

OLDFIELD PARTNERS LLP

EMERGING MARKETS INVESTMENT REPORT

DECEMBER 2012

Performance Summary as at 31st December 2012

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets*
December**	+3.7%	+4.9%
2012**	+18.1%	+18.2%
Since inception***	+573.5%	+321.5%
Since inception per annum***	+17.2%	+12.7%

*Net Dividends Reinvested.

**Estimate used for December 2012.

***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	9.5	+8.3%	+9.8%
Embraer	8.8	+14.8%	+14.8%
Lee & Man Paper	7.1	+5.8%	+5.8%
Petrobras	6.8	+10.0%	+10.0%
First Pacific	6.5	+4.5%	+4.5%

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

**Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg.

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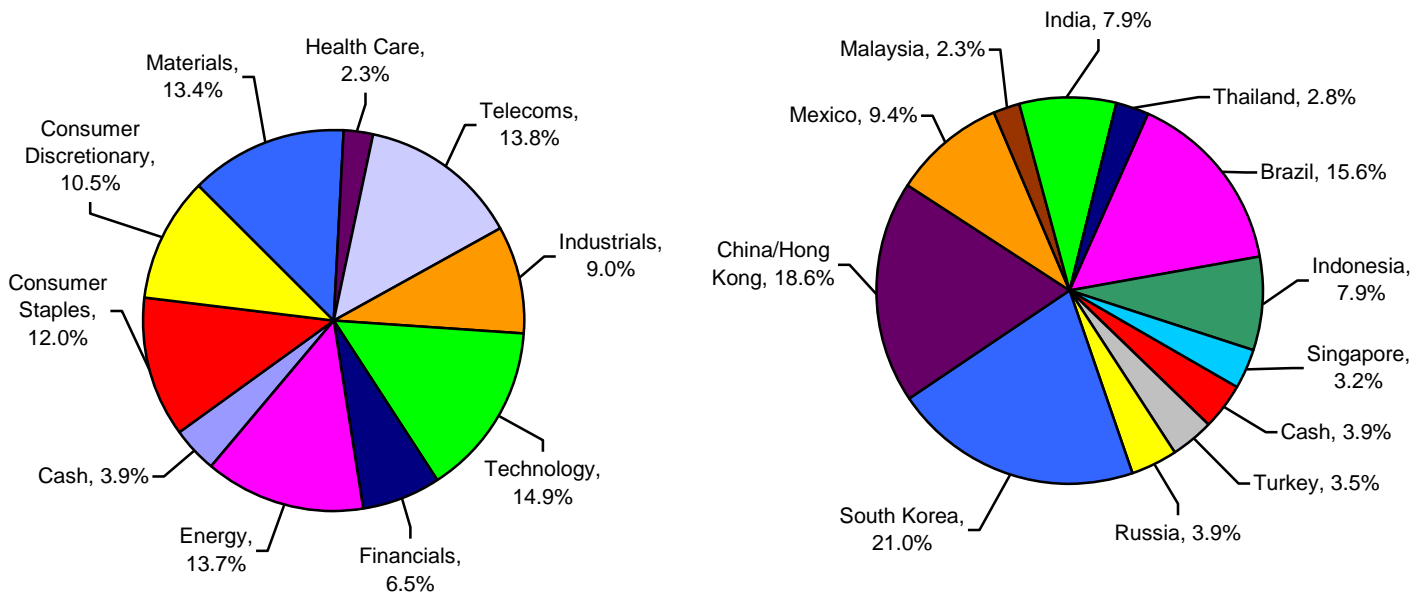
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Sector and country breakdown as at 31st December 2012



Source: Oldfield Partners LLP. Representative Portfolio used.

Commentary

December was a strong month for the MSCI Emerging Markets Index. Despite a helpful cyclical bias to the portfolio it underperformed for the month. For the year Asia solidly outperformed the other emerging market regions, followed by Eastern Europe, and lastly Latin America. The recovery of investor sentiment towards China, following a successful leadership transition, and the fall in investor sentiment towards Latin America, with interventionist rhetoric spreading, was notable.

The bottom three performers during the month by contribution were KT&G, Infosys, and Yue Yuen. **Infosys** (Indian IT services) cautioned that recovery in IT services could be slow and that 2013 would be another challenging year. Pricing has held up, but the industry remains competitive with fewer and more delayed deals. Investors knew the recovery would be slow. On the positive side Infosys has been competing harder for deals recently and has scope to reduce headcount if needed. **Yue Yuen** (Hong Kong footwear manufacturer) announced full year results at the end of November. Over the last year the company has sought to improve long term competitiveness by moving further inland in China, which has led to short term margin pressure from lower productivity, overtime costs, and logistic challenges, but should see gross margins normalising over the next year.

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NOVEMBER 2012

The top three performers during the month by contribution were Embraer, Petrobras, and Samsung Electronics. **Embraer** (Brazilian regional jet manufacturer) and **Petrobras** (Brazilian oil & gas) had good December performances reversing the poor performances of the prior month. There was little news to report. A positive comment by the Brazilian Finance Minister led hopes for a fuel price rise early in 2013 to benefit Petrobras. **Samsung Electronics** (Korean consumer electronics) continued to perform well as investors look to the fourth quarter results, and the year ahead looks to be positive on solid smartphone sales, recovery in semiconductors, and stabilisation in the screens businesses.

The portfolio is trading on a price to book ratio of 1.8 and a forward price to earnings ratio of 11 based on expected earnings growth of 15% over the year. We see 53% upside to the weighted average of the price targets of the holdings in the portfolio. With a reasonable valuation and solid growth backdrop the outlook for emerging markets in 2013 remains attractive.

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