



Emerging Markets Investment Report

September 2018 Newsletter

Oldfield Partners

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
September	+3.5%	-0.5%
2018 to date	-6.3%	-7.7%
1 year	-1.2%	-0.8%
3 years annualised	+15.7%	+12.3%
5 years annualised	+5.8%	+3.6%
Since inception**	+810.3%	+381.4%
Since inception annualised**	+13.2%	+9.3%

*MSCI Emerging Markets (Net Dividends Reinvested). **Inception 1st January 2001. Performance figures are of the Emerging Markets Equity Composite, calculated net of investment management fees and on a total return basis inclusive of dividends, inclusive of all distributions to unit holders. Source: Rawlinson & Hunter, Alta Advisers Ltd, Oldfield Partners, MSCI © and Bloomberg.

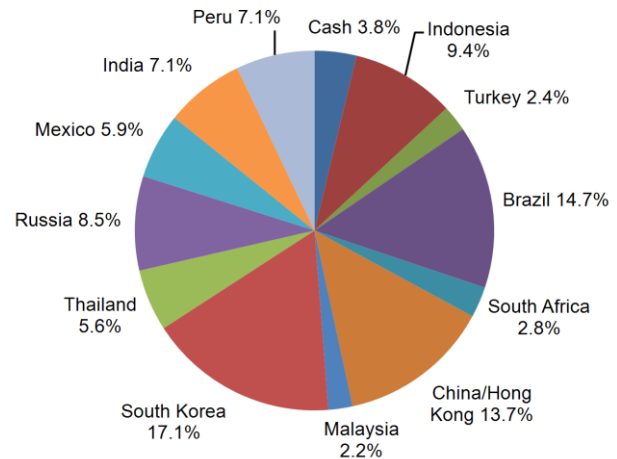
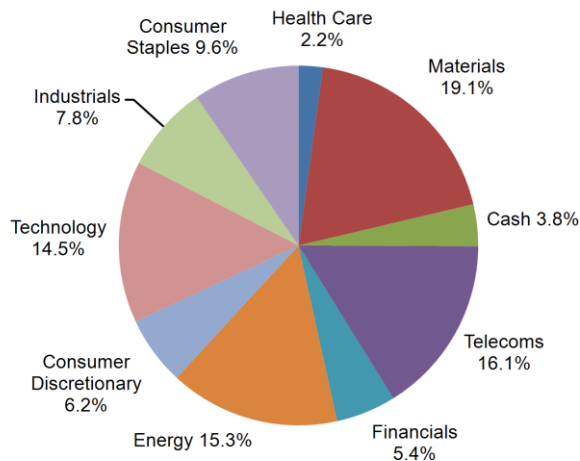
Performance of Five Largest Holdings*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	8.7%	-4.1%	-3.5%
Lukoil	8.5%	+11.2%	+11.2%
SK Telecom	8.4%	+7.2%	+7.2%
Embraer	7.8%	+2.1%	+2.1%
Buenaventura	7.1%	+6.5%	+6.5%

*As at end of period. **Total return inclusive of the portfolio activity. Source: Oldfield Partners and Bloomberg.

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 necessarily a guide to future performance.

Sector and country breakdown as at 30th September 2018



Source: Oldfield Partners.

Commentary

The valuation case for emerging market equities remains attractive, with the MSCI Emerging Markets Index trading comfortably below its longer term historic average valuation. The price to book ratio for the index is 1.6. The weighted average of the price targets in the portfolio is showing an attractive 50% upside.

The bottom performers by contribution in the month were Indofood and Samsung Electronics. **Indofood** (Indonesian snack food producer) has been impacted by the weakness in the local currency this year, and its knock-on impact on local pricing and demand, and in particular for low-end demand. It trades on a historic price to earnings ratio of 12.5 and a price to book ratio of 1.7. **Samsung Electronics** (Korean consumer electronics) continues to trade around expectations for the semiconductor cycle. We believe the share price already factors in a tough down cycle for 2019 and so remain positive. A mild downturn in DRAM in 2019 would add confidence that the consolidated semiconductor industry is less cyclical than its past and focused on profit maximisation. It trades on a historic price to earnings ratio of 7.6 and a price to book ratio of 1.5.

The top performers by contribution in the month were Lukoil and Petrobras. With the strong performance of the oil price this month and year our oil stocks have performed well. **Lukoil** (Russian oil & gas producer) is executing a generous shareholder return policy, highlighting its positive shareholder alignment and corporate governance, and is executing a \$3 billion share buyback currently. It trades on a historic price to earnings ratio of 7.6 and a price to book ratio of 0.9. **Petrobras** (Brazilian oil & gas producer) gave a confident investor day message of normalising its balance sheet and putting the difficult corruption scandal period in the rear-view mirror. The US



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authorities have ended their investigation, and so the vast majority of legal disputes against the company have been concluded. The next hurdle is the Brazilian presidential election in October. It trades on a historic price to earnings ratio of 12 and a price to book ratio of 0.8.

The top performers by contribution in the third quarter were **SK Telecom** (Korean mobile telecom), **Lukoil** (Russian oil & gas), and **Petrobras** (Brazilian oil & gas). The bottom performers by contribution in the quarter were **Embraer** (Brazilian regional jet manufacturer), **Ternium** (Latin American steel producer), and **Turkcell** (Turkish mobile telecom).

[Oldfield Partners](#)

11 Grosvenor Place, London, SW1X 7HH, United Kingdom.
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
www.oldfieldpartners.com

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