

# Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

30 April 2019

## Monthly composite review

### Composite particulars

Launch date	01 January 2001
Comp. assets	US\$678.7m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

*“A concentrated portfolio concentrates the mind...”*

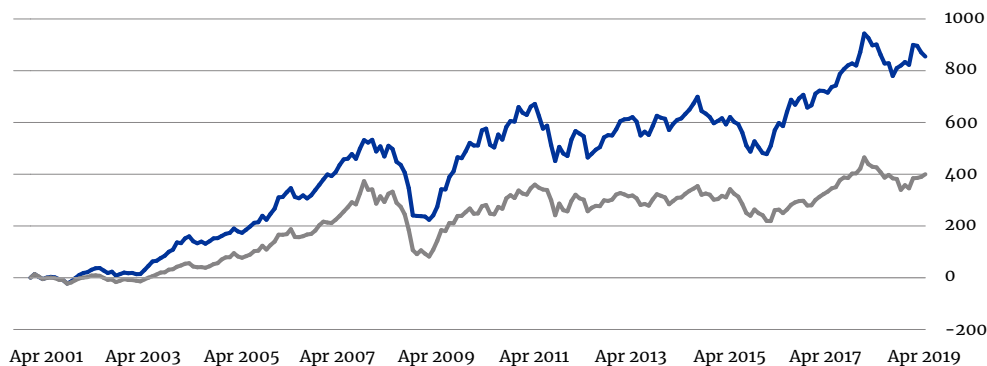
### About Oldfield Partners

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	-1.6	+3.5	-4.7	+854.8	+11.0	+5.9	+13.1
■ MSCI Emerging Markets	+2.1	+12.2	-5.1	+399.9	+11.2	+4.0	+9.2

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

It was a difficult month, and year, as the growth component of the MSCI Emerging Market Index extended its lead on the value component and Chinese equities performed strongly. Investors are digesting an uncertain global growth outlook, an ever-elusive US-China trade deal, and various geo-political events impacting key markets such as oil. The valuation case for emerging market equities remains attractive, with the MSCI Emerging Markets Index trading below its longer term historic average valuation. The weighted average of the price targets in the portfolio is showing 39% upside.

The bottom performers by contribution in the month were Ternium and Buenaventura. **Ternium** (Latin American steel producer) is facing a slowdown in its key Mexican market and a difficult market in Argentina. Steel prices have fallen as the US market is well supplied and iron ore prices have spiked globally following a tragic mining accident in Brazil. Management highlighted the second quarter looks to be as tricky as the first was. The stock trades at a forward price to earnings ratio of six and at a price to book ratio of 0.8. **Buenaventura** (Peruvian miner) had a terrible quarter as heavy rains and strike action cut production at some of its mining operations and so cost metrics temporarily spiked. This will pass and management are sticking with their full-year guidance. The company has a decent production pipeline, and a good balance sheet and dividend stream (from joint ventures) to fund future projects. The stock trades at a price to book ratio of 1.5.










The top performers by contribution in the month were Indofood and Embraer. **Indofood** (Indonesian snack food producer) had strong first quarter results as the noodle division continued its strong performance, dairy and flour recovered well, and the drag from the agri-business looked to reach a bottom. The stock trades at a forward price to earnings ratio of 13. **Embraer** (Brazilian aircraft manufacturer) moves with investor sentiment towards the deal with Boeing that should complete by year-end. 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 stock trades at book value.

## Composite analysis







Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.0	+3.3	+0.9
Embraer	8.5	+5.2	+5.2
Petrobras	8.3	-3.4	-3.4
Lukoil	8.1	-5.4	-5.4
Buenaventura	7.7	-5.9	-5.9
SK Telecom	7.7	-1.1	-1.1
Thai Beverage	6.7	-0.6	-1.0
Telkom Indonesia	6.0	-2.6	-2.6
Yue Yuen Industrial	5.9	-6.1	-6.1
Lee & Man Paper	5.4	-4.9	-4.9

\*Inclusive of portfolio activity.  
All data as at 30 April 2019.  
Source: Oldfield Partners.

### Sector breakdown (%)

Materials	18.5	
Telecoms	16.6	
Energy	16.4	
Information Technology	13.1	
Consumer Staples	11.7	
Industrials	8.5	
Consumer Discretionary	6.8	
Financials	4.5	
Cash	3.9	

### Country breakdown (%)

Brazil	16.8	
South Korea	16.8	
China/Hong Kong	13.6	
Indonesia	11.0	
Russia	8.1	
Peru	7.7	
Thailand	6.7	
Mexico	5.3	
India	4.9	
Turkey	2.9	
South Africa	2.3	
Cash	3.9	

### Oldfield Partners

11 Grosvenor Place  
London, SW1X 7HH  
United Kingdom

Telephone: +44 (0) 20 7259 1000  
Email: [info@oldfieldpartners.com](mailto:info@oldfieldpartners.com)  
[www.oldfieldpartners.com](http://www.oldfieldpartners.com)

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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.