

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

28 February 2020

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$603.1m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

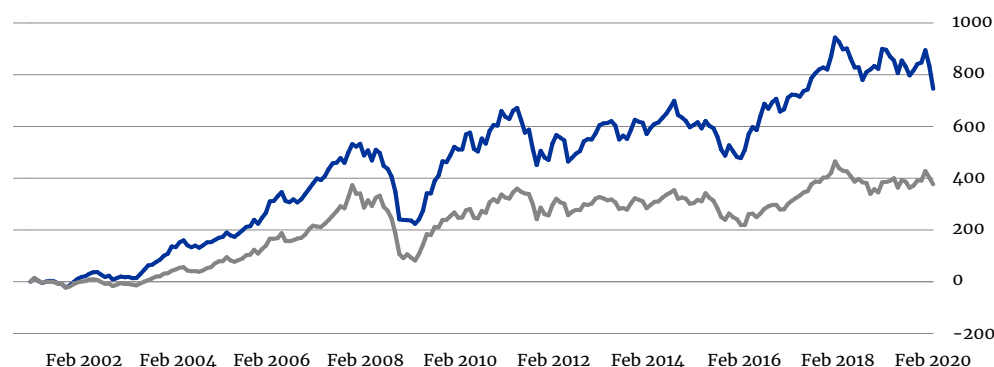
About Oldfield Partners

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 (%)



	1 month	YTD	1 year	Launch	Annualised		
					3 years	5 years	Launch
■ Emerging Markets Equity	-9.6	-15.0	-15.1	+745.7	+0.9	+3.4	+11.8
■ MSCI Emerging Markets	-5.3	-9.7	-1.9	+376.4	+4.9	+2.7	+8.5

Preceding five calendar years performance

	2019	2018	2017	2016	2015
Emerging Markets Equity	+7.8	-5.0	+26.8	+31.7	-16.5
MSCI Emerging Markets	+18.4	-14.6	+37.3	+11.2	-14.9

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

The spread of the Covid-19 virus around the world has led to sharp falls in equity markets as investors assess the impact to the global economy and mull even darker scenarios. Already we can see the economic shock in China to production, consumption, and supply chains. It remains a developing situation but one that policymakers are actively addressing. We have cautiously reduced cash. The valuation case for emerging market equities remains attractive, and the MSCI Emerging Markets Index trades below its longer term historic average valuation.

The bottom performers by contribution in the month were Lukoil, Indofood, and Petrobras. Oil companies were hit hard in the month as the oil price fell sharply on uncertainty of demand from China and of fear of a global recession. Both **Lukoil** (Russian oil producer) and **Petrobras** (Brazilian oil producer) can cope with oil prices in a bear market and should survive this period of uncertainty. **Indofood** (Indonesian snack foods) flagged a potential acquisition through its consumer brands business of Pinehill Group, a noodle manufacturing and distribution company for its brands focused on Africa and the Middle East. Investors are cautious because the acquisition is seen as being too close to the controlling shareholders, but management have said that disclosure would be transparent and that it must get majority minority shareholder approval to proceed.

The top performer by contribution in the month was Lee & Man Paper in China. **Lee & Man Paper** (Chinese containerboard manufacturer) will be hit by the economic shock in China, and especially to the consumer, but the share price already reflected investor concern about the slowing of the Chinese economy from last year. The company caught a break with the Chinese government offsetting the tariff on imported recycled cardboard with a temporary tax incentive. Domestic recycled cardboard is currently facing a shortage because of the economic shock leading to the industry having to increase prices for containerboard and leaving the larger players like Lee & Man Paper in a more favourable position. Lee & Man Paper's tissue paper business in China (now a top three player) should be a bright spot and do well in the current environment.

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.

Composite analysis

Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.4	-3.4	-4.1
Embraer	8.2	-9.5	-9.5
Lukoil	7.9	-16.5	-16.5
SK Telecom	7.6	-9.4	-9.4
Thai Beverage	7.5	-0.3	-2.3
Petrobras	7.3	-15.1	-15.1
Buenaventura	6.5	-13.8	-13.8
Telkom Indonesia	6.3	-12.0	-12.0
Lee & Man Paper	6.2	+12.0	+11.5
Indofood	5.3	-16.9	-20.3

*Inclusive of portfolio activity.
All data as at 28 February 2020.
Source: Oldfield Partners.

Sector breakdown (%)

Communication Services	17.6	
Materials	17.5	
Energy	15.2	
Information Technology	14.4	
Consumer Staples	12.9	
Industrials	8.2	
Consumer Discretionary	5.4	
Financials	3.6	
Cash	5.2	

Country breakdown (%)

South Korea	17.0	
Brazil	15.5	
China/Hong Kong	13.1	
Indonesia	11.6	
Russia	7.9	
Thailand	7.5	
Peru	6.5	
India	5.2	
Mexico	4.8	
Turkey	3.7	
South Africa	1.9	
Cash	5.2	

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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. © 2020 Partnership No. OC309959.