

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 March 2021

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$384.7m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

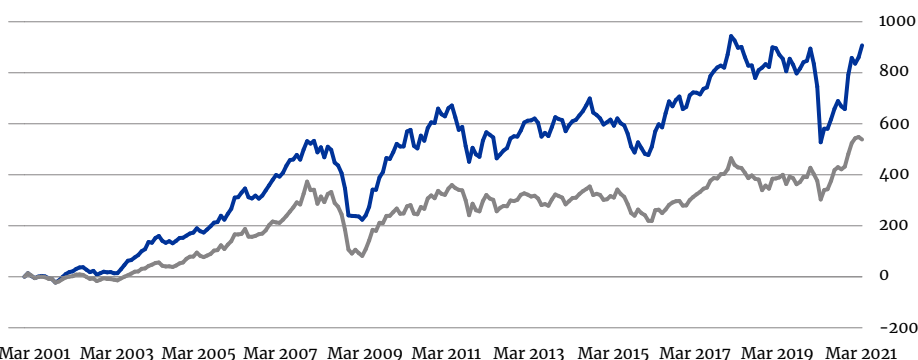
About Oldfield Partners

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 (%)



	Annualised						
	1 month	YTD	1 year	Launch	3 years	5 years	Launch
■ Emerging Markets Equity	+4.9	+5.1	+60.6	+907.5	+0.3	+8.5	+12.1
■ MSCI Emerging Markets	-1.5	+2.3	+58.4	+538.3	+6.5	+12.1	+9.6

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

Value investing roundly beat growth investing in the month but continues to be at a significant valuation discount to growth investing for emerging market equities, and we believe well placed to benefit from the ongoing normalisation trade. Unfortunately, vaccination rates in most emerging markets continue to be underwhelming compared to developed markets. China underperformed following tightening measures, intervention against leading Internet players, and angst over US frictions. The weighted average of the price targets in the portfolio shows 40% upside potential.

The bottom performers by contribution for the month were Buenaventura and Turkcell. **Buenaventura** (Peruvian miner) has precious metals as the largest part of production, and the gold price has trended downwards since the peak in early 2020. Bitcoin looks to have become the favoured alternative currency play for now. We remain favourable towards gold as supply growth remains limited globally and the industry continues to gradually consolidate. Buenaventura has reduced its costs and boosted production to pre-Covid levels following the sharp lock-down experienced in Peru in 2020. Copper is the second largest exposure for the company, and the copper price looks to have plateaued at multi-year highs. **Turkcell** (Turkish mobile telecom provider) was again impacted by the wider fallout from Turkish economic policy as the President intervened dramatically, rather than by anything company related. Turkcell continues to execute well. The company can price for inflation, has an active currency hedging policy, and is well used to the vagaries of Turkish policy in structuring its balance sheet.

The top performers by contribution for the month were Ternium and SK Telecom. **Ternium** (Latin American steel producer) is riding the strong rebound in US steel prices since the lows in early 2020, as demand recovery caught the industry off guard, and management cautiously predict that prices will remain stronger for longer. Mexico is well placed as a manufacturing hub exporting into the US market and Mexico remains a net importer of steel, which over time will allow Ternium to expand its efficient operations. **SK Telecom** (Korean mobile telecommunications provider) is benefiting from the growth of 5G in Korea and the commercialisation of 5G services. The investment it has in SK Hynix (a leading semiconductor manufacturer) gives exposure to the growth of this consolidating industry. Management have moved steadily towards improving shareholder friendliness, as evidenced by a share buyback and the possibility of its investment portfolio of 5G service subsidiaries being split off.

The top performers for the quarter by contribution are **Ternium** and **Embraer** (Brazilian aircraft manufacturer); and the bottom performers are **Petrobras** (Brazilian oil producer) and **Buenaventura**.

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.

Composite analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.6	+0.3	+0.4
SK Telecom	8.3	+13.1	+13.1
Ternium	6.8	+26.5	+26.5
Infosys	6.8	+9.3	+9.3
Lukoil	6.6	+9.0	+9.0
Thai Beverage	6.5	+0.7	-0.2
Embraer	6.1	+13.8	+13.8
Telkom Indonesia	6.1	-1.4	-1.4
Lee & Man Paper	6.0	-0.6	-0.8
Petrobras	5.9	+8.1	+8.1

*Inclusive of portfolio activity.
All data as at 31 March 2021.
Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	20.2	
Materials	18.5	
Communication Services	17.3	
Energy	12.5	
Consumer Staples	11.5	
Industrials	6.1	
Consumer Discretionary	5.6	
Financials	3.8	
Cash	4.6	

Country breakdown (%)

South Korea	21.7	
China/Hong Kong	13.3	
Brazil	12.0	
Indonesia	11.1	
Mexico	6.8	
India	6.8	
Russia	6.6	
Thailand	6.5	
Peru	5.6	
Turkey	2.9	
South Africa	2.1	
Cash	4.6	

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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.