



Emerging Markets Investment Report

December 2015 Newsletter

Oldfield Partners

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
December	-3.7%	-2.2%
2015	-16.5%	-14.9%
3 years annualised	-4.8%	-6.8%
5 years annualised	-5.2%	-4.8%
Since inception**	+481.9%	+241.6%
Since inception annualised**	+12.5%	+8.5%

*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	9.1	-2.0%	-3.4%
Embraer	8.6	-5.5%	-5.5%
Telkom Indonesia	7.5	+4.4%	+4.4%
SK Telecom	7.4	-9.6%	-9.6%
Thai Beverage	6.9	+0.7%	+0.2%

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

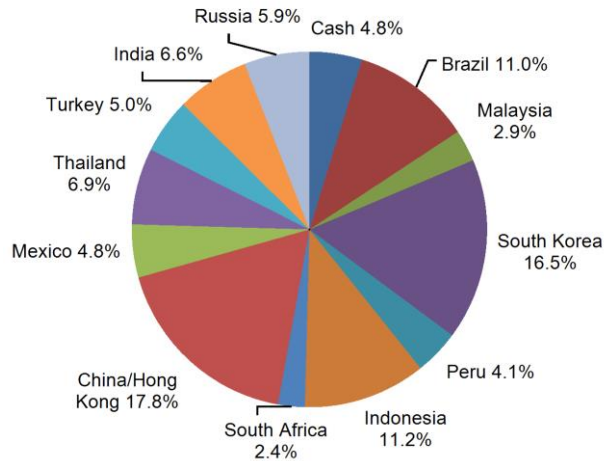
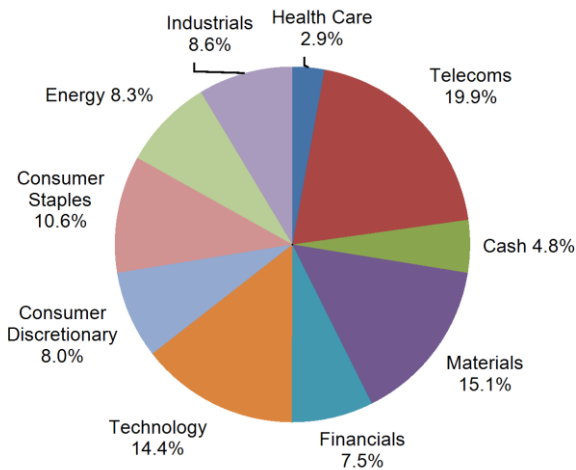
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Sector and country breakdown as at 31st December 2015



Source: Oldfield Partners.

Commentary

Concerns over the slowing Chinese economy and the US interest rate cycle continue to weigh on emerging market equity markets, emerging market currencies, and commodities. The beginning of 2016 has seen no change in the negative sentiment towards emerging market equities. The transition of the Chinese economy towards services and the consumer was never going to be a smooth process, and the slowdown in the 'old economy growth model' is now likely beginning to impact the consumer, as wage growth moderates substantially. There is open talk in government of an 'L shaped' economic growth path. The strength of the US economy looks to be insufficient to take anything but the most moderate increase in interest rates.

Among the poor performers during the month by contribution were Lukoil, SK Telecom, and Ternium. **Lukoil** (Russian oil) fell with the weak oil price in the month, and found some comfort from the weaker Russian currency. **SK Telecom** (South Korean mobile provider) went ex-dividend during the month. **Ternium** (South American steel producer) along with the global steel industry has been impacted by exports from China and Eastern Europe, but Mexican steel demand is buoyant and the threat has been met by tariff responses across South America. The top performers during the month by contribution were Top Glove and Telkom Indonesia. **Top Glove** (Malaysian rubber glove manufacturer) continues to benefit from the weak local currency, solid demand, and weak latex prices. **Telkom Indonesia** (leading Indonesian telecom provider) is benefiting from a stable competitive environment, with the three main players all increasing prices, and from the growth of data and smartphone adoption.

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Among the poor performers during the fourth quarter of 2015 by contribution were Eros, Buenaventura, and SK Telecom. The top performers during the fourth quarter of 2015 by contribution were Top Glove, Telkom Indonesia, and Embraer.

The valuation of emerging market equities continues to be attractive when judged against its longer term valuation history, but with the ongoing slowdown in the Chinese economy, and concerns growing over the strength of the US economy, there seem to be few positive catalysts at this point to lift investor sentiment. That said the duration and amount of outflows experienced by the asset class suggest that valuation alone offers a decent entry point. The upside potential from the weighted average of our price targets in the portfolio is 80%.

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