

# Emerging Markets – Composite

## Patient, unconstrained, contrarian value investing

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Oldfield Partners

30 November 2018

### Monthly Composite Review

#### Composite Particulars

Launch date	01 January 2001
Comp. assets	US\$662.1m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

*“A concentrated portfolio concentrates the mind...”*

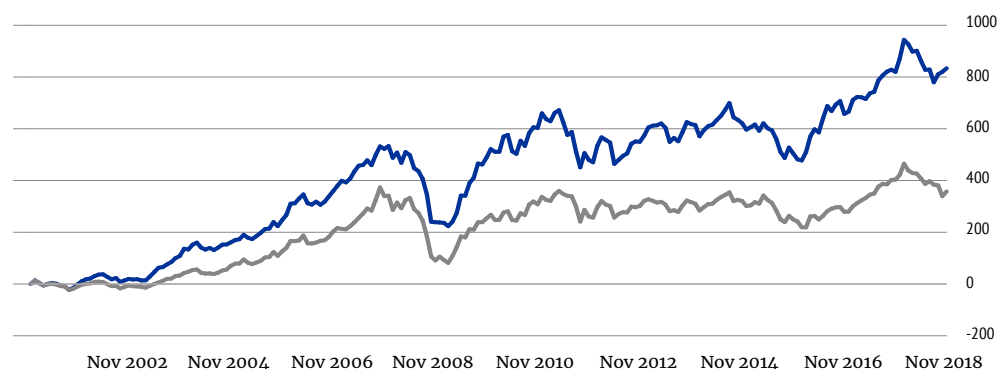
#### About Oldfield Partners

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 (%)



	1 month	YTD	1 year	Launch	Annualised		
					3 years	5 years	Launch
■ Composite	+1.5	-3.9	+1.5	+833.8	+15.6	+5.4	+13.3
■ Benchmark	+4.1	-12.2	-9.1	+357.6	+9.4	+1.9	+8.9

#### Preceding Five Calendar Years Performance

	2017	2016	2015	2014	2013
Composite	+26.8	+31.7	-16.5	-2.4	+6.1
Benchmark	+37.3	+11.2	-14.9	-2.2	-2.6

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, with the MSCI Emerging Markets Index trading comfortably below its longer term historic average valuation. The price to book ratio for the index is 1.5. The weighted average of the price targets in the portfolio is showing an attractive 48% upside as we approach the end of the year.

The bottom performers by contribution in the month were Petrobras and Ternium. **Petrobras** (Brazilian oil producer) had a decent set of results for the third quarter, but the sustained downward move in the oil price overcame the positives. Ahead of the new Brazilian government taking power the share price could be volatile, but we believe that Petrobras will retain its strategy independence and continues to be headed in the right direction. It trades on a price to earnings ratio of 9 and a price to book ratio of 1.1. **Ternium** (Latin American steel producer) saw its share price weaken as its Chairman was included in an investigation into alleged payments made by Ternium’s controlling shareholder to Argentine government officials in 2008 to assist in getting compensation from the Venezuelan government that had expropriated Ternium’s steel assets in that country. It trades on a price to earnings ratio of 7 and a price to book ratio of 1.2.

The top performers by contribution in the month were SK Telecom and Indofood. **SK Telecom** (South Korean mobile telecom provider) has exited a difficult period of regulatory pressure for the industry, competition is subdued, and 5G adoption a longer term positive. Its stake in **SK Hynix** (second largest DRAM producer globally) continues to trade around expectations for the semiconductor cycle, but we feel the worst case is already priced in. SK Telecom trades on a price to earnings ratio of 7.5 and a price to book ratio of 1.1. **Indofood** (Indonesian snack food manufacturer) had third quarter results showing the continued strong performance of its noodle business, the weak performance of its agribusiness, and impact of a weaker local currency. It trades on a price to earnings ratio of 14 and a price to book ratio of 1.9.

**Top Glove** (Malaysian rubber glove producer) had reached price target and was sold in the month. It had re-rated strongly since purchase reflecting the long-term growth in demand for latex gloves in the developing world and steady demand increases from the developed world led by increased regulation in safety and

**Commentary - continued**

hygiene. Top Glove is the largest producer globally of latex gloves and this afforded it economies of scale in a commodity business. More recently management had sought to move further into higher margin niche areas such as surgical gloves. Investors have strongly re-rated the stock over the last twelve months with the share price doubling in that period.










Following the sale of Top Glove we have around 7% of the portfolio in cash, which is towards the higher end of our historic cash weighting, and we are looking to reduce this in the near term.

**Composite Analysis**











Top 10 Holdings (%)	Weighting	1 Month Total Return (%)*	
		Local terms	USD
SK Telecom	8.5	+9.5	+9.5
Embraer	8.2	+0.8	+0.8
Samsung Electronics	8.2	-1.2	+0.6
Buenaventura	7.3	+2.4	+2.4
Petrobras	7.0	-10.9	-10.9
Lukoil	7.0	-1.6	-1.6
Lee & Man Paper	6.1	+5.6	+5.8
Ternium	5.9	-8.8	-8.8
Telkom Indonesia	5.7	+2.8	+2.8
Yue Yuen Industrial	5.3	+5.9	+6.2

\*Inclusive of portfolio activity.  
All data as at 30 November 2018.  
Source: Oldfield Partners.

**Sector Breakdown (%)**

Materials	19.3	
Telecoms	17.8	
Energy	14.0	
Information Technology	13.2	
Consumer Staples	9.6	
Industrials	8.2	
Consumer Discretionary	6.2	
Financials	4.9	
Cash	6.9	

**Country Breakdown (%)**

South Korea	16.7	
Brazil	15.2	
China/Hong Kong	13.4	
Indonesia	10.3	
Peru	7.3	
Russia	7.0	
India	6.0	
Mexico	5.9	
Thailand	5.0	
Turkey	3.5	
South Africa	2.9	
Cash	6.9	

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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 MSCI Emerging Markets Net Dividends Reinvested, calculated net of withholding taxes from the perspective of a Luxembourg-based investor. 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.

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