



Emerging Markets Investment Report

October 2016 Newsletter

Oldfield Partners

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
October	+1.7%	+0.2%
2016 to date	+38.7%	+16.3%
1 year	+28.6%	+9.3%
3 years annualised	+3.6%	-2.0%
5 years annualised	+5.9%	+0.5%
Since inception**	+706.9%	+297.3%
Since inception annualised**	+14.1%	+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 ¹	9.0%	+2.5%	-1.6%
SK Telecom	7.9%	-3.3%	-3.3%
Embraer	7.6%	+23.9%	+23.9%
Lukoil	7.2%	+0.1%	+0.1%
Buenaventura	7.2%	-4.0%	-4.0%

*As at end of period. **Total return inclusive of the portfolio activity. Source: Oldfield Partners and Bloomberg. 1The weighting aggregates the investment in the local and GDR shares. The performance shown is that of the local Samsung Electronics shares.

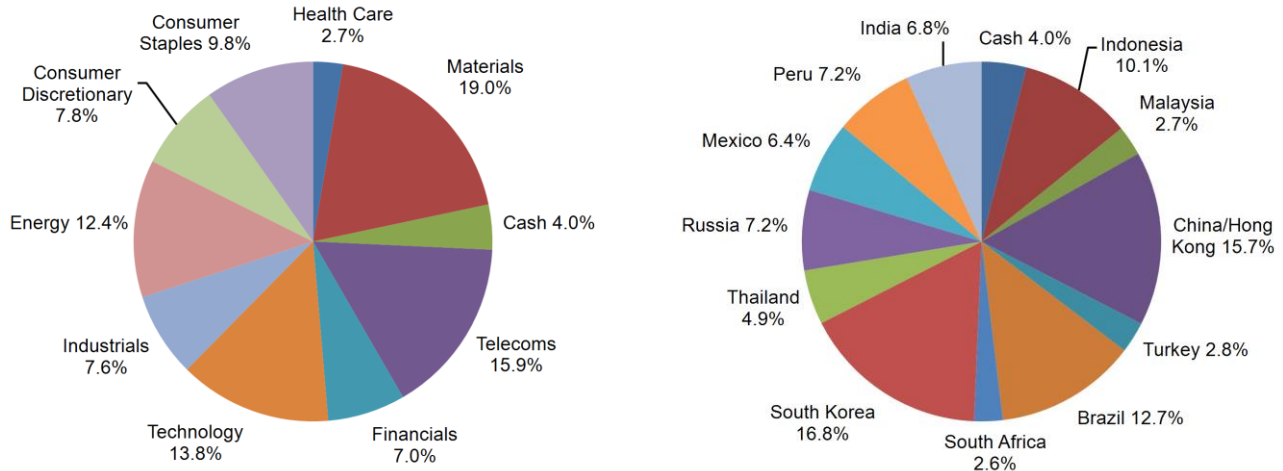
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Sector and country breakdown as at 31st October 2016



Source: Oldfield Partners.

Commentary

The MSCI Emerging Markets Index moved sideways as investors adopted a wait and see attitude to the US election and a possible move in US interest rates. The portfolio performed well in a dull month.

Samsung Electronics (South Korean consumer electronics) took the Note 7 write-off in its third quarter results, and although a substantial disappointment for the mobile handset division, we do not see this as having a lasting impact on the brand and the recall was executed efficiently. The Galaxy S7 continues to sell well and most Note 7 owners look to be choosing to replace with another Samsung product. We bought the London listed GDR of Samsung Electronics (as the local market was closed) to take advantage of the initial sharp sell-off.

The King of Thailand passed away during the month. There will be a period of mourning, and bars and restaurants will be quiet for at least a month as a mark of respect. This should have a limited impact on **Thai Beverage** (largest alcoholic beverage company in Thailand) as the vast majority of its business is off-trade. Thai Beverage has historically been able to negotiate the political turmoil of the country without much impact.

The laggards during the month by contribution were **Lee & Man Paper** (Chinese containerboard manufacturer), **Yue Yuen** (Hong Kong listed footwear manufacturer), and **Buenaventura**. **Buenaventura** (Peruvian miner) had mildly disappointing results at the end of the month as one-off events clouded the production growth and good cost numbers.

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The top performers by contribution were Embraer, Petrobras, and Ternium. **Embraer** (Brazilian regional jet manufacturer) settled investigations under the US Foreign Corrupt Practices Act for \$205 million, which was in line with an earlier provision made. **Petrobras** (Brazilian oil & gas) has seen a lot of good news over the last few months aimed at stabilising the balance sheet, reducing regulatory burden, and improving visibility. Both the management and the government look to be trying to put the company on a firmer and more commercial footing. **Ternium** (Latin American steel producer) has continued to be buffeted by news flow from the US election because of its substantial Mexican operations.

The upside potential for the portfolio from the weighted average of the price targets remains at 40%.

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