

Emerging Markets - Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 March 2023

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$144.9m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

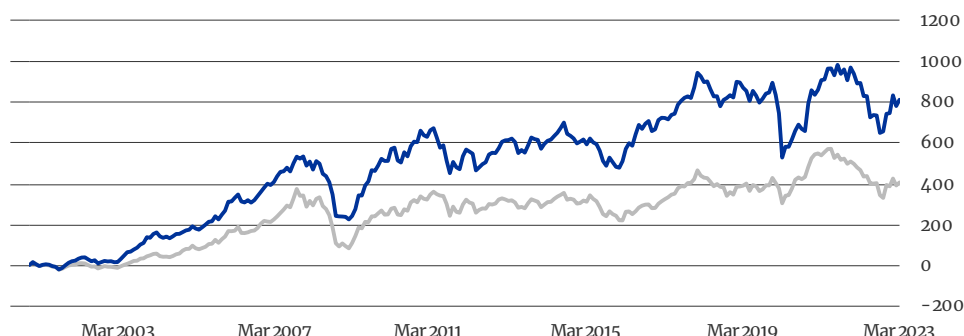
About Oldfield Partners

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	Annualised	
				3 years	5 years
■ Fund	+3.5	+7.7	-8.3	+13.2	-1.8
■ MSCI Emerging Markets	+3.0	+4.0	-10.7	+7.8	-0.9

Preceding five calendar years performance

	2022	2021	2020	2019	2018
Fund	-20.9	+11.6	-3.7	+7.8	-5.0
MSCI Emerging Markets	-20.1	-2.5	+18.3	+18.4	-14.6

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

Emerging Market equities weathered the US banking storm well with a minimal knock-on impact seen in the asset class. The US and Chinese economies remain the weightiest influences on Emerging Markets performance - with one being finessed to slow (by tighter monetary policy) and the other being coaxed to grow (from the Covid exit). OPEC dealt the global economy a wild card after month-end. The upside potential for the portfolio is 75% as measured by the weighted average of the company price targets in the portfolio.

The bottom performers by contribution in the month were both 'indirect' Chinese consumer related stocks: Lee & Man Paper and LG H&H. We believe these will play catch-up as the year progresses. Lee & Man Paper (Chinese packaging materials) will benefit from the Chinese consumer demand recovery as inventory levels of packaging materials start to reduce. The sector has had a tough time through the strict 'Covid-zero' period and with input prices being strong thereafter (notably energy and recycled cardboard), which has reduced valuations to trough levels. If the Chinese economy picks up, the demand for containerboard increases. LG H&H (Korean cosmetics manufacturer) is seeing evidence of a bounce back in Chinese consumer spending on cosmetics but has yet to normalise. As travel recovers, to Korea especially, the spend in duty-free shops should increase to pre-Covid levels over time. Cosmetics is a competitive market, but it is too early in the bounce back to judge winners and losers, and all players should benefit.

The top performers by contribution in the month were Embraer and Alibaba. Embraer (Brazilian aircraft manufacturer) is in an enviable position being the sole remaining provider of regional jets into the key US market and its order book is reflecting this strong market position. Its electric flight vehicle, called EVE, continues to do well, and its market capitalisation almost equals that of Embraer (its majority owner). As this business develops and reaches certification, we hope to be able to assign more value to it. Alibaba (Chinese e-commerce provider) remains a beneficiary of the ongoing bounce back in the Chinese consumer. During the month management announced that it would split into six divisions with the ability to operate independently: Cloud Intelligence Group, Taobao Tmall Commerce Group, Local Services Group, Cainiao Smart Logistics Group, Global Digital Commerce Group, and Digital Media and Entertainment Group. Each division will have its own governance structure and CEO with the ability to pursue fund-raising and a stock exchange listing. This could help address in time the discount that Alibaba trades at to the 'sum of its parts' by shedding light on the individual parts. In addition, it may help the Chinese government feel more comfortable from a regulatory standpoint.

The top performers for the first quarter were Embraer, Ternium, and Alibaba; and the bottom performers were LG H&H, Lee & Man Paper, and Thai Beverage.

Commentary - continued

Russian holdings

Please note that on 3rd March 2022 the Fund's investment in Lukoil ADR listed on the London Stock Exchange (LSE) was suspended from trading. Our Valuation Committee considered it was in the Fund's best interests that the holding of Lukoil ADR be fair value priced (FVP) at zero. In June 2022, we elected for the holding to be converted into local shares (Lukoil PJSC).

Given the current international sanctions on Russian securities and cash balances, we believe that if lifted and the Fund was able to access the local market, the holding in Lukoil PJSC (with a current FVP of zero) would represent 7.2% of the Fund and cash dividend of 1.1%. We continue to monitor the situation closely.

Composite analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Embraer ADR	9.1	+28.9	+28.9
Samsung Electronics	7.6	+5.6	+6.7
Alibaba	7.0	+16.1	+16.1
Ternium ADR	6.9	-3.2	-3.2
Thai Beverage	6.7	-1.6	-0.3
SK Square	5.2	+3.7	+4.8
Infosys ADR	5.1	-3.0	-3.0
Indofood	5.1	-4.2	-2.4
ASE Technology	5.1	+6.1	+6.4
Petrobras ADR	5.1	-4.8	-4.8

*Inclusive of portfolio activity.
All data as at 31 March 2023.
Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	25.6	
Materials	16.2	
Consumer Staples	15.7	
Communication Services	11.6	
Consumer Discretionary	10.9	
Industrials	9.1	
Energy	5.1	
Financials	3.8	
Cash	1.8	

Country breakdown (%)

South Korea	24.3	
China/Hong Kong	17.4	
Brazil	14.2	
Indonesia	9.7	
Mexico	6.9	
Thailand	6.7	
India	5.1	
Taiwan	5.1	
Peru	4.9	
Turkey	2.0	
South Africa	1.8	
Cash	1.8	

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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. © 2023 Partnership No. OC309959.