

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 January 2020

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$661.6m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

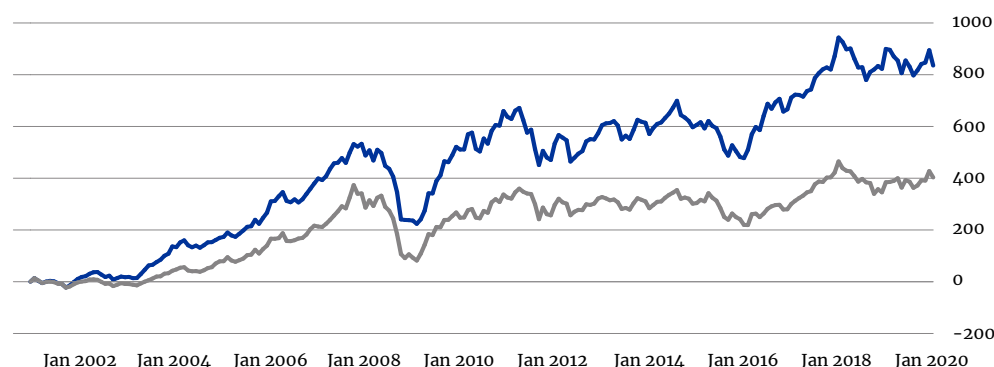
About Oldfield Partners

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	-6.0	-6.0	-6.4	+835.4	+4.8	+5.8	+12.4
■ MSCI Emerging Markets	-4.7	-4.7	+3.8	+402.9	+7.9	+4.5	+8.8

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

The coronavirus spreading out of Wuhan in China has eclipsed all else near term as the shock impact on Chinese economic growth, global supply chains, and commodity prices is realised; and the world waits to see if a similar result occurs as the virus spreads further. We have cautiously reduced cash. The valuation case for emerging market equities remains attractive, and the MSCI Emerging Markets Index trades below its longer term historic average valuation.

The bottom performers by contribution in the month were Embraer and Buenaventura. **Embraer** (Brazilian aircraft manufacturer) is waiting for a decision by the European Union (EU) on its deal with Boeing, which is being delayed as the EU considers the competitive market impact. An earlier deal between Airbus and Bombardier’s regional jet business did not merit investigation and all other global regulators have signed off on the deal, so we believe an approval is coming by early summer. **Buenaventura** (Peruvian miner) has been undergoing a ‘debottlenecking’ exercise in some of its key mines to right-size operations and reduce costs, which will yield positive long-term results. Precious metal prices have held up well this year, and this is the bulk of the business. The copper price has been weak this year on China fears.

The top performers by contribution in the month were Infosys and Lukoil. **Infosys** (Indian IT services) received a clean bill of health from a lengthy internal and external investigation into various whistle-blower complaints late last year. Infosys has historically had a strong ethical culture ingrained so we believe the correct verdict has been reached. We added to the position following the significant fall in the share price, and it has recovered subsequently. **Lukoil** (Russian oil producer) is being rewarded by investors for its strong commitment to shareholder returns despite the recent fall in the oil price on China fears. It is emphasising dividends over share buy-backs and will pay out at least 100% of free cash flow to shareholders affording a dividend yield in excess of 10%.










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.

Composite analysis







	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.0	+1.0	-2.5
Lukoil	8.5	+2.7	+2.7
Embraer	7.8	-13.6	-13.6
Petrobras	7.6	-11.0	-11.0
SK Telecom	7.5	-8.2	-8.2
Thai Beverage	6.9	-10.6	-12.0
Buenaventura	6.8	-14.4	-14.4
Telkom Indonesia	6.4	-3.3	-3.3
Indofood	6.0	-1.3	-0.8
Yue Yuen Industrial	5.3	-5.9	-5.6

*Inclusive of portfolio activity.
All data as at 31 January 2020.
Source: Oldfield Partners.

Sector breakdown (%)

Communication Services	17.4	
Materials	16.8	
Energy	16.1	
Information Technology	13.8	
Consumer Staples	12.9	
Industrials	7.8	
Consumer Discretionary	5.5	
Financials	3.7	
Cash	5.8	

Country breakdown (%)

South Korea	16.5	
Brazil	15.5	
Indonesia	12.3	
China/Hong Kong	12.0	
Russia	8.5	
Thailand	6.9	
Peru	6.8	
India	5.1	
Mexico	5.1	
Turkey	3.6	
South Africa	2.0	
Cash	5.8	

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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.