

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

29 March 2019

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$686.2m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

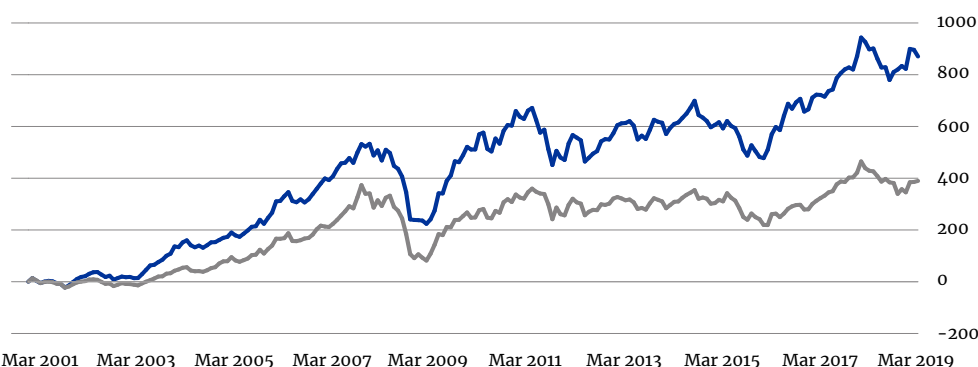
About Oldfield Partners

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
■ Composite	-2.6	+5.2	-2.8	+870.5	+13.1	+6.4	+13.3
■ MSCI Emerging Markets	+0.8	+9.9	-7.4	+389.6	+10.7	+3.7	+9.1

Preceding five calendar years performance	2018	2017	2016	2015	2014
Composite	-5.0	+26.8	+31.7	-16.5	-2.4
MSCI Emerging Markets	-14.6	+37.3	+11.2	-14.9	-2.2

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 month (and year) saw the growth component of the MSCI Emerging Market Index soundly beat the value component. The more accommodative leaning of the US central bank, China stimulus measures, and the increased likelihood of a US-China trade deal made concerns over a global slowdown fade. The valuation case for emerging market equities remains attractive, with the MSCI Emerging Markets Index trading comfortably below its longer term historic average valuation. The weighted average of the price targets in the portfolio is showing 38% upside.

The bottom performers by contribution in the month were Turkcell and Embraer. **Turkcell** (Turkish telecom provider) was impacted by poor investor sentiment towards Turkey and the pre-election rhetoric of the President. In addition, its CEO resigned – but management remains committed to the current strategic direction. More positively it closed the sale of Fintur (Eurasian mobile telecom venture) with the proceeds helping its foreign exchange position and balance sheet. We believe Turkcell is weathering the current economic difficulties in Turkey well. **Embraer** (Brazilian aircraft manufacturer) was dented by the recent negative sentiment towards Boeing’s aircraft crashes, but it is unlikely that this will scupper the deal with Embraer. Investors still focus attention on the deal value for the regional jet business; and are currently giving little value to the business jet and defence businesses as they wait to see if these can stand by themselves.

The top performers by contribution in the month were Lukoil, Buenaventura and Thai Beverage. **Lukoil** (Russian oil & gas producer) continues to deliver increasing free cash flow making its shareholder return policy more attractive. An increased oil price this year and capital expenditure discipline bode well. There is some hope that US-Russian relations stabilise from here, and in any case, Lukoil has not been subject to US sanctions to date. **Buenaventura** (Peruvian miner) held its annual investor day in the month. Management continue a disciplined approach to costs and new projects whilst keeping a solid balance sheet. The Cerro Verde copper mine expansion is now complete and should allow management the freedom and funds to address future developments. Consolidation in the gold industry is a positive backdrop as it should lead to better discipline. **Thai Beverage** (Thailand’s leading alcoholic beverage company) is benefiting from the continued strong recovery in alcohol consumption in Thailand over the first quarter following unusual weakness last year from the national mourning period after the death of the King of Thailand and weak agricultural prices. Seasonally the next quarter should also be strong. Historically Thai Beverage has passed through periods of political change without much impact and this has been true of the recent elections.










The top performers by contribution in the quarter were **Thai Beverage, Lukoil, and Petrobras** (Brazilian oil producer). The bottom performers by contribution in the quarter were **Embraer, SK Telecom** (Korean telecom provider), and **Indofood** (Indonesian snack foods producer).

Composite analysis

Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.2	-1.0	-2.1
Petrobras	8.5	-0.1	-0.1
Lukoil	8.5	+7.7	+7.7
Buenaventura	8.2	+3.9	+3.9
Embraer	7.8	-7.4	-7.4
SK Telecom	7.6	-4.3	-4.3
Thai Beverage	6.6	+3.7	+3.4
Yue Yuen Industrial	6.1	+2.2	+2.2
Telkom Indonesia	5.9	-0.5	-0.5
Lee & Man Paper	5.6	-7.5	-7.5

*Inclusive of portfolio activity.
All data as at 29 March 2019.
Source: Oldfield Partners.

Sector breakdown (%)

Materials	19.3	
Energy	17.1	
Telecoms	16.5	
Information Technology	13.3	
Consumer Staples	10.9	
Industrials	7.8	
Consumer Discretionary	7.0	
Financials	4.0	
Cash	4.1	

Country breakdown (%)

South Korea	16.8	
Brazil	16.3	
China/Hong Kong	13.5	
Indonesia	10.3	
Russia	8.5	
Peru	8.2	
Thailand	6.6	
Mexico	5.5	
India	5.1	
Turkey	3.0	
South Africa	2.1	
Cash	4.1	

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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. © 2019 Partnership No. OC309959.