

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

30 June 2021

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$397.2m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

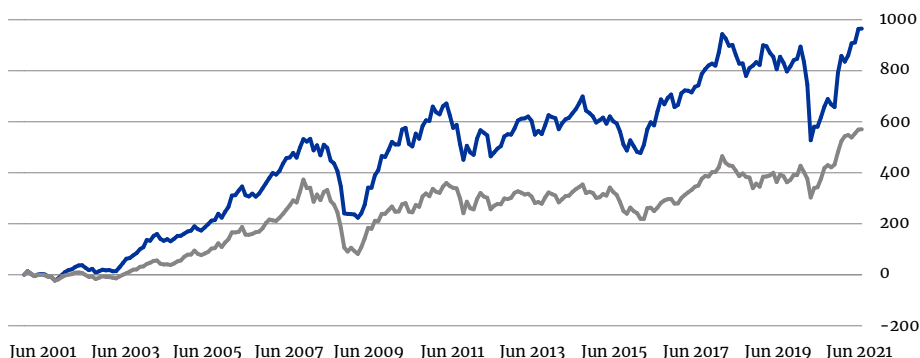
About Oldfield Partners

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
■ Emerging Markets Equity	+0.1	+11.2	+48.5	+965.3	+4.7	+7.5	+12.2
■ MSCI Emerging Markets	+0.2	+7.4	+40.9	+570.5	+11.3	+13.0	+9.7

Preceding five calendar years performance	2020	2019	2018	2017	2016
Emerging Markets Equity	-3.7	+7.8	-5.0	+26.8	+31.7
MSCI Emerging Markets	+18.3	+18.4	-14.6	+37.3	+11.2

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 spread of the Delta variant has caused renewed spikes in Covid and is especially of concern in developing countries that are lagging in vaccinations. Notably some Asian countries saw further restrictions. That said the global vaccination roll-out continues to gather pace. China continues to be restrictive on credit conditions despite its economic growth rate moderating and political tensions remain with the US and Europe. A tightening cycle in monetary policy in emerging markets has begun despite the Federal Reserve in the US remaining accommodative. Commodity and material prices were under pressure in the month, notably metals, however the oil price rose as rising demand met continued supply restraint. The weighted average of the price targets in the portfolio shows near 40% upside potential.

The bottom performers by contribution for the month were Buenaventura and Lee & Man Paper. **Buenaventura** (Peruvian mining company) faced a difficult combination of weaker metal prices and political uncertainty in the month. Precious metals and copper prices fell sharply. The presidential election in Peru is a close call but favouring the socialist candidate (on 50.1% of the vote) and without a victor decisively declared yet. We believe the split vote will lead the eventual victor to take a more moderate path. **Lee & Man Paper** (Chinese packaging manufacturer) is in the low season for containerboard and small price falls tend to dent sentiment. Overall, the market is healthy as demand recovers on improving domestic consumer consumption and supply growth is limited. Government policy moves such as requiring paper mills to convert to gas-fired power from coal by 2025 should benefit the larger players like Lee & Man Paper that can afford to do so.

The top performers by contribution for the month were Embraer and Petrobras. **Embraer** (Brazilian aircraft manufacturer) is benefiting as the US gets back on planes for domestic travel and sparks new orders for aircraft. US passenger volumes have recovered to be about 25% below pre-pandemic levels. News flow on its short range electric vertical take-off and landing aircraft ‘Eve’ from its EmbraerX division has gained investor interest and commercial orders but remains at an early stage. **Petrobras** (Brazilian oil producer) has recovered its composure as the new CEO put in place by the government follows the investor friendly policy of the prior management. It continues to explore methods for a smoother domestic fuel adjustment process whilst adhering to international price parity. Improving demand for oil and successful supply management by OPEC+ has allowed the oil price to remain buoyant.

The top performers for the quarter by contribution are **Embraer**, **Petrobras**, and **SK Telecom** (Korean mobile telecom provider); and the bottom performers are **Lee & Man Paper**, **Buenaventura**, and **Thai Beverage** (the leading alcoholic beverage producer in Thailand).

Commentary - continued

Capacity and flows

We are pleased to announce that we are now offering an EM ex China strategy. Alongside this we have increased capacity across both EM and EM ex China to US\$1.5bn. If you would like to know more or arrange a meeting please contact clientrelations@oldfieldpartners.com.

Composite analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
SK Telecom	8.6	-2.0	-2.0
Embraer	8.4	+13.1	+13.1
Samsung Electronics	8.3	+0.2	-1.7
Infosys	6.9	+10.4	+10.4
Lukoil	6.6	+13.7	+13.7
Petrobras	6.6	+14.5	+14.5
Ternium	6.1	+5.1	+5.1
Thai Beverage	5.9	-1.5	-3.2
SK Hynix	5.6	+0.4	-1.6
Telkom Indonesia	5.3	-2.6	-2.6

*Inclusive of portfolio activity.
All data as at 30 June 2021.
Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	20.8	
Communication Services	16.6	
Materials	15.9	
Energy	13.2	
Consumer Staples	10.3	
Industrials	8.4	
Consumer Discretionary	5.2	
Financials	3.6	
Cash	6.0	

Country breakdown (%)

South Korea	22.5	
Brazil	15.0	
China/Hong Kong	11.6	
Indonesia	9.7	
India	6.9	
Russia	6.6	
Mexico	6.1	
Thailand	5.9	
Peru	5.1	
Turkey	2.7	
South Africa	1.9	
Cash	6.0	

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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. © 2021 Partnership No. OC309959.