

Emerging Markets - Composite

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

30 June 2023

Monthly composite review

Composite particulars

| | |
|---------------|-----------------------|
| Launch date | 01 January 2001 |
| Comp. assets | US\$133.7m |
| Structure | Composite |
| Base currency | USD |
| Benchmark | MSCI Emerging Markets |

“A concentrated portfolio concentrates the mind...”

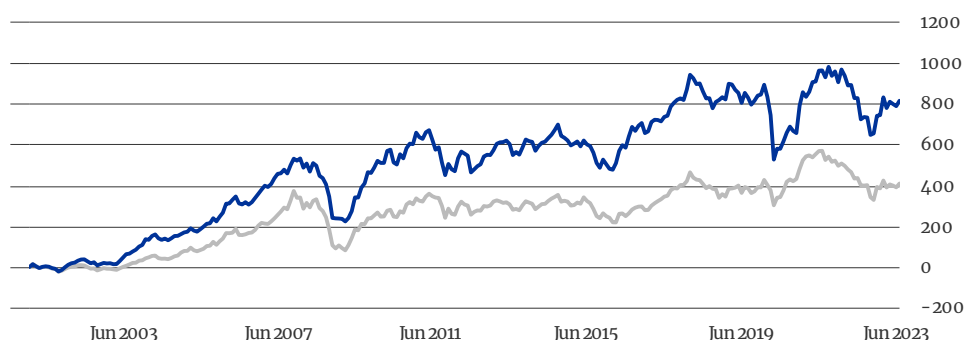
About Oldfield Partners

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 | Annualised | |
|-------------------------|---------|------|--------|------------|---------|
| | | | | 3 years | 5 years |
| ■ Fund | +3.0 | +8.3 | +11.1 | +8.5 | -0.3 |
| ■ MSCI Emerging Markets | +3.8 | +4.9 | +1.8 | +2.3 | +0.9 |

| Preceding five calendar years performance | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|-------|-------|-------|-------|-------|
| Fund | -20.9 | +11.6 | -3.7 | +7.8 | -5.0 |
| MSCI Emerging Markets | -20.1 | -2.5 | +18.3 | +18.4 | -14.6 |

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

We remain positive on the valuation of emerging market equities but note the need for the US economy to slow and for the Chinese economy to exit the doldrums perhaps with reluctant stimulus measures. This leaves emerging markets facing a less certain but fundamentally positive backdrop. The upside potential for the portfolio is 80% as measured by the weighted average of the company price targets in the portfolio.

The bottom performers by contribution in the month were LG H&H, Turkcell, and SK Telecom. **LG H&H** (Korean cosmetics manufacturer) has yet to see a sustained bounce back in demand from Chinese consumers after Covid. High-end cosmetics demand and travel to Korea being the biggest concerns. Local Chinese cosmetics brands have done best at capturing consumer attention since Covid. **Turkcell** (Turkish mobile telecom operator) remains troubled by the politics of the country and its impact on monetary policy. Although the new finance team have been given more leeway to correct inflation this may not always be so. The Turkish lira has fallen 25% this year. **SK Telecom** (Korean mobile telecoms provider) remains in a solid position in Korea as 5G penetration steadily increases, regulatory policy is broadly supportive, and capital expenditure continues to be restrained. Management is focussing on the most profitable 5G customers rather than just headline market share. The dividend yield at around 7% is dependable.

The top performers by contribution in the month were Petrobras and Ternium. **Petrobras** (Brazilian oil producer) was a strong performer in 2022 as it was able to pay significant dividends to its shareholders. This looks set to continue for 2023. The recent election of a socialist government in Brazil has unnerved investors, but we believe from past experience that the Lula administration will be pragmatic in its dealing with Petrobras and any strategy changes will be implemented slowly. It trades on a price to earnings ratio of 4 and a forecast dividend yield of 20%. **Ternium** (Latin American steel producer) is benefiting from the continued high US steel price and the ‘near-shoring’ of industries to Mexico from China. Ternium is a low-cost producer of steel, a beneficiary of Mexican economic growth, and of increased domestic market share in steel through import substitution. It trades on a price to earnings ratio of 6, a dividend yield of 7%, and it has a strong balance sheet.

The top performers for the second quarter were Petrobras, Samsung Electronics, and Indofood; and the bottom performers were Alibaba, LG H&H, and Lee & Man Paper.

Russian holdings

Please note that on 3rd March 2022 the Fund’s investment in Lukoil ADR listed on the London Stock Exchange (LSE) was suspended from trading. Our Valuation Committee considered it was in the Fund’s best interests that the holding of Lukoil ADR be fair value priced (FVP) at zero. In June 2022, we elected for the holding to be converted into local shares (Lukoil PJSC).

Commentary - continued

Given the current international sanctions on Russian securities and cash balances, we believe that if lifted and the Fund was able to access the local market, the holding in Lukoil PJSC (with a current FVP of zero) would represent 9% of the Fund and cash dividend of 1.9%. We continue to monitor the situation closely.

Composite analysis

Top 10 holdings (%)

| | Weighting | 1 month total return (%)* | |
|---------------------|-----------|---------------------------|-------|
| | | Local terms | USD |
| Samsung Electronics | 8.6 | +1.1 | +1.8 |
| Embraer ADR | 8.2 | +3.9 | +3.9 |
| Petrobras ADR | 6.9 | +25.6 | +25.6 |
| Ternium ADR | 6.7 | +6.3 | +6.3 |
| Thai Beverage | 6.2 | +3.6 | +3.9 |
| Indofood | 6.1 | +3.5 | +3.3 |
| Alibaba | 5.8 | +4.2 | +4.2 |
| SK Square | 5.8 | -4.1 | -3.5 |
| Infosys ADR | 5.0 | +2.0 | +2.0 |
| ASE Technology | 4.9 | +7.0 | +5.7 |

*Inclusive of portfolio activity.
All data as at 30 June 2023.
Source: Oldfield Partners.

Sector breakdown (%)

| | | |
|------------------------|------|--|
| Information Technology | 22.0 | |
| Consumer Staples | 17.5 | |
| Materials | 14.9 | |
| Industrials | 14.0 | |
| Communication Services | 10.4 | |
| Consumer Discretionary | 9.4 | |
| Energy | 6.9 | |
| Financials | 1.3 | |
| Cash | 3.8 | |

Country breakdown (%)

| | | |
|-----------------|------|--|
| South Korea | 25.6 | |
| China/Hong Kong | 15.3 | |
| Brazil | 15.1 | |
| Indonesia | 10.6 | |
| Mexico | 6.7 | |
| Thailand | 6.2 | |
| India | 5.0 | |
| Taiwan | 4.9 | |
| Peru | 4.5 | |
| South Africa | 1.3 | |
| Turkey | 1.0 | |
| Cash | 3.8 | |

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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. © 2023 Partnership No. OC309959.