

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

30 June 2019

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$676.6m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

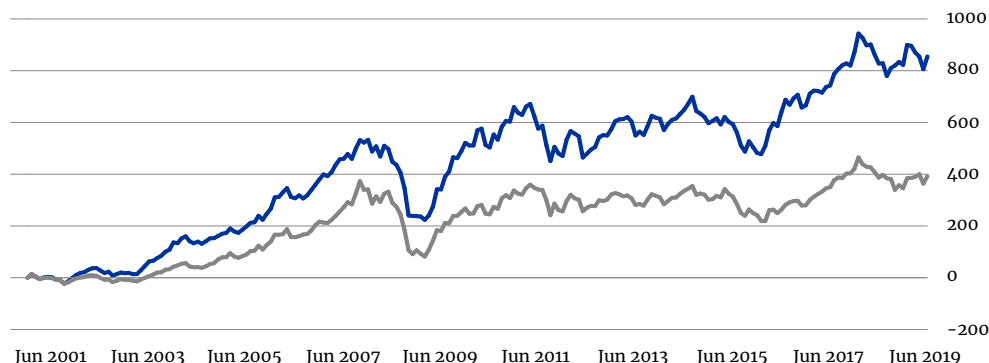
About Oldfield Partners

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	+5.4	+3.5	+2.9	+855.0	+8.8	+5.0	+13.0
■ MSCI Emerging Markets	+6.2	+10.6	+1.2	+392.6	+10.7	+2.5	+9.0

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

Despite a strong bounce back in the month the valuation case for emerging market equities remains attractive, and the MSCI Emerging Markets Index continues to trade comfortably below its longer term historic average valuation. The backdrop for emerging markets is still dominated by the US-China trade negotiations and news on US monetary policy.

The top performers for the second quarter were Telkom Indonesia and Indofood (notably both Indonesian), and the bottom performers were Yue Yuen and Lee & Man Paper (notably both China related).

The bottom performer by contribution in the month was **Eros International** (Indian Bollywood media company). The share price fell dramatically as its Indian listed subsidiary missed two bank loan payments sparking fear of a liquidity issue and leading to a local rating agency automatically listing them as default. Management claimed the payments were only delayed (and the financial situation is solid), have authorised a share buy-back, and are looking into options for the business. There are less than two weeks until the next results statement. This is an attractive brand in the growing Indian media space that could attract bidders or partners. We will monitor the situation. **Ternium** (Latin American steel producer) was weaker in the month as Mexico remains on edge regarding any future initiatives from President Trump and a more challenging steel market backdrop. One positive is the dropping of the investigation in Argentina into payments made by Techint (the controlling shareholder) to government officials around 2008 that could have implicated Ternium's Chairman.

The top performer by contribution in the month was Samsung Electronics; with strong contributions from Petrobras, Telkom Indonesia, and Buenaventura. **Samsung Electronics** (Korean consumer electronics manufacturer) has for the year been driven by investor perception of the semiconductor cycle and if we have reached the trough. The US restrictions on Huawei (a Chinese competitor) were a positive as it could boost mobile phone and 5G network sales for Samsung Electronics. Throughout this more difficult period the company has made solid free cash flow and maintained an overly strong net cash financial position, which bodes well for continued shareholder returns. **Petrobras** (Brazilian oil producer) and **Buenaventura** (Peruvian miner) benefited as commodity prices bounced back in the month, with the oil price and gold price up by approximately six percent in US dollar terms in the month.

Total assets for the emerging markets strategy are now slightly over US\$1billion, which is our capacity limit. If you are interested in making a new investment or adding to an existing holding, we therefore request that you contact us to discuss this.

Composite analysis

Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.6	+10.6	+13.6
Embraer	8.9	+4.7	+4.7
Petrobras	8.5	+9.4	+9.4
SK Telecom	8.1	+6.5	+6.5
Lukoil	8.1	+4.8	+4.8
Buenaventura	8.0	+9.9	+9.9
Thai Beverage	6.7	+18.3	+4.1
Telkom Indonesia	6.6	+11.8	+11.8
Ternium	5.1	-6.9	-6.9
Indofood	5.1	+8.5	+9.7

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

Sector breakdown (%)

Materials	17.8	
Communication Services	17.7	
Energy	16.6	
Information Technology	13.6	
Consumer Staples	11.8	
Industrials	8.9	
Consumer Discretionary	5.2	
Financials	4.6	
Cash	3.9	

Country breakdown (%)

South Korea	17.7	
Brazil	17.4	
China/Hong Kong	11.9	
Indonesia	11.6	
Russia	8.1	
Peru	8.0	
Thailand	6.7	
Mexico	5.1	
India	4.1	
Turkey	3.0	
South Africa	2.4	
Cash	3.9	

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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.