

# OLDFIELD PARTNERS LLP

## EMERGING MARKETS INVESTMENT REPORT

### DECEMBER 2011

#### Performance Summary as at 30<sup>th</sup> December 2011

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
December*	-1.6%	-1.2%
2011	-24.9%	-18.4%
2010	+22.3%	+18.9%
Since Inception**	+470.5%	+256.5%
Since inception pa**	+17.2%	+12.3%

\*Estimate used for December 2011.

\*\*Inception 01 Jan 2001.

Performance figures are of the Emerging Markets Equity Composite, calculated net of all fees and expenses 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 (US\$ terms**)
Samsung Electronics	8.8	+5.4%	+4.0%
Embraer	7.8	-1.2%	-1.2%
Petrobras	7.5	-6.3%	-6.3%
First Pacific	6.8	-4.2%	-4.1%
Gazprom	6.4	-7.3%	-7.3%

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

\*\*Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg.

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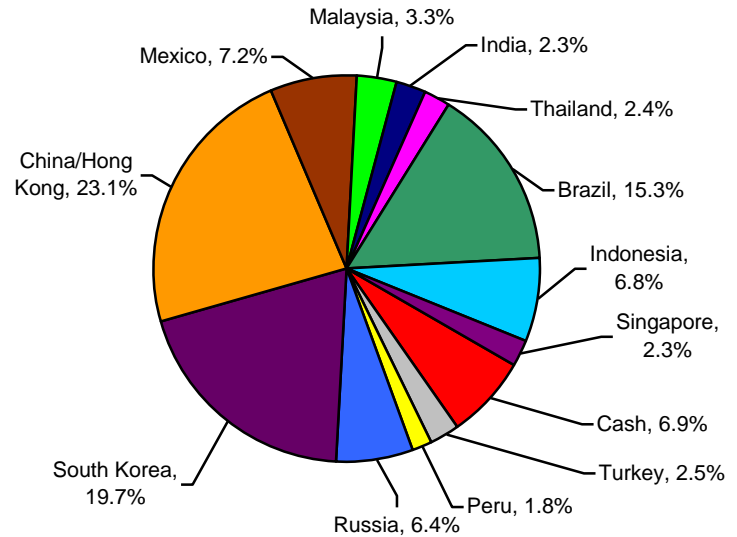
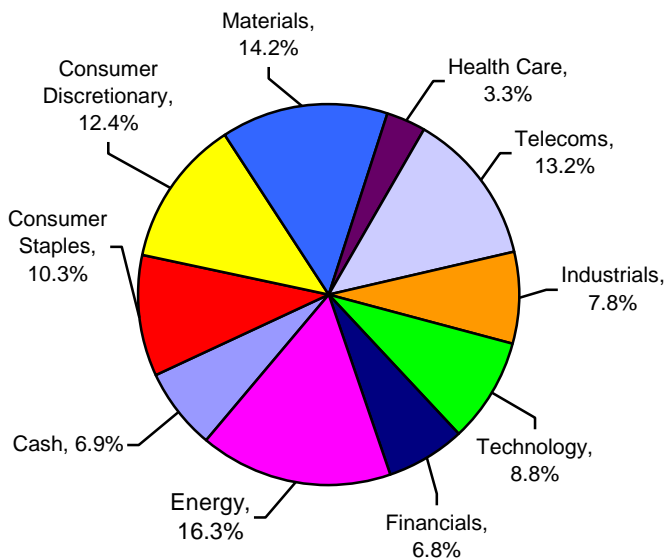
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#### Sector and country breakdown as at 30<sup>th</sup> December 2011



Source: Oldfield Partners LLP. Representative Portfolio used.

#### Commentary

It was a disappointing 2011 for the fund as well as for emerging market equities. The main detractors from performance were our Chinese holdings and our Mexican house builder Geo, which we have covered in earlier reports. Overall emerging markets remain in solid financial health, and with inflationary pressures looking to ease in 2012 there is scope for monetary policy initiatives.

Among the top performers by contribution during the month was Yue Yuen and over the fourth quarter Samsung Electronics stood out. **Yue Yuen** (Hong Kong footwear manufacturer) reported subdued full year results with margins under pressure from Chinese labour costs. Growth momentum remains buoyant across its key products and markets despite the global economic backdrop, and 2012 will be helped by the European Cup and the Olympics. The stock trades on a price earnings ratio of 11 and a dividend yield of 3.5%. **Samsung Electronics** (Korean consumer electronics) is performing well across most of its divisions, but the telecom business is excelling with a leading range of products and industry leading margins. In semiconductors Samsung again looks to distance itself from its peer group this cycle. The only negative is the lacklustre television business, but this is a sector wide problem. Samsung trades on a price earnings ratio of 11 and has net cash.

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Among the bottom performers by contribution during the month were Huabao International and SK Telekom. **Huabao** (Chinese flavour & fragrances) was weak following its first half results which showed a slowdown in the growth of the core tobacco flavourings business. We view the company's increase in its interim dividend payout ratio to 50% (including a special dividend) as a positive and sustainable. It trades on a price earnings ratio of 8.5, with net cash, and a historic dividend yield of 3.5% (excluding special dividends). **SK Telekom** (Korean telecom) fell as it went ex-dividend during the month and it has a 6.5% dividend yield. In the background sentiment was pressured by corruption charges being brought against the son of the SK Group founder who holds the position of Vice Chairman of SK Holdings and the death of the North Korean leader Kim Jong-il.

The portfolio has a historic price earnings ratio of 10, price to book ratio of 1.5, and net debt to equity of 10%. There are always worries in emerging markets, and further afield, but the present valuation provides a cushion and suggests upside potential.

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