

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

26 February 2021

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$366.6m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

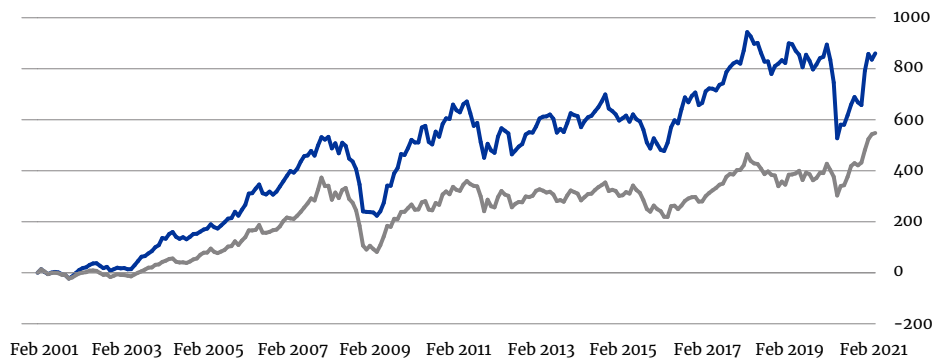
About Oldfield Partners

Oldfield Partners LLP is an owner-managed boutique fund management firm which manages equity portfolios for a global client base that includes endowments funds, pension funds, charities, family offices and individuals.

Oldfield Partners began operations in March, 2005 and is majority owned by the executive partners.

We are value investors with a distinctive approach: a limited number of holdings, long-only, no leverage, diversified, index-agnostic and suspicious of short-termism.

Composite performance (%)



	Annualised						
	1 month	YTD	1 year	Launch	3 years	5 years	Launch
■ Emerging Markets Equity	+2.6	+0.2	+13.6	+860.3	-2.2	+9.5	+11.9
■ MSCI Emerging Markets	+0.8	+3.9	+36.0	+548.1	+6.3	+15.2	+9.7

Preceding five calendar years performance	2020	2019	2018	2017	2016
Emerging Markets Equity	-3.7	+7.8	-5.0	+26.8	+31.7
MSCI Emerging Markets	+18.3	+18.4	-14.6	+37.3	+11.2

Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.

Source: Rawlinson & Hunter, Alta Advisers Ltd, Oldfield Partners.

The value of all investments and the income from them can go down as well as up; this may be due, in part, to exchange rate fluctuations. Past performance is not a guide to future performance.

Fund manager commentary

Value investing outperformed this month with the path to economic normalisation becoming clearer. Concerns around overheating the recovery look premature. Value investing continues to be at a significant valuation discount to growth investing for emerging market equities, and well placed to benefit from the normalisation trade. China has begun to tighten, as its economy has rebounded early and strongly from the Covid crisis, which may have some impact across emerging markets.

The bottom performers by contribution for the month were Petrobras and Thai Beverage. **Petrobras** (Brazilian oil producer) had a shocker in the month as the Brazilian President instructed a change in CEO over the old bugbear of domestic fuel pricing. Petrobras must charge international parity (by law) for its domestic fuel prices, but the timing of adjustments has been historically problematic (and occasionally disastrous). The government wants a smoother adjustment process, but this could potentially mean Petrobras subsidising consumers for lengthy periods. The move coming against a background of unrest from the road truckers and ahead of elections in October 2022 has an obvious political read through. The reintroduction of Brazilian politics into the rapidly improving Petrobras investment case based around its competitive low-cost deep-water production assets is a set-back. **Thai Beverage** (leading alcoholic beverage producer in Thailand) is moving towards a listing for its beer division, which excited investors last month. The beer division has a chequered history within Thai Beverage, but it is a duopoly business in Thailand and the recent acquisition in Vietnam has allowed it to become a regional player. Thailand continues with various restrictions on bars and alcohol consumption as the battle against Covid continues. Alcoholic beverage demand has held up reasonably well through the crisis, especially for cheaper spirits consumption in the rural areas, and where incomes are now benefiting from higher commodity prices.

The top performers by contribution for the month were Embraer and Ternium. **Embraer** (Brazilian aircraft manufacturer) had solid fourth quarter deliveries and maintained a healthy order book. With a strong portfolio of aircraft and streamlined operations, that survived possibly the worst aviation downturn in history, the company is well placed for the recovery. Recent enquiries from Lufthansa highlight that regional jets are of interest to airlines as smaller planes suit the post-Covid world, and we see further interest from airlines as travel demand recovers. **Ternium** (Latin American steel producer) is riding the strong rebound in US steel prices, as demand recovery caught the industry off guard, and management cautiously predict that prices will remain strong near-term. Fourth quarter results in the month were very strong and saw the return to paying a dividend. Mexico is well placed as a manufacturing hub exporting into the US market and Mexico remains a net importer of steel, which over time will allow Ternium to expand its efficient operations.

Commentary - continued

Capacity and flows

We are pleased to announce that we are now offering an EM ex China strategy. Alongside this we have increased capacity across both EM and EM ex China to US\$1.5bn. If you would like to know more or arrange a meeting please contact clientrelations@oldfieldpartners.com.

Composite analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.7	+0.6	-0.4
SK Telecom	7.7	-0.3	-0.3
Lukoil	7.0	+4.3	+4.3
Ternium	6.9	+16.2	+16.2
Thai Beverage	6.5	-9.2	-8.7
Buenaventura	6.5	+8.6	+8.6
Infosys	6.5	+1.7	+1.7
Telkom Indonesia	6.5	+6.5	+6.5
Lee & Man Paper	6.4	+5.8	+5.8
Petrobras	5.7	-17.0	-17.0

*Inclusive of portfolio activity.
All data as at 26 February 2021.
Source: Oldfield Partners.

Sector breakdown (%)

Materials	19.8	
Information Technology	19.1	
Communication Services	17.7	
Energy	12.7	
Consumer Staples	11.3	
Industrials	5.6	
Consumer Discretionary	5.0	
Financials	4.1	
Cash	4.7	

Country breakdown (%)

South Korea	20.3	
China/Hong Kong	13.2	
Brazil	11.4	
Indonesia	11.3	
Russia	7.0	
Mexico	6.9	
Thailand	6.5	
Peru	6.5	
India	6.5	
Turkey	3.5	
South Africa	2.3	
Cash	4.7	

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The Emerging Markets Equity Composite includes global emerging markets equity portfolios run with the following style: value focussed, concentrated, index agnostic and anti-short term. The benchmark for this composite is the MSCI Emerging Markets Index with net dividends reinvested. A complete listing and description of all composites is available on request. The composite was created in January 2001. Net of fees performance is presented net of actual investment management fees. Fees vary between accounts contained within the composite, in particular between segregated accounts and pooled vehicles. The highest fee Oldfield Partners LLP charges on any account within this composite is 1.25% per annum. Oldfield Partners LLP is authorised and regulated by the Financial Conduct Authority. Oldfield Partners LLP has approved and issued this communication for use by the Client. It should not be provided to third parties without the consent of Oldfield Partners LLP. Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This document is not a solicitation or offer of investment services. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. Oldfield Partners LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. © 2021 Partnership No. OC309959.