoe has been viewed as a threat to Yue Yuen's business as it is simpler to produce - as a one piece woven product - using a 3D knitting technology. Currently 'flyknit' is a very small part of Shenzhou's business (5% of sales) and it only makes the woven upper of the shoe. The threat is worth watching, especially 3D printing technology, but 'flyknit' feels like a niche product rather than a game changer.

Oldfield Partners

130 Buckingham Palace Road, London, SW1W 9SA.
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
www.oldfieldpartners.com

Oldfield Partners LLP is authorised and regulated by the Financial Conduct Authority

Oldfield Partners LLP has approved and issued this communication for use by the Client. It should not be provided to third parties without the consent of Oldfield Partners LLP. Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This document is not a solicitation or offer of investment services. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. Oldfield Partners LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. © 2014 Partnership No. OC309959