

# Emerging Markets – Composite

## Patient, unconstrained, contrarian value investing

30 November 2021

### Monthly composite review

#### Composite particulars

Launch date	01 January 2001
Comp. assets	US\$273.8m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

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

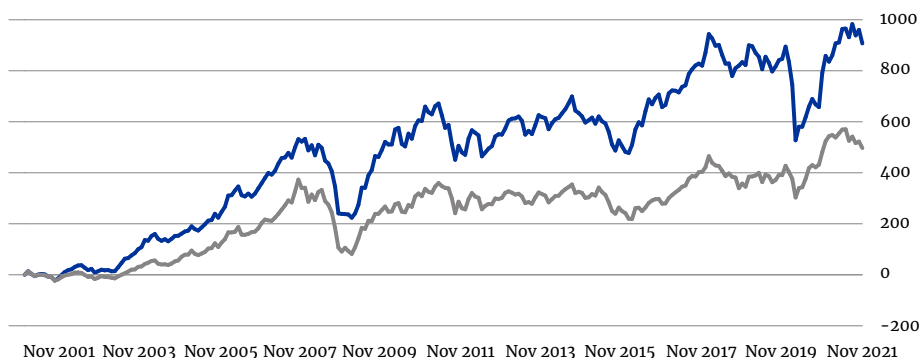
#### About Oldfield Partners

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	-5.0	+5.1	+12.9	+907.1	+2.6	+5.9	+11.7
■ MSCI Emerging Markets	-4.1	-4.3	+2.7	+497.0	+9.3	+9.5	+8.9

#### 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

The headwinds for emerging market equities remain the gradual tightening of monetary policy by major countries and the slowdown of economic growth in China - with the added risk of a potential policy misstep in the property sector. The rise of the omicron variant of the Covid virus is a sober reminder that the world is not yet past the global medical crisis. Valuations for emerging market equities remain reasonable, and the upside potential for the portfolio is 60% as measured by the weighted average of the company price targets.

The bottom performers by contribution for the month were Alibaba, Ternium, and Embraer. **Alibaba** (Chinese e-commerce & cloud provider) had disappointing results during the month with revenue guidance revised downwards as it grapples with stricter regulation imposed by the government. We believe the new regulations around data and monopoly power as sensible. We see e-commerce continuing to grow in China over the long term and Alibaba remaining a leading player. The valuation provided a highly attractive entry point. **Ternium** (Latin American steel producer) continues to enjoy buoyant US steel prices, a solid demand outlook, and good strategic positioning in Mexico. Mexico remains a growing manufacturing location and Ternium should benefit as an efficient low-cost operator. **Embraer** (Brazilian aircraft manufacturer) will benefit from the ongoing recovery in the domestic and short-haul aviation market. It is the near sole remaining manufacturer of regional jets for the key US market and a solid player in the business jet market. The icing on the cake is the prospect for its short-range electric flight vehicle (called EVE) as this market opens globally and orders prove its potential.

The top performers by contribution for the month were SK Hynix, Telkom Indonesia, and Petrobras. **SK Hynix** (Korean semiconductor manufacturer) had been impacted by expectations of weaker DRAM prices into year-end. We believe this is a customer inventory correction, rather than a down-cycle, and prices should recover into next year - with demand remaining solid and industry supply discipline still intact. DRAM producer inventory, at record lows, should help support prices. **Telkom Indonesia** (Indonesian telecom provider) is a beneficiary of industry consolidation that should help reduce periods of competitive pricing. Competition is rational currently and the regulatory backdrop is benign. Broadband growth remains strong with the company in a solid long-term strategic position.

**SK Telecom** (Korean mobile telecom provider) has completed its split into the telecom provider, SK Telecom, and **SK Square**, a technology holding company. The telecom company will continue to benefit from the growth of 5G and broadband in South Korea with a dependable dividend yield. SK Square holds a stake in SK Hynix, that accounts for the bulk of its assets, but also an active portfolio of internet service companies in Korea that over time will be sold opportunistically.

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**Commentary - continued**

As we head towards the end of the year the top performer for the year to date is Embraer and the bottom is Buenaventura. **Embraer** has been a strong performer this year as demand for aircraft recovered and it bounced back from an unprecedently low valuation. **Buenaventura** (Peruvian mining company) continues to reflect that gold has lost some of its historic safe-haven shine and the political uncertainties for the mining sector in Peru following the recent close-run elections. We believe that politics will moderate to reflect economic realities and the importance of the mining sector to the country.

**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](mailto:clientrelations@oldfieldpartners.com).

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**Robert White (1952–2021)**










We are sad to report the death of Robert White. Robert joined S.G. Warburg (and later Mercury Asset Management) in 1976. Having studied Japanese and Economics at Sheffield University, he specialised in matters Japanese for the rest of his career, living in Tokyo for several years and making many Japanese friends. After periods at Invesco, Jefferies, and Dalton with Andrew Dalton, he joined OP as a partner in 2007. Robert had a great curiosity, a wide breadth of knowledge and a deep knowledge of Japan and Myanmar especially – in his fifties he learned Burmese and became involved in a variety of Myanmar charitable and other ventures. He was always amusing and amused. In any mildly awkward situation one could be sure to look up to find Robert suppressing, or not suppressing, a giggle. He was kind and without any malice, though plenty of mischief. He was a friend to all at OP and a close friend to some. He had confounded the doctors for four years and, supported indomitably by Catherine and their family, faced his terminal illness with a mixture of optimism and realism, never self-pity, actively writing, arranging, and looking at things – only a few weeks before his death, he and Catherine got to the Hokusai exhibition at the British Museum. We miss him.

## Composite analysis










Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.6	+2.1	+1.4
SK Hynix	7.0	+10.7	+9.8
Embraer	6.9	-11.4	-11.4
Telkom Indonesia	6.7	+6.8	+6.8
Thai Beverage	6.3	-5.6	-6.9
Ternium	5.6	-15.8	-15.8
Infosys	5.3	+2.1	+2.1
Petrobras	5.2	+7.7	+7.7
Lukoil	5.1	-14.7	-14.7
Alibaba	4.9	-21.7	-21.9

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

### Sector breakdown (%)

Information Technology	28.2	
Materials	15.2	
Communication Services	12.7	
Consumer Staples	11.1	
Energy	10.3	
Consumer Discretionary	8.8	
Industrials	6.9	
Financials	3.7	
Cash	3.1	

### Country breakdown (%)

South Korea	22.5	
China/Hong Kong	15.5	
Brazil	12.1	
Indonesia	11.4	
Thailand	6.3	
Mexico	5.6	
India	5.3	
Russia	5.1	
Peru	4.8	
Taiwan	4.2	
Turkey	2.2	
South Africa	1.8	
Cash	3.1	

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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.