

Emerging Markets - Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

30 September 2020

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$286.7m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

"A concentrated portfolio concentrates the mind..."

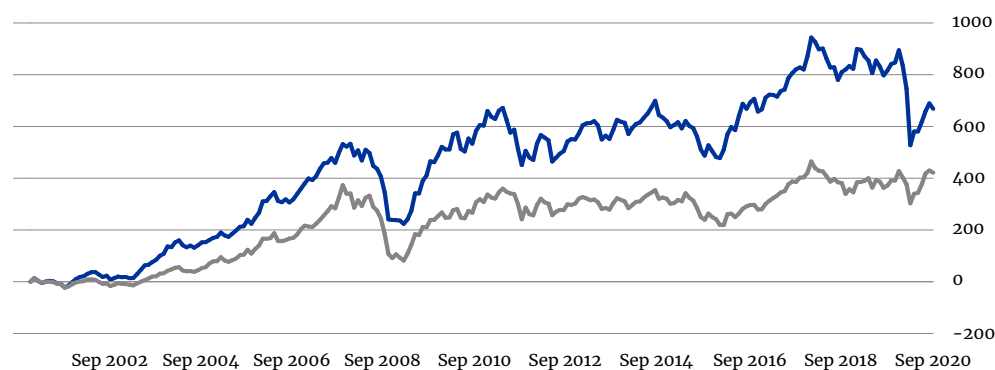
About Oldfield Partners

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	Launch	Annualised		
					3 years	5 years	Launch
■ Emerging Markets Equity	-2.7	-22.8	-16.2	+668.2	-5.9	+5.5	+10.9
■ MSCI Emerging Markets	-1.6	-1.2	+10.5	+421.4	+2.4	+9.0	+8.7

Preceding five calendar years performance

	2019	2018	2017	2016	2015
Emerging Markets Equity	+7.8	-5.0	+26.8	+31.7	-16.5
MSCI Emerging Markets	+18.4	-14.6	+37.3	+11.2	-14.9

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 second wave of Covid-19 infections has not yet seen a dramatic rise in hospitalisations and deaths that could push governments to reconsider harsh 'lock-downs' again impacting economic activity. A vaccine and treatments (and perhaps patience as nature takes its course) remain the answer to this ongoing health crisis. Meanwhile governments and central banks must keep the economy and confidence ticking over. We believe the portfolio holdings are all survivors - but we must acknowledge the uncertainty and have a spectrum of holdings that can do well in different scenarios. We see the differential in valuation between 'value' and 'growth' stocks in emerging markets as having become too stretched - and can favour value.

The bottom performers by contribution for the month were Buenaventura, Lukoil, and Petrobras. Weaker oil and gold prices in the month impacted our commodity stocks. **Buenaventura** (Peruvian miner) has re-rated strongly following the re-opening of its mines that were shut due to a national lock-down in Peru. Management recently commented that the company is at 85% of capacity and will reach full capacity by November - a slower pace than its comments in the summer. **Lukoil** (Russian oil producer) and **Petrobras** (Brazilian oil producer) are well placed as low-cost oil producers that have reduced capital expenditure in an uncertain demand environment to increase free cash flow. Petrobras has the go-ahead (from the Supreme Court) to begin its next stage of divestments as it focuses on its upstream pre-salt assets.

The top performers by contribution for the month were Lee & Man Paper, Samsung Electronics, and Infosys. **Lee & Man Paper** (Chinese packaging manufacturer) is benefiting from the recovery in the Chinese economy. The bulk of its products are to the Chinese consumer, which has, so far, been lagging in the recovery. As we head into peak season inventory levels for the industry are moderate. **Samsung Electronics** (Korean electronics) is benefiting from a favourable semiconductor outlook in 2021 with supply discipline (notably DRAM), improving inventory, and demand drivers (datacentres, mobile, gaming, 5G ...) performing well. In addition, there has been positive news flow in foundry, networks, and mobile. **Infosys** (Indian IT services) is executing well in an environment that is favouring IT services. Companies need to have and improve their digital presence in the current environment. Infosys' earlier move into digital and its fostering of facilities in the US look well timed.

The top performers by contribution for the third quarter were Infosys, Buenaventura, and Lee & Man Paper; and the bottom performers were Lukoil, Telkom Indonesia, and Embraer. The top performers for the year to date by contribution are Infosys, Samsung Electronics, and SK Telecom; and the bottom performers are Embraer, Petrobras, and Lukoil.

Commentary - continued

Capacity and flows

AUM of the strategy is now below our US\$1bn capacity so we are accepting capital from investors, with priority given to existing investors and those on the waitlist, and then from new relationships. If you are interested in the strategy, please contact us.

Composite analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.5	+7.8	+9.9
SK Telecom	9.3	-2.4	-2.4
Infosys	9.2	+9.6	+9.6
Buenaventura	8.6	-13.2	-13.2
Lee & Man Paper	7.1	+20.7	+20.7
Thai Beverage	6.9	-1.6	-2.0
Indofood	6.8	-6.2	-7.8
Ternium	6.4	+5.3	+5.3
Lukoil	6.0	-15.4	-15.4
Petrobras	5.9	-12.1	-12.1

*Inclusive of portfolio activity.
All data as at 30 September 2020.
Source: Oldfield Partners.

Sector breakdown (%)

Materials	22.1	
Information Technology	18.7	
Communication Services	18.3	
Consumer Staples	13.6	
Energy	12.0	
Consumer Discretionary	4.7	
Financials	4.4	
Industrials	2.9	
Cash	3.3	

Country breakdown (%)

South Korea	18.7	
China/Hong Kong	13.7	
Indonesia	12.1	
India	9.2	
Brazil	8.8	
Peru	8.6	
Thailand	6.9	
Mexico	6.4	
Russia	6.0	
Turkey	3.7	
South Africa	2.5	
Cash	3.3	

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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. © 2020 Partnership No. OC309959.