

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

30 October 2020

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$280.2m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

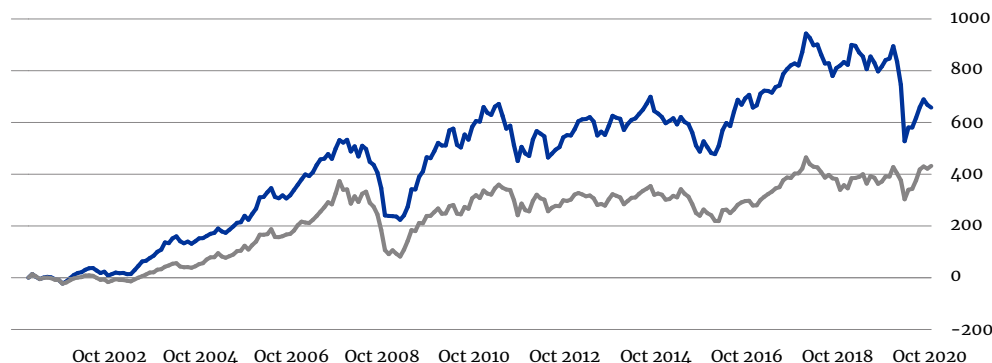
About Oldfield Partners

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	-1.4	-23.8	-19.5	+657.6	-6.5	+3.8	+10.7
■ MSCI Emerging Markets	+2.1	+0.9	+8.3	+432.1	+1.9	+7.9	+8.8

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

Equity markets are on edge with virus concerns, as second wave lockdowns begin, and with the US election, determining the timing and size of any new fiscal stimulus measures. China unveiled its latest five-year economic plan highlighting its desire to secure supply chains and boost technology independence as US policy towards China looks to remain frosty for the foreseeable future. Emerging market equities sold off sharply at month-end.

We believe the portfolio holdings are all survivors – but we must acknowledge the current level of uncertainty and have a spectrum of holdings that can do well in different scenarios. The weighted average of the price targets in the portfolio shows 60% upside potential. We see the differential in valuation between ‘value’ and ‘growth’ stocks in emerging markets as having become too stretched – and can favour value. A timely reminder of investing in highly valued growth stocks came with the pulling of the Ant Group IPO in China at the last minute showing that the government has the last say and that the Chinese Internet sector had best remember it.

The bottom performers by contribution for the month were Lukoil, SK Telecom, and Petrobras. The oil price fell sharply at month-end as lockdown fears turned into reality; but has subsequently regained composure as the leading oil producers look to maintain supply constraints. **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 continues to divest non-core assets to improve its balance sheet and its key deep-water oil producing fields have falling lifting costs. **SK Telecom** (Korean mobile telecommunications provider) is benefiting from the growth of 5G in Korea and the commercialisation of 5G services. The investment it has in SK Hynix (a leading semiconductor manufacturer) gives exposure to the growth of this rapidly consolidating industry. Management have moved slowly towards improving shareholder friendliness and have recently initiated a share buyback.

The top performers by contribution for the month were Ternium, Infosys, and Lee & Man Paper. **Ternium** (leading Latin American steel producer) has seen improved pricing as the US steel market recovers and this feeds into the Mexican market. Automobile production has increased, and Mexico is a solid manufacturing base to access the US marketplace. The third quarter results were superb on strong volumes and pricing, and management guided for further improvement in the fourth quarter as production recovers to pre-pandemic levels. **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 services and its fostering of facilities in the US look well timed. **Lee & Man Paper** (Chinese packaging manufacturer) is benefiting from the recovery in a Chinese economy that has been

Commentary - continued

spared significant impact from Covid-19. 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 suggesting further upside in prices as demand continues to pick up.

The top performers for the year to date by contribution are Infosys, Samsung Electronics, and Lee & Man Paper; and the bottom performers are Embraer, Petrobras, and Lukoil.

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	9.1	-2.3	0.0
Buenaventura	8.8	+0.4	+0.4
SK Telecom	8.4	-6.1	-6.1
Infosys	7.8	+3.4	+3.4
Lee & Man Paper	7.5	+4.5	+4.4
Ternium	7.0	+6.3	+6.3
Thai Beverage	6.8	-4.1	-4.3
Indofood	6.8	-2.1	-1.6
Petrobras	6.5	-6.2	-6.2
Lukoil	6.1	-11.7	-11.7

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

Sector breakdown (%)

Materials	23.3	
Communication Services	17.8	
Information Technology	16.9	
Consumer Staples	13.6	
Energy	12.5	
Consumer Discretionary	4.8	
Financials	4.6	
Industrials	2.7	
Cash	3.8	

Country breakdown (%)

South Korea	17.5	
China/Hong Kong	14.5	
Indonesia	12.7	
Brazil	9.2	
Peru	8.8	
India	7.8	
Mexico	7.0	
Thailand	6.8	
Russia	6.1	
Turkey	3.5	
South Africa	2.4	
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. © 2020 Partnership No. OC309959.