



Emerging Markets Investment Report

October 2017 Newsletter

Oldfield Partners

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
October	+0.8%	+3.5%
2017 to date	+21.2%	+32.3%
2016	+31.7%	+11.2%
1 year	+15.0%	+26.5%
3 years annualised	+8.1%	+5.7%
5 years annualised	+7.3%	+4.8%
Since inception**	+828.1%	+402.4%
Since inception annualised**	+14.1%	+10.1%

*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	9.5%	+7.6%	+10.1%
SK Telecom	8.0%	+6.3%	+6.3%
Embraer	7.3%	-15.4%	-15.4%
Buenaventura	6.9%	+7.8%	+7.8%
Lee & Man Paper	6.8%	-4.8%	-4.7%

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

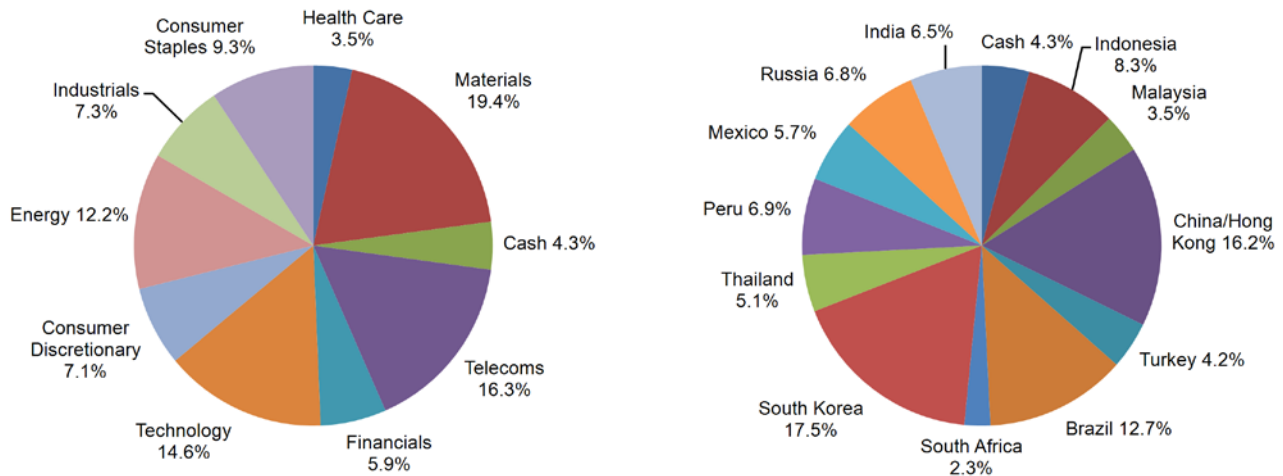
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Sector and country breakdown as at 31st October 2017



Source: Oldfield Partners.

Commentary

The portfolio performed poorly in the month as a number of stock specific concerns during quarterly earnings weighed on the performance. It is comforting to see that valuations remain reasonable and that the weighted average of the price targets in the portfolio shows an attractive 38% upside.

The bottom performers by contribution in the month were Embraer, Telkom Indonesia, and Lee & Man Paper. **Embraer** (Brazilian regional jet manufacturer) is in a transition period as its new generation of regional jets launches in 2018. In order to get traction in the market the early jets are offered at lower margins. The impact of this will be felt over the coming year and was reflected in the guidance given by management in the quarterly earnings release. In addition, the new Airbus/Bombardier venture is a mild negative as it will reinvigorate competition in the regional jet market, although competition should be rational. With a solid order backlog, strong financial position, and an attractive product offering Embraer is well placed over the longer term. **Telkom Indonesia** (Indonesian telecom provider) continues to grow strongly, but there was some concern from investors around the quarterly results about increased competition and data cannibalisation. Telkom is in a stronger financial position and with a superior network than its competitors, and has shown it will respond to deter irrational competition. The growth of data will see a reduction in legacy services, but by bundling services Telkom can mitigate the impact. **Lee & Man Paper** (Chinese containerboard manufacturer) has been one of the best performing stocks in the portfolio this year. The company has benefited from increased enforcement of environmental protection policies by the government leading to consolidation in the industry and increased pricing power for the larger players. Despite the buoyant cycle there is limited new supply planned by the industry suggesting a prolonged up-cycle.

The top performers by contribution for the month were Samsung Electronics and Buenaventura. **Samsung Electronics** (Korean consumer electronics) had strong quarterly results, and guided

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towards a strong final quarter as the semiconductor and display divisions continue to perform well. The company has been improving its corporate governance and its shareholder return policy, which is backed by strong free cash flow generation and a net cash balance sheet. **Buenaventura** (Peruvian miner) had solid and undramatic quarterly results. The management team continues to execute well in developing its attractive resource base, whilst maintaining solid financials, and should see increased free cash flow in coming years.

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