



Emerging Markets Investment Report

January 2018 Newsletter

Oldfield Partners

Performance Summary

USD terms	Emerging Markets Equity Composite	Index*
January	+7.4%	+8.3%
2017	+26.8%	+37.3%
2016	+31.7%	+11.2%
1 year	+28.6%	+41.0%
3 years annualised	+13.9%	+11.8%
5 years annualised	+8.2%	+5.7%
Since inception**	+943.7%	+464.9%
Since inception annualised**	+14.7%	+10.7%

*MSCI Emerging Markets (Net Dividends Reinvested). **Inception 1st January 2001. Performance figures are of the Emerging Markets Equity Composite, calculated net of investment management fees and on a total return basis inclusive of dividends, inclusive of all distributions to unit holders. Source: Rawlinson & Hunter, Alta Advisers Ltd, Oldfield Partners, MSCI © and Bloomberg.

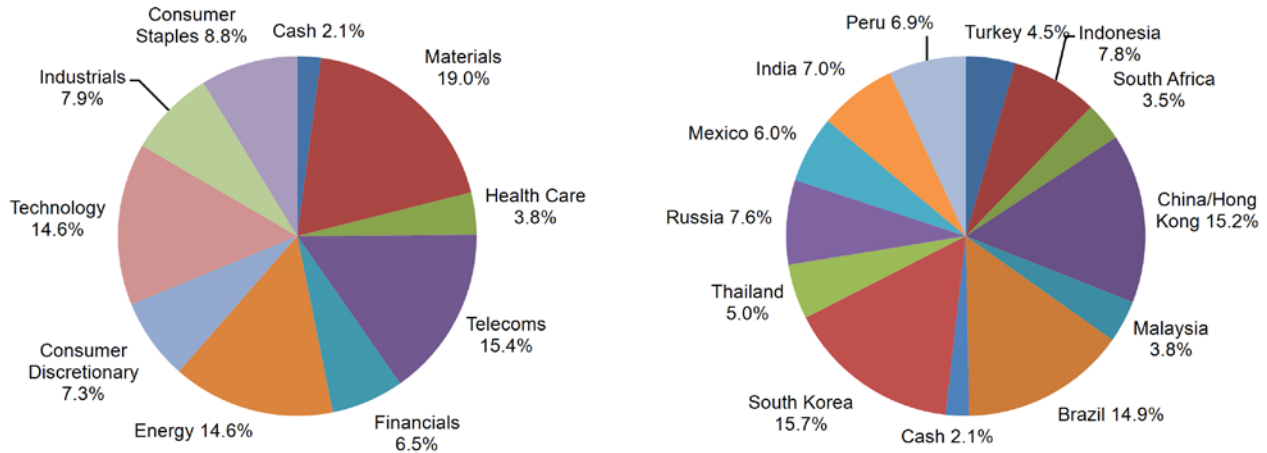
Performance of Five Largest Holdings*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	8.7%	-1.5%	-1.7%
Embraer	7.9%	+5.5%	+5.5%
Lukoil	7.6%	+15.1%	+15.1%
Petrobras	7.0%	+26.0%	+26.0%
Buenaventura	6.9%	+9.6%	+9.6%

*As at end of period. **Total return inclusive of the portfolio activity. Source: Oldfield Partners and Bloomberg.

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 necessarily a guide to future performance.

Sector and country breakdown as at 31st January 2018



Source: Oldfield Partners.

Commentary

This has been a strong start to the year for emerging market equities and the portfolio. The performance of growth and value stocks was roughly neck and neck in the month, but with value just nudging ahead. We continue to see the valuation differential between growth stocks and value stocks in emerging market equities as stretched against history. It is comforting to see that overall the valuations in emerging market equities remain reasonable and that the weighted average of the price targets in the portfolio shows an attractive 33% upside.

The bottom performers by contribution in the month were Telkom Indonesia and Samsung Electronics. **Telkom Indonesia** (leading telecommunication company in Indonesia) has seen aggressive competition ahead of the compulsory SIM registration regulation by end of the first quarter, as the telecom players try to get customers to be using their SIMs at the registration date, with the view that registering a new one thereafter would be a chore. This should be short term, and Telkom's two main competitors do not have the appetite or the balance sheet strength for prolonged aggression. **Samsung Electronics** (South Korean consumer electronics) announced a stock split (50-for-1) to improve liquidity and a significantly increasing dividend in its year end results. It indicated that the stock would be suspended for three weeks to implement the stock split, which has spooked many investors concerned with the liquidity impact in such a significant index stock. This seems to be such an unnecessarily long suspension period that the hope is the Korean authorities must be able to do this in a speedier manner before the May 2018 implementation date.

The top performers by contribution in the month were Petrobras and Lukoil. The oil price has performed strongly from its low in early 2016, with a short pull-back last summer, to reach a price not seen since 2014. Having been a neglected and unloved part of the market for so long there is



Emerging Markets Investment Report

January 2018 Newsletter

Oldfield Partners

renewed enthusiasm, and the two top performers in January are oil names. **Petrobras** (Brazilian oil & gas producer), and the Brazilian equity market in general, was helped by the upholding of former president Lula's corruption conviction by the courts, which makes his running in the upcoming election difficult and so simplifies the political outlook. **Lukoil** (Russian oil & gas producer) announced that it would cancel treasury shares (12% of the total) and initiate a share buyback program, which has been viewed as a major improvement for Russian corporate governance. The company has a strong balance sheet, significant free cash flow, and has clearly prioritised dividends over capital expenditure. It trades on a price to earnings ratio of seven, a price to book ratio of 0.8, and a dividend yield of 5.5%.

Total assets for the emerging markets strategy are now slightly over US\$1billion, which is our capacity limit. If you are interested in making a new investment or adding to an existing holding, we therefore request that you contact us to discuss this.

[Oldfield Partners](#)

11 Grosvenor Place, London, SW1X 7HH, United Kingdom.
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
www.oldfieldpartners.com

[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. © 2018 Partnership No. OC309959.