

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

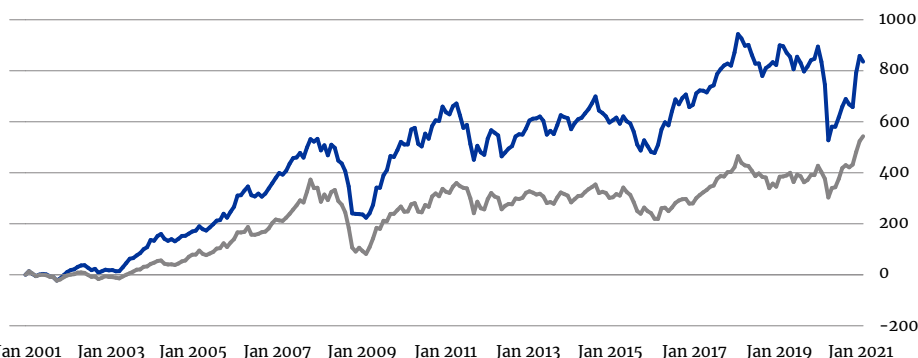
29 January 2021

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$357.2m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

Composite performance (%)



“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.

	1 month	YTD	1 year	Launch	Annualised		
					3 years	5 years	Launch
■ Emerging Markets Equity	-2.3	-2.3	0.0	+835.7	-3.6	+10.1	+11.8
■ MSCI Emerging Markets	+3.1	+3.1	+27.9	+543.2	+4.4	+15.0	+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

The vaccination of the developed world should complete by year-end with highly effective vaccines and as distribution issues are ironed out, followed by China and Russia with their own proven vaccines, and thereafter wider emerging market populations. There will be continued skirmishes between vaccine and virus variants but the path out of the pandemic looks clear and the normalisation of economic life, maybe with some behavioural changes, is possible within a reasonable timeframe. The reduction of central bank stimulus may be problematic, but stimulus measures were present before the virus crisis and so it is likely they will continue thereafter. China has been a ‘Covid winner’ with an early economic recovery allowing it to restrain stimulus early. In general, this is a positive backdrop for emerging market equities.

The bottom performers by contribution for the month were Buenaventura and Petrobras. **Buenaventura** (Peruvian miner) suffered from investor fears of another harsh lock-down in Peru that crippled the mining industry last year. Thankfully, the government exempted the mining industry from the new lock-down at month-end allowing sentiment to recover. **Petrobras** (Brazilian oil producer) increased domestic fuel prices in the month alleviating fears that the threat of a truckers strike in Brazil would encourage the government to intervene. Refining is one of the non-core assets that Petrobras is looking to sell, so the ability to set free market fuel prices has an impact on the future valuation of these assets.

The top performers by contribution for the month were Thai Beverage and Lee & Man Paper. **Thai Beverage** (leading Thai alcoholic beverage producer) rose on news flow that it is exploring the option of listing its beer division. 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. We view this as positive, but management have been considering this (and other options) for over a year. The key spirits business has held up well during the economic stress and rural incomes are recovering as commodity prices increase. **Lee & Man Paper** (Chinese packaging manufacturer) is benefiting from price increases for containerboard in China. The Chinese consumer has joined in the ‘post Covid’ economic recovery together with a buoyant export industry increasing the demand for cardboard boxes and packaging. China has restricted the import of recycled cardboard boxes to encourage the recycling of cardboard domestically, which is more expensive due to inefficient collection, and favours the larger players, like Lee & Man Paper, that can also import pulp.

We added a new holding **SK Hynix** (Korean semiconductor manufacturer) in the month. SK Hynix is the second largest DRAM producer globally behind Samsung Electronics and is to be the second largest NAND

Commentary - continued

player following its acquisition of Intel's NAND business for \$9 billion. It is a pure play memory semiconductor company. There is scope to improve technology in 3D NAND ramp up, better NAND product mix, and adopting EUV technology in DRAM. We like the continued consolidation of the global semiconductor industry which has allowed key players to profit maximise. We believe the DRAM sector is beginning a new up-cycle in 2021 underpinned by the continued structural growth of sectors such as cloud services and 5G smartphones. It trades on a price to book ratio of 1.7 with a strong balance sheet.

Capacity and flows

AUM of the strategy is now below our US\$1bn capacity so we are accepting capital from investors, with priority given to existing investors and those on the waitlist, and then from new relationships. If you are interested in the strategy, please contact us.

Composite analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.9	+2.9	+0.4
Thai Beverage	8.1	+12.2	+11.6
SK Telecom	7.9	-1.3	-1.3
Petrobras	7.4	-11.6	-11.6
Infosys	7.3	-0.4	-0.4
Lukoil	7.1	+5.1	+5.1
Lee & Man Paper	7.1	+7.6	+7.6
Ternium	6.7	-9.0	-9.0
Telkom Indonesia	6.3	-4.3	-4.3
Buenaventura	6.1	-16.5	-16.5

*Inclusive of portfolio activity.
All data as at 29 January 2021.
Source: Oldfield Partners.

Sector breakdown (%)

Materials	19.9	
Information Technology	18.8	
Communication Services	17.8	
Energy	14.5	
Consumer Staples	13.2	
Consumer Discretionary	5.2	
Industrials	4.2	
Financials	4.0	
Cash	2.5	

Country breakdown (%)

South Korea	19.4	
China/Hong Kong	14.0	
Brazil	11.6	
Indonesia	11.3	
Thailand	8.1	
India	7.3	
Russia	7.1	
Mexico	6.7	
Peru	6.1	
Turkey	3.6	
South Africa	2.2	
Cash	2.5	

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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.