

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

30 November 2020

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$329.9m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

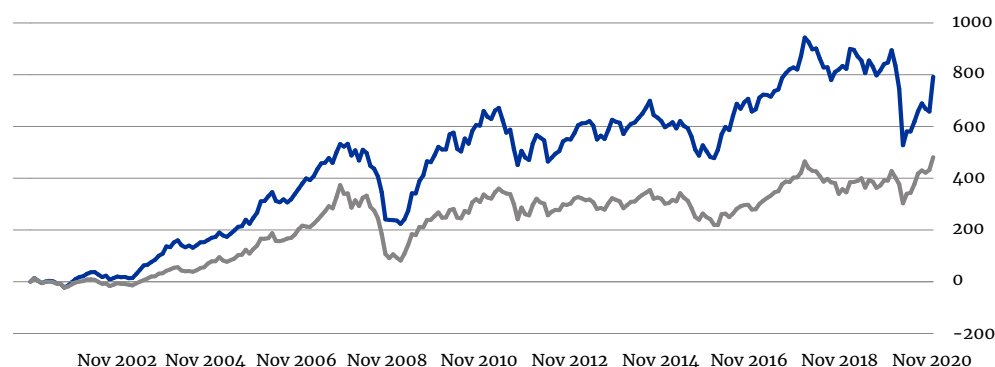
About Oldfield Partners

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	+17.8	-10.3	-5.8	+792.2	-1.0	+8.1	+11.6
■ MSCI Emerging Markets	+9.2	+10.2	+18.4	+481.3	+4.9	+10.7	+9.2

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

A host of positives – vaccine news, the US election, and stimulus hopes – led to a sharp rally for emerging market equities in the month. The differential in valuations between ‘growth’ and ‘value’ narrowed, as value substantially beat growth in the month, but remain very stretched – and we believe favours value as the global economy normalises into 2021. Any normalisation of economic life should lead to a redress between Covid winners and losers performance on a geographic and stock level, which we saw beginning this month.

The bottom performer by contribution for the month was **Buenaventura** (Peruvian miner). The company is known as a gold miner, with precious metals being the largest part of production, and as the gold price retreated in the month the stock was a laggard. We are favourable towards gold as supply growth remains limited globally and the industry continues to consolidate. Buenaventura has reduced its costs and is moving towards achieving pre-Covid production levels (after a prolonged lockdown in Peru shuttered all its operations). The copper price has recovered strongly from the Covid-lows (over 50% higher) and this is the second largest exposure for the company. Both the gold price and the copper price have increased over 20% this year in US\$ terms.

The top performers by contribution for the month were Ternium, Petrobras, and Thai Beverage. **Ternium** (Latin American steel producer) is enjoying a strong recovery in steel prices – over 50% higher since the Covid-lows – as inventories are rebuilt and automotive production and construction recover. Mexico is well placed as a manufacturing hub exporting into the US market and Mexico remains a net importer of steel, which over time should allow Ternium to expand its efficient operations. **Petrobras** (Brazilian oil producer) released its next five-year business plan focusing on reduced capital expenditure, continued non-core asset sales, debt reduction, and concentration on the newer lower-cost deep water production assets. The oil price rallied strongly in the month. **Thai Beverage** (leading alcoholic beverage producer in Thailand) has benefited in the Covid-period from consumers trading down to cheap spirits and demand from rural areas – both of which the company is strong in. It has a 90% market share in spirits in Thailand. The company has controlled costs well and marketing activities have been restrained.

The top performers for the year to date by contribution are Infosys, Ternium, and Samsung Electronics; 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	9.3	+17.8	+21.0
Ternium	8.2	+38.4	+38.4
SK Telecom	8.1	+11.6	+11.6
Petrobras	7.7	+39.9	+39.9
Thai Beverage	7.5	+27.6	+30.2
Buenaventura	7.1	-9.3	-9.3
Infosys	6.9	+7.6	+7.6
Lee & Man Paper	6.9	+7.7	+7.7
Lukoil	6.8	+27.1	+27.1
Telkom Indonesia	6.6	+31.4	+31.4

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

Sector breakdown (%)

Materials	22.2	
Communication Services	18.1	
Information Technology	16.3	
Energy	14.5	
Consumer Staples	13.6	
Consumer Discretionary	5.2	
Financials	4.3	
Industrials	4.1	
Cash	1.8	

Country breakdown (%)

South Korea	17.4	
China/Hong Kong	13.9	
Indonesia	12.7	
Brazil	11.7	
Mexico	8.2	
Thailand	7.5	
Peru	7.1	
India	6.9	
Russia	6.8	
Turkey	3.4	
South Africa	2.4	
Cash	1.8	

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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.