

OLDFIELD PARTNERS

EMERGING MARKETS INVESTMENT REPORT

DECEMBER 2013

Performance Summary as at 31st December 2013

USD terms	Emerging Markets Equity Composite	Index*
December**	-0.5%	-1.4%
2013	+6.1%	-2.6%
1 year	+6.1%	-2.6%
3 years annualised	-2.0%	-2.1%
5 years annualised	+16.1%	+14.8%
Since inception***	+614.3%	+310.5%
Since inception annualised***	+16.3%	+11.5%

*MSCI Emerging Markets (Net Dividends Reinvested).

**Estimate used for December 2013.

***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, Northern Trust, MSCI © and Bloomberg.

Performance of Five Largest Holdings*

	Portfolio Weighting* (%)	Monthly Performance (local terms**)	Monthly Performance (USD terms**)
Samsung Electronics	8.1	-8.2%	-7.9%
Embraer	7.2	+4.3%	+4.3%
Ternium	6.9	+17.2%	+17.2%
Infosys	6.9	+4.8%	+4.8%
Lukoil	6.4	+0.7%	+0.7%

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

**Total return inclusive of dividends.

Source: Oldfield Partners and Bloomberg.

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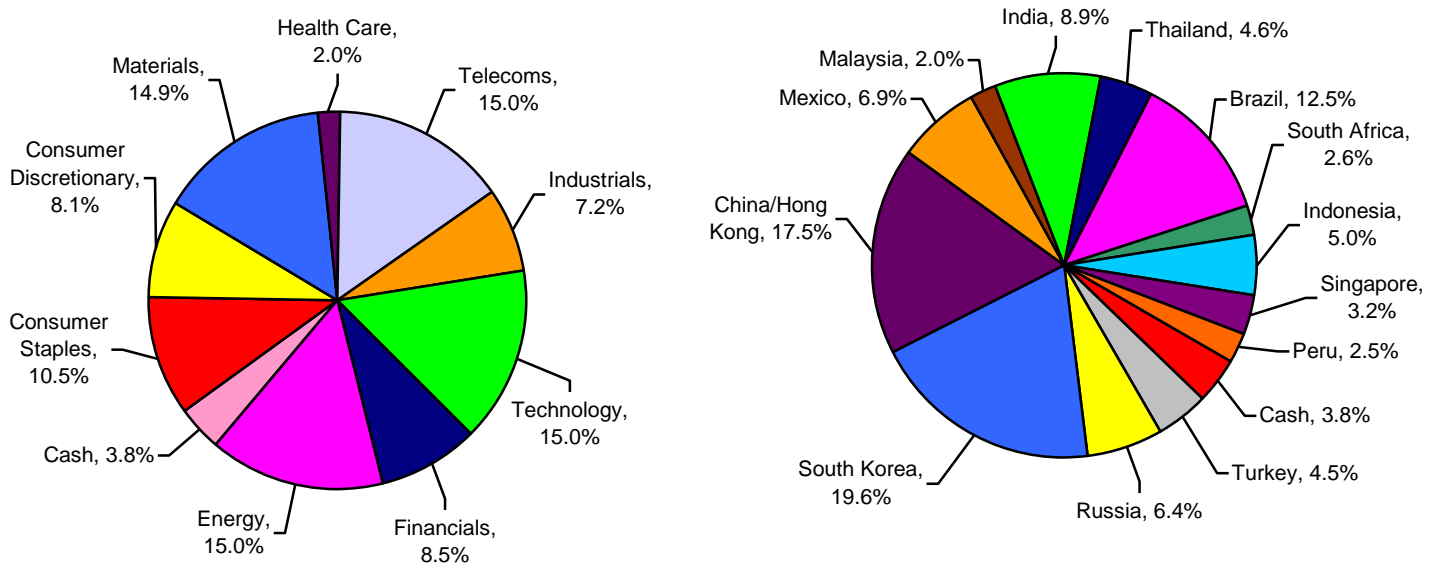
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Sector and country breakdown as at 31st December 2013



Source: Oldfield Partners. Representative Portfolio used.

Commentary

The MSCI Emerging Markets Index has had a weak start to 2014, falling by 3% in US dollar terms in the first week, and following a poor return in 2013. The index has been stuck in a trading range since the autumn of 2011 (and is currently in the middle of that trading range).

In 2013 Asia was the clear winner in performance terms, with Latin America the clear loser. Materials and energy were the worst performing sectors in the index and trade at relatively lower valuations. Investors continue to support higher valuations in consumer staples and healthcare. The portfolio continues to have a cyclical bias and favouring companies with solid balance sheets. The net debt to equity of the portfolio is 12%.

The bottom two performers during the month by contribution were Samsung Electronics and Petrobras. **Samsung Electronics'** (Korean consumer electronics) share price has been weak in anticipation of a tougher fourth quarter and the seasonally slow first quarter. Handsets could disappoint, and promotional activity increase to clear inventory ahead of new product launches in the second quarter. **Petrobras** (Brazilian oil) continues to be weak on concerns that the government will not allow domestic and international fuel price parity this year, which is damaging cash flow for the company in a period of high capital expenditure to develop its new deep water oil resources.

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The top two performers during the month by contribution were Ternium and Thai Beverage. **Ternium** (Latin American steel producer) is in a sweet spot as production increases due to two new steel facilities starting up, to supply the renewed Mexican automobile production industry, and ending a period of higher capital expenditure. Ternium trades at book value and is in a solid financial position. **Thai Beverage** (leading alcoholic beverage producer in Thailand) should benefit from the restructuring underway in Fraser & Neave (F&N). The most likely outcome is for Thai Beverage to swap its 29% holding in F&N including the property business for F&N's food and beverage business. This would be a good strategic fit for Thai Beverage, and allow it to expand geographically and by product offering. The company is unlikely to be impacted by the on-going political wrangling in Thailand.

The valuation for the MSCI Emerging Markets Index remains attractive, and is comfortably below its longer term historic average. The portfolio trades on an undemanding price earnings ratio of 12.

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