

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

31 January 2019

Monthly Composite Review

Composite Particulars

| | |
|---------------|-----------------------|
| Launch date | 01 January 2001 |
| Comp. assets | US\$704.9m |
| Structure | Composite |
| Base currency | USD |
| Benchmark | MSCI Emerging Markets |

“A concentrated portfolio concentrates the mind...”

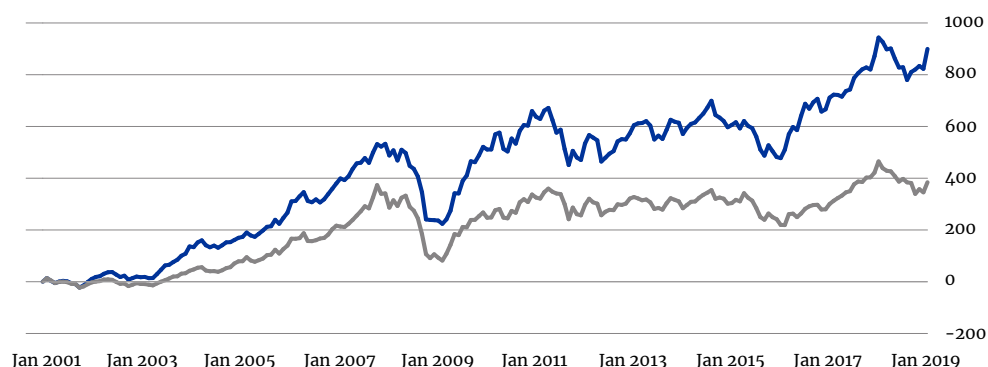
About Oldfield Partners

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 |
| ■ Composite | +8.4 | +8.4 | -4.2 | +899.7 | +20.0 | +8.3 | +13.6 |
| ■ MSCI Emerging Markets | +8.8 | +8.8 | -14.2 | +384.4 | +14.9 | +4.8 | +9.1 |

Preceding Five Calendar Years Performance

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|-----------------------|-------|-------|-------|-------|------|
| Composite | -5.0 | +26.8 | +31.7 | -16.5 | -2.4 |
| MSCI Emerging Markets | -14.6 | +37.3 | +11.2 | -14.9 | -2.2 |

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

This has been a strong start to the year, and it is pleasing to see the portfolio perform well after a strong relative performance last year. 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 weighted average of the price targets in the portfolio is showing 44% upside.

The bottom performers by contribution in the month were SK Telecom and Embraer. **SK Telecom** (Korean mobile telecom provider) is in the period before the launch of 5G services gaining traction but facing higher capital expenditure and making acquisitions that it feels will benefit from 5G services. At this moment 5G looks to be a slower burn than prior generations. It also has a 20% stake in **SK Hynix** (Korean semiconductor manufacturer) that we believe is approaching the trough of the latest DRAM cycle. It trades on a price to earnings ratio of 7 and at book value. **Embraer** (Brazilian aircraft manufacturer) gave an update at its investor day and a view of how the business would look post the proposed Boeing deal. Management painted a conservative picture for the remaining business jet and defence businesses, and to which the market is currently giving no value as it waits to see if these can stand by themselves without the regional jet division.










The top performers by contribution in the month were Samsung Electronics, Petrobras, and Thai Beverage. **Samsung Electronics** (South Korean electronics manufacturer) continues to trade around expectations for the semiconductor cycle. We believe the share price already factors in a tough down cycle for 2019, and we remain positive for a recovery in the second half of the year in line with management expectations. The consolidated DRAM industry has proactively cut capital expenditure which is in keeping with profit maximising behaviour (and in stark contrast to past cycles). It trades on a historic price to earnings ratio of 6.5 and a price to book ratio of 1.2. **Petrobras** (Brazilian oil & gas producer) has the wind in its sails as the new pro-market Brazilian government remains favourable to its corporate strategy, it develops its deep-water oil assets, and steady deleveraging through non-core asset sales continues to be a management priority. It trades on a price to earnings ratio of 10 and a price to book ratio of 1.1. **Thai Beverage** (Thailand's leading alcoholic beverage company) had a difficult 2018 as consumers remain subdued following the death of the King of Thailand and its integrated acquisitions. Recent data on beverage consumption in Thailand has turned markedly more positive as support was given to those on lower incomes and agricultural prices recovered.

Composite Analysis













| Top 10 Holdings (%) | Weighting | 1 Month Total Return (%)* | |
|---------------------|-----------|---------------------------|-------|
| | | Local terms | USD |
| Samsung Electronics | 9.3 | +19.9 | +19.9 |
| Embraer | 8.1 | -3.8 | -3.8 |
| Petrobras | 7.9 | +21.4 | +21.4 |
| SK Telecom | 7.7 | -5.3 | -5.3 |
| Lukoil | 7.4 | +12.0 | +12.0 |
| Buenaventura | 7.2 | -3.5 | -3.5 |
| Telkom Indonesia | 5.8 | +6.7 | +6.7 |
| Yue Yuen Industrial | 5.8 | +7.0 | +6.8 |
| Ternium | 5.8 | +12.3 | +12.3 |
| Lee & Man Paper | 5.6 | +5.0 | +4.8 |

*Inclusive of portfolio activity.
All data as at 31 January 2019.
Source: Oldfield Partners.

Sector Breakdown (%)

| | | |
|------------------------|------|---|
| Materials | 18.6 |  |
| Telecoms | 17.3 |  |
| Energy | 15.2 |  |
| Information Technology | 14.5 |  |
| Consumer Staples | 10.8 |  |
| Industrials | 8.1 |  |
| Consumer Discretionary | 6.8 |  |
| Financials | 4.9 |  |
| Cash | 3.7 |  |

Country Breakdown (%)

| | | |
|-----------------|------|---|
| South Korea | 17.0 |  |
| Brazil | 16.0 |  |
| China/Hong Kong | 13.6 |  |
| Indonesia | 11.0 |  |
| Russia | 7.4 |  |
| Peru | 7.2 |  |
| India | 6.1 |  |
| Mexico | 5.8 |  |
| Thailand | 5.6 |  |
| Turkey | 3.8 |  |
| South Africa | 2.8 |  |
| Cash | 3.7 |  |

Oldfield Partners

11 Grosvenor Place
London, SW1X 7HH
United Kingdom

Telephone: +44 (0) 20 7259 1000

Email: info@oldfieldpartners.com

www.oldfieldpartners.com

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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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