



Emerging Markets Investment Report

February 2018 Newsletter

Oldfield Partners

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
February	-1.6%	-4.6%
2018 to date	+5.7%	+3.3%
2017	+26.8%	+37.3%
1 year	+24.8%	+30.5%
3 years annualised	+12.7%	+9.0%
5 years annualised	+7.6%	+5.0%
Since inception**	+926.8%	+438.9%
Since inception annualised**	+14.5%	+10.3%

*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.

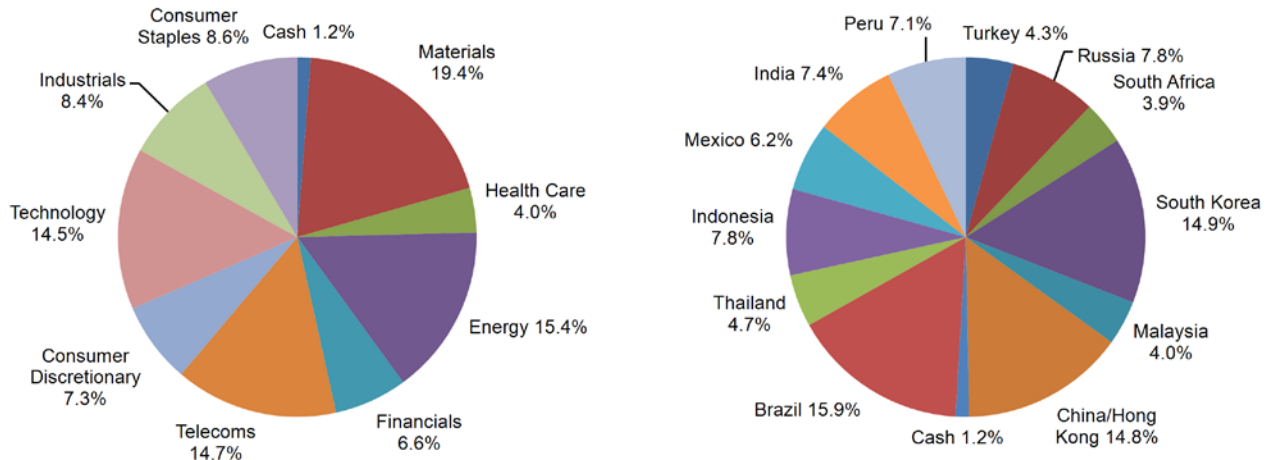
Performance of Five Largest Holdings*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	8.5%	-5.7%	-6.8%
Embraer	8.4%	+5.8%	+5.8%
Lukoil	7.8%	+1.6%	+1.6%
Petrobras	7.5%	+5.7%	+5.7%
Buenaventura	7.1%	+0.7%	+0.7%

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

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 necessarily a guide to future performance.

Sector and country breakdown as at 28th February 2018



Source: Oldfield Partners.

Commentary

It has been a bumpy ride in emerging market equities for the beginning of 2018. That said the performance year to date for the portfolio has been good. It is comforting to see that overall the valuations in emerging market equities remain reasonable and that the weighted average of the price targets in the portfolio shows an attractive 34% upside.

The bottom performers by contribution in the month were SK Telecom, Samsung Electronics, and Thai Beverage. The two bottom performers in the month were South Korean. **SK Telecom** (Korean mobile telecom provider) has suffered from increased tariff pressure by the regulator but has yet to curb marketing cost and focus on cost savings. Regulatory threat remains but is reduced compared to last year. South Korea is a mature telecom market for 4G, and the regulator needs telecom companies in decent shape to be able to invest in 5G. The investment in SK Hynix continues to perform well as the semiconductor market remains favourable. **Samsung Electronics** (Korean consumer electronics) has played it safe with the release of the Galaxy S9 handset, and so sales are unlikely to exceed the prior model; but semiconductors are the mainstay for the company and the outlook remains favourable. **Thai Beverage** (leading alcoholic beverage producer in Thailand) has bought 54% of Sabeco, an alcoholic beverage company, in Vietnam to increase its exposure to the country. This is a strategic move to gain exposure to Vietnam where it can increase market share and cross sell its portfolio of products into this growing market. With recent acquisitions in Myanmar and Vietnam management are unlikely to make any more acquisitions and instead focus on these growing markets.

The top performers by contribution in the month were Embraer, Petrobras, and JSE. The two top performers in the month were Brazilian. **Embraer** (Brazilian regional jet manufacturer) is in discussions with Boeing on a tie-up, and with the Brazilian government that holds a golden share in



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Embraer that can veto the deal. Media rumours suggest that the discussions are progressing well. If discussions were to fail we still see Embraer as an attractively valued stand-alone company with 40% upside to price target. **Petrobras** (Brazilian oil producer) has benefited from a higher oil price environment, but also a more positive view on the company de-leveraging and increasing efficiencies. The upcoming start to the Brazilian elections campaign will create noise for the stock, but the elections this year look less of a hurdle than in the past. **JSE** (South African stock exchange) has reacted well to the ANC leadership elections and that South Africa should gain in popularity with investors.

Total assets for the emerging markets strategy are now slightly over US\$1billion, which is our capacity limit. If you are interested in making a new investment or adding to an existing holding, we therefore request that you contact us to discuss this.

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