Emerging Markets - Composite

Patient, unconstrained, contrarian value investing

Oldfield Partners

30 April 2022

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US$204.2m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

"A concentrated portfolio concentrates the mind..."

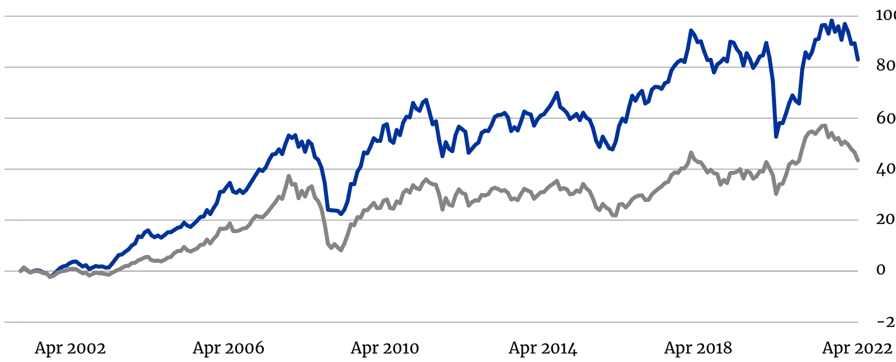
About Oldfield Partners

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 (%)



					Annualised		
	1 month	YTD	1 year	Launch	3 years	5 years	Launch
■ Emerging Markets Equity	-6.5	-13.1	-8.1	+829.3	-0.9	+2.7	+11.0
■ MSCI Emerging Markets	-5.6	-12.1	-18.3	+434.3	+2.2	+4.3	+8.2

Preceding five calendar years performance	2021	2020	2019	2018	2017
Emerging Markets Equity	+11.6	-3.7	+7.8	-5.0	+26.8
MSCI Emerging Markets	-2.5	+18.3	+18.4	-14.6	+37.3

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

A difficult month for emerging market equities. Volatility remains high, which should throw out some interesting opportunities over the summer months. We have been holding a higher than usual cash balance for this reason. Sentiment remains difficult with a heady mix of US monetary policy tightening, Chinese growth question marks, inflationary pressures and supply chain disruptions. Valuations are looking attractive as the negative sentiment gets priced in. The upside potential for the portfolio is 68% as measured by the weighted average of the company price targets.

Exposure to natural resources, materials, and solid franchise stocks have helped mitigate inflationary pressures. The ability to benefit from price increases or be able to pass on inflationary pressures is important currently. This often comes from strong market positions and cost-plus relationships with customers. Inflation has been a consistent backdrop in emerging markets, and we believe that the majority of our companies are well positioned to cope with and benefit from inflationary pressures.

The bottom performers by contribution for the month were Infosys and Embraer. **Infosys** (Indian IT services) had mildly disappointing quarterly results with lower margin guidance for the year. Wages and costs such as travel will increase going forward. Although the revenue growth rate has slowed it is still far higher than pre-Covid, and still benefiting from the structural move to digital services. **Embraer** (Brazilian aircraft manufacturer) is about to see the listing of its electric flight vehicle (EVE) on the New York Stock Exchange. EVE is a short range electric vertical takeoff & landing 'flying taxi' seating five people that will aim to replace helicopters and some taxi routes primarily in urban settings. Speed, noise, and operating costs being some of the advantages.

The top performers by contribution for the month were Indofood and First Pacific. **Indofood** (Indonesian snack food producer) is a good example of a company able to pass on inflationary pressures. It holds a 70% market share position in the Indonesian noodle market, which is effectively a duopoly. Noodles are a cheap staple fast food eaten 'on the go' and so busy consumers are less price sensitive and frequent flavour changes maintain consumer interest. In addition, Indofood owns the largest producer and importer of flour in the country that works on a cost-plus basis mitigating the increase in global wheat prices. **First Pacific** (Hong Kong listed holding company) has most of its underlying investments in the Philippines and Indonesia. The head office is in Hong Kong. Key holdings are PLDT (telecom operator in the Philippines), Indofood (Indonesian snack foods), and MPIC (Utilities in the Philippines) – these account for around 95% of its net asset value. These are all significant, listed, and liquid businesses that are performing well and First Pacific has strong relationships with. First Pacific trades on just shy of a 60% discount to its net asset value.

Commentary - continued

Russian holdings

Please note that as of 3rd March 2022 the holding of Lukoil ADR will have a fair value price (FVP) of zero. This has been determined by our Valuation Committee. Lukoil ADR listed on the London Stock Exchange (LSE) was suspended from trading by the exchange on the morning 3rd March 2022. We will continue to monitor the situation daily and update accordingly.

Composite analysis

Top 10 holdings (%)

		1 month total return (%)*	
	Weighting	**Local terms**	**USD**
Samsung Electronics	7.5	-2.7	-6.4
Thai Beverage	7.0	-4.2	-6.1
Ternium	6.9	-6.0	-6.0
Telkom Indonesia	6.7	-0.4	-0.4
SK Hynix	6.7	-4.7	-8.2
Embraer	6.7	-9.8	-9.8
Buenaventura	5.4	-5.5	-5.5
Alibaba	5.3	-8.9	-9.1
Indofood	5.2	+5.9	+4.7
Petrobras	5.1	-4.8	-4.8

*Inclusive of portfolio activity.
All data as at 30 April 2022.
Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	26.1
Materials	16.0
Communication Services	13.2
Consumer Staples	12.2
Consumer Discretionary	8.9
Industrials	6.7
Energy	5.1
Financials	4.5
Cash	7.3

Country breakdown (%)

South Korea	21.8
China/Hong Kong	15.0
Indonesia	11.9
Brazil	11.7
Thailand	7.0
Mexico	6.9
Peru	5.4
India	4.3
Taiwan	4.1
Turkey	2.3
South Africa	2.1
Cash	7.3

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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.