

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

30 September 2021

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$362.1m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

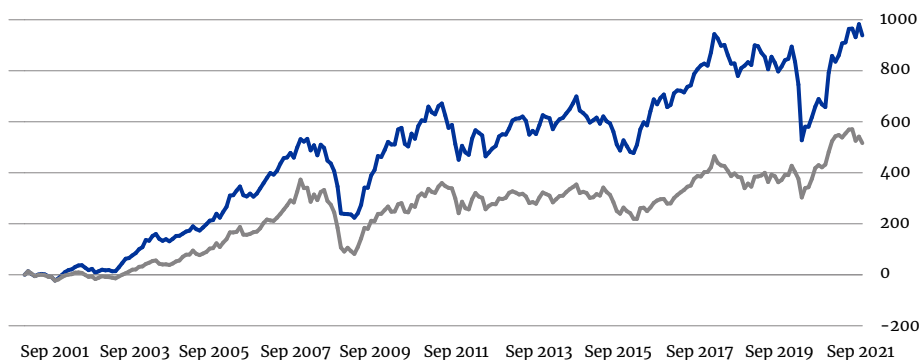
About Oldfield Partners

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 (%)



	Annualised						
	1 month	YTD	1 year	Launch	3 years	5 years	Launch
■ Emerging Markets Equity	-4.1	+8.4	+35.2	+938.6	+4.5	+5.5	+11.9
■ MSCI Emerging Markets	-4.0	-1.2	+18.2	+516.3	+8.6	+9.2	+9.2

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

There was a challenging mix of headwinds for emerging market equities this month. China continues to implement its wider agenda of economic and political controls made possible by its strong showing throughout the covid period and fear of a prolonged period of geo-political ‘butting of heads’. Chinese economic growth continues to slow, and government focus has moved to the loosely defined goal of ‘common prosperity’. The property and energy sectors could be reflecting a potential policy misstep. Supply disruptions are springing up throughout the global economy and this is adding to wider inflationary pressures – which are visible in energy, labour, and property markets. The US flagged that it would begin to tighten monetary policy, reducing additional liquidity, and the US dollar has strengthened. The covid virus has taken a backseat as the vaccine rollout continues globally and these ‘big macro-economic’ influences come to the fore.

The bottom performers by contribution for the month were Ternium, Lee & Man Paper, and Infosys. **Ternium** (Latin American steel producer) continues to enjoy high US steel prices, a solid demand outlook, and good strategic positioning in Mexico. The bull case for steel revolves around strong US demand, more disciplined industry supply, and Chinese export curtailments. The bear case is that this is all known; and imports to the US will ramp up, and that woes in China may escalate, spilling over to global steel markets. **Lee & Man Paper** (Chinese containerboard producer) is facing disruption to customer demand as the Chinese economy sees energy restrictions impacting economic growth. This is the more sensitive as it is heading into peak season for containerboard demand. **Infosys** (Indian IT services provider) continues to execute well in a period of booming demand for IT services to boost and enhance corporate digital capabilities. Management has steadily increased guidance over the year and heading into its quarterly results it may be harder to positively surprise investors further.

The top performers by contribution for the month were Lukoil and Telkom Indonesia. **Lukoil** (Russian oil producer) is benefiting from the strength in the global oil price. OPEC+ continues to discipline the market well and capital expenditure on oil exploration has been limited in recent years. Energy markets globally remain tight heading into the year-end. **Telkom Indonesia** (Indonesian telecom provider) benefits from further industry consolidation that should reduce periods of competitive pricing. Unlimited plans were a feature of competition in the lock-down period and competition has since become more rational. Broadband growth remains strong with the company in a solid long-term strategic position.

The top performers by contribution for the quarter were **Embraer** (Brazilian aircraft manufacturer), **Telkom Indonesia**, and **Ternium**; and the bottom performers by contribution for the quarter were **SK Hynix** (Korean semiconductor manufacturer), **Buenaventura** (Peruvian mining company), and **Samsung Electronics** (Korean electronics producer).

Commentary - continued

We are holding a substantially higher than average cash weighting through this difficult period for emerging market equities and will look to reduce this as opportunities arise.

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
Embraer	8.8	-5.2	-5.2
Samsung Electronics	8.3	-3.4	-5.6
SK Telecom	7.8	+4.6	+4.6
Infosys	7.4	-6.6	-6.6
Lukoil	6.4	+13.0	+13.0
Telkom Indonesia	6.3	+6.8	+6.8
Ternium	6.0	-22.2	-22.2
Thai Beverage	6.0	-3.7	-4.7
Petrobras	5.7	-4.0	-4.0
SK Hynix	5.6	-3.3	-5.5

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

Sector breakdown (%)

Information Technology	21.2	
Communication Services	16.7	
Materials	14.8	
Energy	12.1	
Consumer Staples	10.6	
Industrials	8.8	
Consumer Discretionary	4.3	
Financials	3.7	
Cash	7.8	

Country breakdown (%)

South Korea	21.7	
Brazil	14.5	
Indonesia	11.0	
China/Hong Kong	10.8	
India	7.4	
Russia	6.4	
Mexico	6.0	
Thailand	6.0	
Peru	4.1	
Turkey	2.6	
South Africa	1.8	
Cash	7.8	

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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. © 2021 Partnership No. OC309959.