

# Emerging Markets – Composite

## Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 May 2021

### Monthly composite review

#### Composite particulars

Launch date	01 January 2001
Comp. assets	US\$406.5m
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	+5.2	+11.1	+56.4	+964.2	+3.4	+9.2	+12.3
■ MSCI Emerging Markets	+2.3	+7.3	+51.0	+569.4	+9.6	+13.9	+9.8

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 continued to outperform growth investing in the month. The path out of the pandemic remains clear if not smooth with emerging market vaccination rates trailing. Despite short-term setbacks in reopening, we believe the portfolio's positioning towards attractively valued cyclicals is justified. It remains to be seen whether the inflation scare is transitory, with the Chinese government taking note of what it sees as overly speculative commodity trading positions. Many of the portfolio companies possess characteristics allowing operations to withstand pressure from a higher inflationary environment. The weighted average of the price targets in the portfolio shows 35% upside potential.

The bottom performers by contribution for the month were Thai Beverage and Indofood. **Thai Beverage** (leading alcoholic beverage producer in Thailand) reported solid quarterly results during the month. Although on-premise consumption is still affected by pandemic related restrictions, volumes are supported by its diversified portfolio including popular brands for off-premise consumption. Management postponed the pending beer unit listing, with the stock ceding some of the gains from the previous listing announcement. **Indofood** (Indonesian snack food manufacturer) has a long history of growing revenues and profit despite commodities cycles. Its key noodle business achieves strong margins through pricing power and dominant market share. The agricultural business offsets some commodity cost inflation in other divisions.

The top performers by contribution for the month were Embraer and Petrobras. **Embraer** (Brazilian aircraft manufacturer) continued its strong performance since we wrote about it in the prior month, winning new orders for regional jets and support service contracts. Sector sentiment further gained from Airbus increasing its planned 2022 production rate. **Petrobras** (Brazilian oil producer) reported uneventful first quarter results. More significantly, its new management team suggested a continuation of strategy after the government dismissed its prior CEO for what was seen as untimely fuel price increases. It declared the international price parity principle for domestic fuel stays intact. The company is now working with the government exploring options for a smoother fuel price adjustment process.

## 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](mailto:clientrelations@oldfieldpartners.com).

## Composite analysis

### Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
SK Telecom	8.7	+6.6	+6.6
Samsung Electronics	8.4	-1.2	-0.5
Embraer	7.4	+21.2	+21.2
Infosys	6.3	+7.0	+7.0
Petrobras	6.2	+19.6	+19.6
Thai Beverage	6.1	-3.4	-2.8
Buenaventura	6.0	+18.5	+18.5
Ternium	5.8	-1.5	-1.5
Lukoil	5.8	+6.2	+6.2
SK Hynix	5.7	-0.7	0.0

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

### Sector breakdown (%)

Information Technology	20.4	
Materials	17.2	
Communication Services	17.1	
Energy	12.0	
Consumer Staples	10.7	
Industrials	7.4	
Consumer Discretionary	5.4	
Financials	3.9	
Cash	5.9	

### Country breakdown (%)

South Korea	22.8	
Brazil	13.6	
China/Hong Kong	12.5	
Indonesia	10.3	
India	6.3	
Thailand	6.1	
Peru	6.0	
Mexico	5.8	
Russia	5.8	
Turkey	2.7	
South Africa	2.2	
Cash	5.9	

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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.