

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

29 May 2020

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$475.9m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

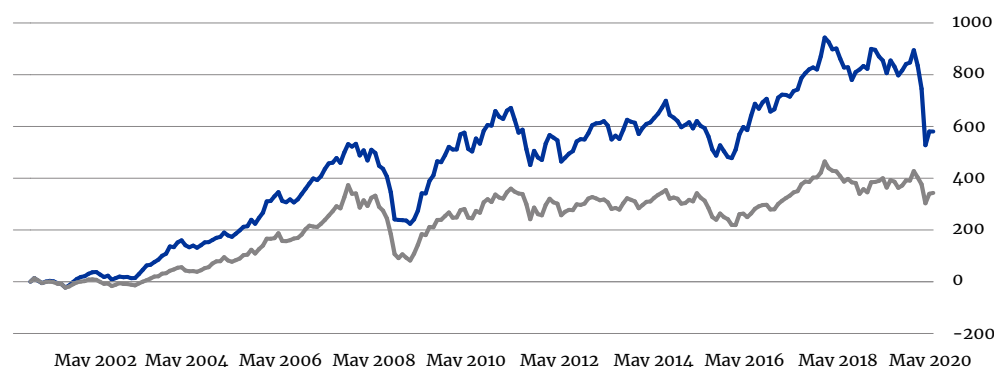
About Oldfield Partners

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	0.0	-31.6	-24.9	+580.6	-6.7	-0.6	+10.4
■ MSCI Emerging Markets	+0.8	-16.0	-4.4	+343.3	-0.2	+0.9	+8.0

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

There is continued uncertainty in the world with many regions still in the grip of the virus and for those countries moving out of lock-down as to the impact on economic life. Geopolitical tensions have increased. We favour holdings that can ‘tough it out’ through this period – having characteristics such as a strong balance sheet, solid proven franchises, producing assets low down on the global cost curve, or access to government assistance. We do not want to hide in a bunker nor just buy the most beaten down risky stocks – but rather a portfolio of holdings that can survive and some cash to be opportunistic with as this crisis and its aftermath unfolds.

The bottom performers by contribution for the month are Lee & Man Paper Manufacturing, Thai Beverage, and Indofood. **Lee & Man Paper** (Chinese containerboard manufacturer) would be a beneficiary of a pick-up in the Chinese economy and more so the Chinese consumer, which accounts for the bulk of the end demand for containerboard. The tensions between the US and China can be a negative as imported recycled cardboard is still an important input and has been a target for tariffs in the past. The stock trades on a price-earnings ratio of six and a price to book ratio of 0.8. **Thai Beverage** (Thailand’s leading alcoholic beverage producer) was impacted by the lock-down and restrictions on alcohol in Thailand and its other markets. However, as restrictions have been eased there are signs of a return to alcohol consumption. It is a dominant and well proven franchise in Thailand. The stock trades on a price-earnings ratio of 16. **Indofood** (Indonesian snack food producer) has announced a potential connected acquisition to expand geographically (into Africa and Saudi Arabia) with its noodle business, which was put on hold due to the crisis and has been rehashed. Investor sentiment is against the acquisition currently and there is a preference for the near-term stability (from the dominant domestic market share) of the existing noodle business. The stock trades on a price-earnings multiple of 11.

The top performers by contribution for the month are Lukoil, Ternium, and Petrobras. The oil stocks have performed well in the month as the oil price rebounded strongly from its April lows – but we remain in a low oil price environment. **Lukoil** (Russian oil producer) and **Petrobras** (Brazilian oil producer) are capable of surviving periods of a low oil price with their low-cost producing assets. After a disastrous initial reaction (a spat between Saudi Arabia and Russia) OPEC+ has succeeded in holding supply cuts in place and there are solid signs of demand recovery from automobile use. **Ternium** (Latin American steel producer) has its main assets in Mexico, which is experiencing an economic slump and has yet to pass the

Commentary - continued

peak of the virus. Management have cut capital expenditure, suspended the dividend, and expect a recovery in the third quarter. More positively there are already signs that industry and US supply chains are restarting in Mexico.

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. Our client base has always been a competitive advantage for us, and this has been underlined in the recent months as we have received net inflows. 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	9.5	+1.5	-0.4
SK Telecom	9.0	+0.6	+0.6
Lukoil	8.2	+13.6	+13.6
Thai Beverage	7.6	-8.1	-8.4
Telkom Indonesia	7.1	-1.6	-1.6
Buenaventura	6.7	+4.8	+4.8
Infosys	6.6	-1.7	-1.7
Petrobras	6.1	+12.9	+12.9
Indofood	6.1	-11.8	-9.5
Ternium	5.6	+16.8	+16.8

*Inclusive of portfolio activity.
All data as at 29 May 2020.
Source: Oldfield Partners.

Sector breakdown (%)

Communication Services	20.4	
Materials	17.7	
Information Technology	16.1	
Energy	14.3	
Consumer Staples	13.6	
Financials	4.0	
Consumer Discretionary	3.8	
Industrials	3.8	
Cash	6.2	

Country breakdown (%)

South Korea	18.5	
Indonesia	13.2	
China/Hong Kong	10.7	
Brazil	9.9	
Russia	8.2	
Thailand	7.6	
Peru	6.7	
India	6.6	
Mexico	5.6	
Turkey	4.4	
South Africa	2.5	
Cash	6.2	

Oldfield Partners

11 Grosvenor Place
London, SW1X 7HH
United Kingdom

Telephone: +44 (0) 20 7259 1000
Email: info@oldfieldpartners.com
www.oldfieldpartners.com

This document contains performance information meeting standards which use a composite of investment advisory fees paid by clients rather than the actual fees which will apply to a particular investment. These standards are calculated differently to SEC standards and, accordingly, where this document is provided as a non-exempt investment advertisement it is not intended for US persons and any US person seeking performance information calculated to SEC rules should contact info@oldfieldpartners.com. Oldfield Partners LLP's investment advisory fees are more fully described in the Form ADV Part 2A.

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.