

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 January 2022

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$261.3m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

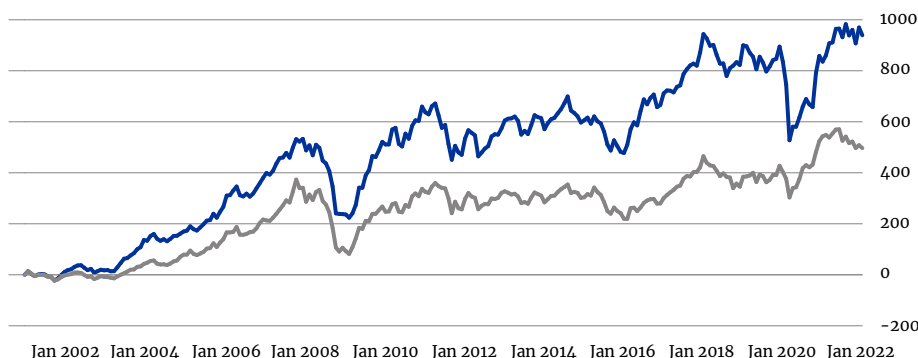
About Oldfield Partners

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	-2.9	-2.9	+11.0	+939.0	+1.3	+5.1	+11.7
■ MSCI Emerging Markets	-1.9	-1.9	-7.2	+496.7	+7.2	+8.3	+8.8

Preceding five calendar years performance	2021	2020	2019	2018	2017
Emerging Markets Equity	+11.6	-3.7	+7.8	-5.0	+26.8
MSCI Emerging Markets	-2.5	+18.3	+18.4	-14.6	+37.3

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 tough start to the year for emerging market equities. Growth stocks took the brunt of the pull-back. A difficult backdrop with US monetary policy announcements and geo-political risks heightening over Ukraine that pushed up energy prices. China has loosened monetary policy on weaker economic growth prospects, but the spread of Covid restrictions and worries over the property sector have dampened investor enthusiasm. Valuations for emerging market equities remain reasonable, and slightly below their long-term historic averages. 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 Embraer, SK Hynix, and Samsung Electronics. This is an about-face for the outperformers of the prior month. **Embraer** (Brazilian aircraft manufacturer) continues to benefit from the ongoing aviation recovery in the US and is the near sole remaining manufacturer of regional jets for the key US market, and a solid player in the business jet market to boot. Embraer has an increasing order book of \$18 billion, which is well over three years' worth of production, and now exceeds that of the pre-pandemic level. Its short-range electric flight vehicle (called EVE) continues to look promising with a working vehicle, a roadmap to certification, and a significant and growing order book. The Korean semiconductor stocks - **SK Hynix** and **Samsung Electronics** are moving through a customer inventory scare in DRAM, which we believe is a temporary setback. Importantly DRAM producer inventory is at record lows allowing producers to push back on customer price demands by building inventory themselves if needed. Technology stocks were hit hard in the month, and this dented sentiment to the semiconductor sector.

The top performers by contribution for the month were Petrobras and Buenaventura. Latin America was a strong performer in the month. **Petrobras** (Brazilian oil producer) has benefited from the increase in the global oil price and its commitment to match international fuel price parity remains solid. The company continues to target asset sales. The cloud on the horizon is the Brazilian election later this year. **Buenaventura** (Peruvian miner) has benefited from buoyant precious metal and copper prices. Gold may have lost some of its shine to digital alternatives through the pandemic, but prices remain near historic highs. Buenaventura has grappled with production issues over recent years and its production outlook release was again a little disappointing. A new socialist government is less favourable to the mining lobby and Peruvian politics remains active as ever – with another cabinet reshuffle to start the new month.

Commentary - continued

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.

After 17 years as Chair of Oldfield & Co. since the firm's foundation in 2004, Richard Oldfield will step down from this role on 31st March 2022. Beatrice Hollond, currently a non-executive director, will then become Chair. Richard will remain on the Board and retains a significant holding in the firm. (Oldfield & Co. is the principal designated member of Oldfield Partners LLP.)

Richard commented "Having handed over the main investment responsibilities five years ago, I think it makes sense now, for the firm and for me, to take this further step back, and I am delighted that Beatrice Hollond is ready to succeed me, fully supported by our colleagues on the board and all the partners. We are lucky to have the non-exec directors that we have, and very lucky indeed to have Beatrice as incoming Chair."

Composite analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.5	-6.0	-7.3
Embraer	7.6	-13.5	-13.5
SK Hynix	7.1	-7.0	-8.3
Thai Beverage	6.1	-0.8	-1.0
Telkom Indonesia	6.0	+2.6	+2.6
Ternium	5.7	-7.4	-7.4
Lukoil	5.4	-0.9	-0.9
Petrobras	5.3	+19.9	+19.9
Alibaba	4.9	-4.1	-4.1
Infosys	4.8	-6.9	-6.9

*Inclusive of portfolio activity.
All data as at 31 January 2022.
Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	27.2	
Materials	15.1	
Communication Services	11.8	
Consumer Staples	10.7	
Energy	10.6	
Consumer Discretionary	8.6	
Industrials	7.6	
Financials	4.0	
Cash	4.3	

Country breakdown (%)

South Korea	22.2	
China/Hong Kong	15.2	
Brazil	12.9	
Indonesia	10.6	
Thailand	6.1	
Mexico	5.7	
Russia	5.4	
India	4.8	
Peru	4.7	
Taiwan	4.0	
Turkey	2.1	
South Africa	2.0	
Cash	4.3	

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 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. © 2022 Partnership No. OC309959.