

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 May 2019

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$641.9m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

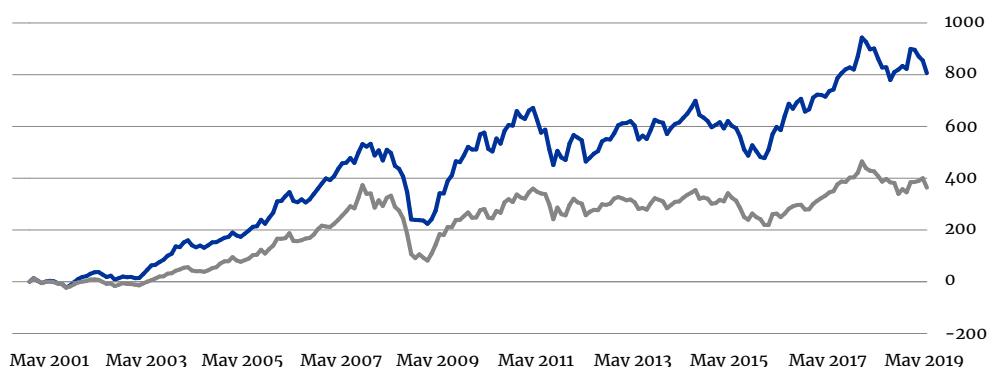
About Oldfield Partners

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	Launch	Annualised		
					3 years	5 years	Launch
■ Composite	-5.1	-1.8	-5.8	+805.9	+9.7	+4.3	+12.7
■ MSCI Emerging Markets	-7.3	+4.1	-8.7	+363.6	+9.9	+1.8	+8.7

Preceding five calendar years performance	2018	2017	2016	2015	2014
Composite	-5.0	+26.8	+31.7	-16.5	-2.4
MSCI Emerging Markets	-14.6	+37.3	+11.2	-14.9	-2.2

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

During the month investors came to realise the US-China trade dispute may be a very long lasted affair with the knock-on effect to global economic growth prospects. The China equity market rally went into reverse gear, and the MSCI Emerging Markets Index fell sharply in the month. The valuation case for emerging market equities remains attractive, with the MSCI Emerging Markets Index trading below its longer term historic average valuation. The weighted average of the price targets in the portfolio is showing 44% upside.

The bottom performers by contribution in the month were Lee & Man Paper and Samsung Electronics. **Lee & Man Paper** (Chinese containerboard manufacturer) has suffered as the Chinese government has reduced the quantities of imported waste recycled paper allowed due to trade frictions and for environmental reasons. This forces the containerboard industry to source increasing amounts domestically and is more expensive as the collection of waste recycled paper in China is less developed. In addition, any slowdown in the Chinese economy would impact this cyclical industry. **Samsung Electronics** (Korean electronics manufacturer) continues to trade at a lowly valuation awaiting investor confidence in an upturn for the semiconductor cycle. Samsung will have a positive impact from the Huawei ban (its smartphone & networks businesses could gain) and in general is reasonably well placed in the US-China tariff dispute.

The top performers by contribution in the month were Ternium and JSE. **Ternium** (Latin American steel producer) had a brief respite in the month as the trade frictions between the US and Mexico looked to have calmed as USMCA was in theory agreed and Section 232 was dropped – but at month-end the US threatened new tariffs on Mexican goods over immigration issues. It is uncertain how this new situation will develop and the effect on the Mexican supply chain and exports. In the short term Ternium prices in US dollars and has costs in a depreciating local currency, but any longer-term impact on the local economy and its export industries would be painful. **JSE** (the South African stock exchange) was a solid and safe performer in a difficult local market buffeted by the wider emerging market themes and the general election returning the incumbent to power albeit with a reduced majority.

Composite analysis








Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
Embraer	8.9	-3.8	-3.8
Samsung Electronics	8.9	-7.2	-9.2
Petrobras	8.2	-5.7	-5.7
Lukoil	8.1	-5.0	-5.0
SK Telecom	8.0	-1.6	-1.6
Buenaventura	7.6	-6.3	-6.3
Thai Beverage	6.8	-2.9	-3.9
Telkom Indonesia	6.4	+0.8	+0.8
Ternium	5.4	+2.1	+2.1
Yue Yuen Industrial	5.4	-13.4	-13.4

*Inclusive of portfolio activity.













All data as at 31 May 2019.

Source: Oldfield Partners.

Sector breakdown (%)

Materials	17.6	
Communication Services	17.3	
Energy	16.3	
Information Technology	13.0	
Consumer Staples	11.7	
Industrials	8.9	
Consumer Discretionary	6.2	
Financials	4.8	
Cash	4.2	

Country breakdown (%)

Brazil	17.1	
South Korea	16.9	
China/Hong Kong	12.3	
Indonesia	11.3	
Russia	8.1	
Peru	7.6	
Thailand	6.8	
Mexico	5.4	
India	4.9	
Turkey	2.9	
South Africa	2.5	
Cash	4.2	

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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. © 2019 Partnership No. OC309959.