

# Emerging Markets – Composite

## Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 March 2022

### Monthly composite review

#### Composite particulars

Launch date	01 January 2001
Comp. assets	US\$250.2m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

*“A concentrated portfolio concentrates the mind...”*

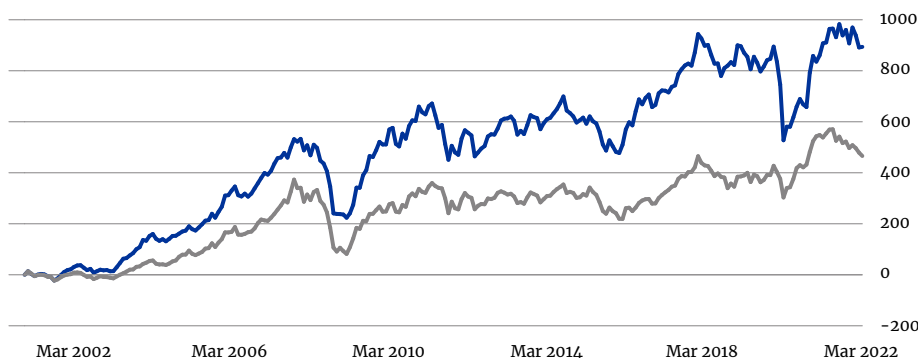
#### About Oldfield Partners

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	+0.2	-7.1	-1.4	+893.6	+0.8	+3.9	+11.4
■ MSCI Emerging Markets	-2.3	-7.0	-11.4	+465.8	+4.9	+6.0	+8.5

#### 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

It was a volatile month for emerging market equities. The Ukrainian crisis, US monetary policy, and Covid outbreaks in China were the main issues. Inflationary pressures and supply chain disruptions are continuing and are hard to predict. Russia and Ukraine are significant commodity suppliers in energy, metals, fertilizer, and foods. China's 'Whac-A-Mole' Covid strategy has seen two of its major cities in lockdown so far. The global economic backdrop is challenged by slowing growth, geo-political risk, and rising inflationary pressures. Volatility in equity markets is likely to continue and to throw out some attractive opportunities. The upside potential for the portfolio is 65% as measured by the weighted average of the company price targets.

The Russian linkages for the portfolio look to be minimal. Russia is not a significant trade partner in the world economy. **Lukoil** is by far the most exposed stock. **Turkcell** (Turkish mobile telecom operator) owns a mobile network operator in Ukraine and in Belarus that continue to operate. This is approximately 7% of group sales. **Infosys** has a small office in Moscow to service international (non-Russian) clients and is looking to close this. Other holdings may have some sales exposure to Russia. Indirect exposure has also not been of concern to date – mostly energy, metals, and foods; with inventories on hand and substitute supply sources available.

The bottom performers by contribution for the month were **Lukoil** and **Lee & Man Paper**. We hold **Lukoil** (Russian oil producer) at a nil price and zero weight in the portfolio as the London listed ADR remains suspended. The local listing has restarted trading, and has recovered substantially, but foreigners are excluded from participating at this time. **Lee & Man Paper** (Chinese packaging materials) is reacting to the slowdown in Chinese economic growth due to Covid lockdowns and weaker consumer demand impacting packaging materials. Cost pressures in the slow season have a negative effect on margins with industry inventories higher and less scope for price increases.

The top performers by contribution for the month were **Ternium**, **Infosys**, and **Thai Beverage**. **Ternium** (Latin American steel producer) is a beneficiary of a 'stronger for longer' US steel price. The Ukrainian crisis has curtailed steel exports from Russia and Ukraine, and in addition China is producing less steel for export. Mexico is an increasingly attractive manufacturing location boosting demand for flat steel. **Infosys** (Indian IT services) is in a sweet spot of strong demand for IT services from the US and a weaker local currency. **Thai Beverage** (leading alcoholic beverage producer in Thailand) is benefiting from the recovery as Covid restrictions are lifted in Thailand and Vietnam and normal life returns. Alcohol consumption is roughly on par with pre-Covid times.

## Commentary - continued

The top performers for the first quarter were **Buenaventura**, **Petrobras**, and **Telkom Indonesia**; and the bottom performers were **Lukoil**, **Embraer**, and **Lee & Man Paper**.

## Russian holdings

Please note that as of 3rd March 2022 the holding of Lukoil ADR will have a fair value price (FVP) of zero. This has been determined by our Valuation Committee. Lukoil ADR listed on the London Stock Exchange (LSE) was suspended from trading by the exchange on the morning 3rd March 2022. We will continue to monitor the situation daily and update accordingly.










## Composite analysis

## Top 10 holdings (%)












	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	7.5	-3.5	-4.4
Thai Beverage	7.0	+7.5	+7.6
Embraer	6.9	-8.6	-8.6
Ternium	6.9	+16.2	+16.2
SK Hynix	6.8	-4.4	-5.3
Telkom Indonesia	6.3	+7.5	+7.5
Alibaba	5.5	+6.5	+6.2
Petrobras	5.4	+7.0	+7.0
Buenaventura	5.3	+1.9	+1.9
Infosys	5.0	+10.7	+10.7

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

## Sector breakdown (%)

Information Technology	27.2	
Materials	16.0	
Communication Services	12.7	
Consumer Staples	11.6	
Consumer Discretionary	9.2	
Industrials	6.9	
Energy	5.4	
Financials	4.3	
Cash	6.7	

## Country breakdown (%)

South Korea	21.9	
China/Hong Kong	15.1	
Brazil	12.3	
Indonesia	10.9	
Thailand	7.0	
Mexico	6.9	
Peru	5.3	
India	5.0	
Taiwan	4.3	
Turkey	2.4	
South Africa	2.1	
Cash	6.7	

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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.