

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

30 September 2019

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$639.4m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

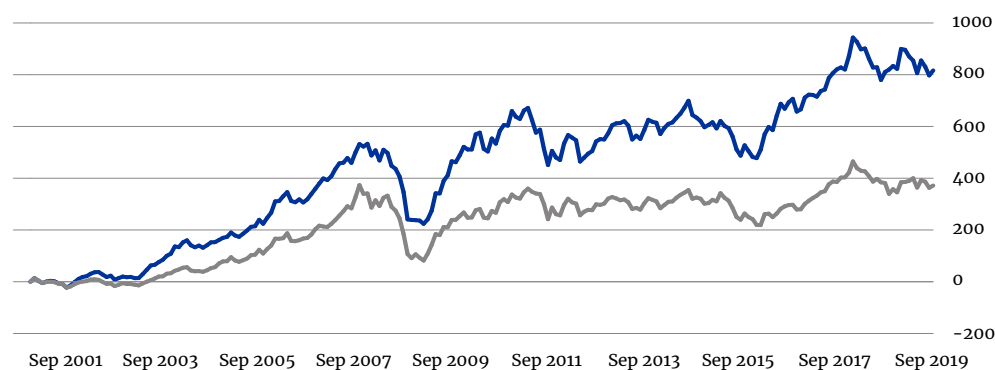
About Oldfield Partners

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	+2.2	-0.7	+0.7	+816.5	+4.9	+4.3	+12.5
■ MSCI Emerging Markets	+1.9	+5.9	-2.0	+371.7	+6.0	+2.3	+8.6

Preceding five calendar years performance

	2018	2017	2016	2015	2014
Emerging Markets Equity	-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

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. Value investing continues to have a tough year to date. The backdrop for emerging markets is still dominated by global monetary policy actions and widening trade disputes, with abrasive positioning becoming entrenched by both the US and China, leading to fallout across the global economy.

The bottom performers by contribution in the month were Telkom Indonesia and Indofood. **Telkom Indonesia** (Indonesian telecom operator) is the leading telecom provider in one of Asia's fastest growing telecom markets. It is well placed in wireless, as 4G penetration still has a long way to go, and fixed telecom, as the growth in broadband takes off. Its superior network and strong balance sheet help protect its dominant position. **Indofood** (Indonesian snack food manufacturer) is driven by its key noodle business that continues to grow strongly and maintain solid margins whilst commanding a dominant market share domestically. The penetration of cup noodles is low and should grow long term as income levels increase. Its in-house distribution network is a competitive advantage in a country where the vast majority of the retail market are small traditional family owned stores.

The top performers by contribution in the month were Samsung Electronics and Petrobras. **Samsung Electronics** (Korean electronics manufacturer) is looking forward to the turn in the semiconductor cycle, perhaps as close as a quarter away, and a margin recovery in the mobile handset division. **Petrobras** (Brazilian oil producer) continues its successful deleveraging programme as it sells assets and generates sustainable free cash flow. Although the oil market is currently well supplied recent attacks on the Saudi Arabian oil infrastructure and Middle East tensions highlight vulnerabilities that may support the oil price.

The top performers by contribution for the third quarter were **Indofood** (Indonesian snack food manufacturer) and **Thai Beverage** (Thailand's leading alcoholic beverage producer). The bottom performers by contribution for the quarter were **Embraer** (Brazilian aircraft manufacturer) and **Lee & Man Paper** (Chinese containerboard manufacturer).

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	+11.5	+12.5
Lukoil	8.2	+3.0	+3.0
Petrobras	8.2	+7.4	+7.4
Embraer	8.1	-1.6	-1.6
Buenaventura	7.7	-0.4	-0.4
SK Telecom	7.6	+1.6	+1.6
Thai Beverage	7.3	-1.7	-1.3
Telkom Indonesia	7.0	-4.2	-4.2
Indofood	5.8	-2.9	-2.9
Yue Yuen Industrial	5.2	+9.0	+9.0

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

Sector breakdown (%)

Communications Services	17.9	
Energy	16.4	
Materials	16.0	
Information Technology	14.0	
Consumer Staples	13.0	
Industrials	8.1	
Consumer Discretionary	5.4	
Financials	4.5	
Cash	4.6	

Country breakdown (%)

South Korea	17.2	
Brazil	16.3	
Indonesia	12.8	
China/Hong Kong	11.1	
Russia	8.2	
Peru	7.7	
Thailand	7.3	
India	4.6	
Mexico	4.5	
Turkey	3.3	
South Africa	2.3	
Cash	4.6	

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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.