

# Emerging Markets - Composite

Patient, unconstrained, contrarian value investing

# OP

Oldfield Partners

31 May 2023

## Monthly composite review

### Composite particulars

Launch date	01 January 2001
Comp. assets	US\$130.1m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

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

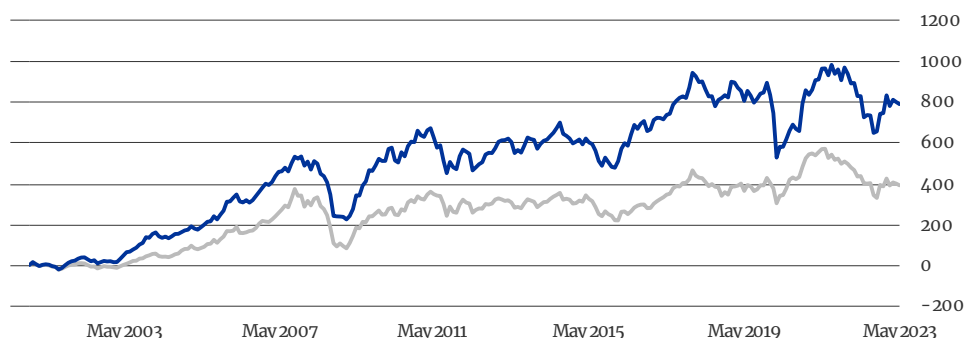
### About Oldfield Partners

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	-1.1	+5.2	-4.2	+9.3	-1.5
■ MSCI Emerging Markets	-1.7	+1.1	-8.5	+3.5	-0.7

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

An unremarkable month for emerging market equities. The benchmark index moved sideways for another month and is about where it started the year. The US debt ceiling debate kept many investors on the sidelines. The economic news from China remains downbeat with little indication of government stimulus. Korea and Taiwan have been strong performers this year with technology stocks receiving the most investor interest in the month. The Turkish election result was close but ultimately disappointing for investors. The upside potential for the portfolio is 80% as measured by the weighted average of the company price targets in the portfolio.

The bottom performers by contribution in the month were Thai Beverage, Lee & Man Paper, and Ternium. **Thai Beverage** (leading Thai alcoholic beverage producer) has a strong franchise in Thailand with around 90% market share in spirits and a duopoly position in beer. The local political situation following elections has distracted investor attention, but the company has prospered through much tougher events in the past. It trades at 12 times earnings, which is approximately half the valuation of Asian peers. **Lee & Man Paper** (Chinese packaging materials) should benefit as Chinese consumer demand recovers and inventory levels of packaging materials start to reduce. To date the post-Covid Chinese re-opening has been a flop. Industry valuations remain at trough levels and the company is well placed strategically. If, and when, the Chinese economy picks up, the demand for containerboard should increase. **Ternium** (Latin American steel producer) is benefiting from the continued high US steel price and the 'near shoring' of industries to Mexico from China. Ternium is a low-cost producer of steel, a beneficiary of Mexican economic growth, and of increased domestic market share in steel through import substitution. It trades at a price to earnings ratio of 6 and it has net cash on its balance sheet.

The top performers by contribution in the month were **Samsung Electronics**, **SK Hynix**, and **SK Square**. The Korean semiconductor stocks had a good month and year to date. All things 'AI' (Artificial intelligence) have rallied strongly, and semiconductors are an important part of the chain - including memory chips. However, not all memory chips are created equal with HBM (high bandwidth memory) being the most suited to AI and GPU (graphics processing unit) for HPC (high-performance computing) use. SK Hynix is the dominant manufacturer of high-performance chips with around 60% global market share. SK Square is a holding company in Korea that has SK Hynix as its largest holding (c.80% of net asset value) but trades on a remarkable discount to net asset value of around 70%. Currently AI is a small part of memory chip demand, but it is an interesting and growing area to watch. The wider memory semiconductor cycle continues to form a bottom as the inventory overhang is eroded following industry supply discipline through capex cuts earlier in the year. The semiconductor stocks have rallied ahead of a cyclical turn (likely in 3Q) and the valuation case remains attractive.

## Commentary - continued

The top performers by contribution in the second quarter were Petrobras, Samsung Electronics, and Indofood; and the bottom performers by contribution in the quarter were Alibaba, Thai Beverage, and Buenaventura.

### 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 11% of the Fund and cash dividend of 1.3%. We continue to monitor the situation closely.

### Investment team

Abri Fourie, an analyst on the investment team with a focus on emerging markets, will be leaving OP in July 2023 to pursue other, non-investment management related interests. We are extremely grateful for Abri's contribution to the firm over the years and wish him all the very best for the future.

In the December 2022 newsletter we announced the appointment of emerging markets analyst, Charles Sunnucks, who has been working closely with Tom Taylor and Abri, and we are also pleased to announce that Anindita Nag will be joining the wider investment team with a specialism in emerging markets in June 2023.










## Composite analysis

### Top 10 holdings (%)



	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.7	+9.1	+10.0
Embraer ADR	8.1	-3.4	-3.4
Ternium ADR	6.5	-10.1	-10.1
SK Square	6.1	+8.5	+9.4
Thai Beverage	6.1	-11.6	-13.1
Indofood	6.1	+10.1	+7.6
Petrobras ADR	5.9	+7.7	+7.7
Alibaba	5.7	-4.6	-4.3
SK Telecom	5.3	+4.1	+4.9
ASE Technology	5.2	+10.1	+10.0

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

### Sector breakdown (%)

Information Technology	28.4	
Consumer Staples	15.6	
Materials	14.6	
Communication Services	12.0	
Consumer Discretionary	9.2	
Industrials	8.1	
Energy	5.9	
Financials	4.0	
Cash	2.1	

### Country breakdown (%)

South Korea	26.9	
China/Hong Kong	15.6	
Brazil	14.0	
Indonesia	10.8	
Mexico	6.5	
Thailand	6.1	
Taiwan	5.2	
India	5.1	
Peru	4.3	
Turkey	2.0	
South Africa	1.6	
Cash	2.1	

### Oldfield Partners

11 Grosvenor Place  
London, SW1X 7HH  
United Kingdom

Telephone: +44 (0) 20 7259 1000  
Email: [info@oldfieldpartners.com](mailto:info@oldfieldpartners.com)  
[www.oldfieldpartners.com](http://www.oldfieldpartners.com)

---

**This document contains performance information meeting standards which use a composite of investment advisory fees paid by clients rather than the actual fees which will apply to a particular investment. These standards are calculated differently to SEC standards and, accordingly, where this document is provided as a non-exempt investment advertisement it is not intended for US persons and any US person seeking performance information calculated to SEC rules should contact [info@oldfieldpartners.com](mailto:info@oldfieldpartners.com). Oldfield Partners LLP's investment advisory fees are more fully described in the Form ADV Part 2A.**

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.