

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 July 2020

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$283.8m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets MSCI EM Value

“A concentrated portfolio concentrates the mind...”

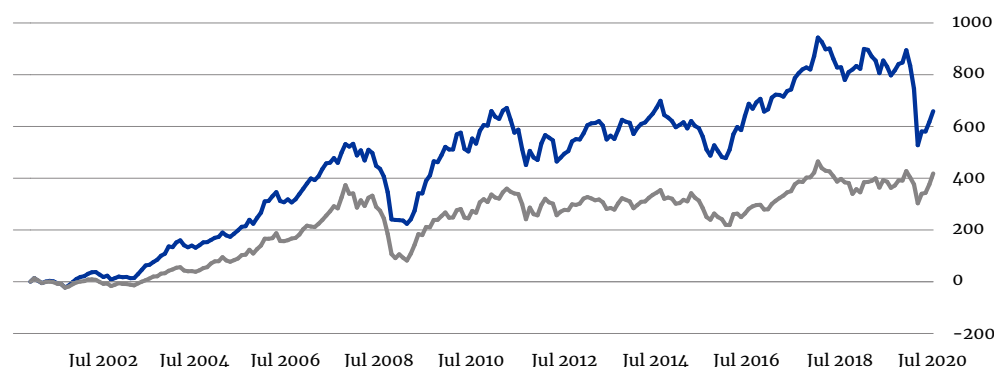
About Oldfield Partners

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	+5.8	-23.7	-18.5	+659.1	-5.1	+2.8	+10.9
■ MSCI Emerging Markets	+8.9	-1.7	+6.5	+418.4	+2.8	+6.1	+8.8

Preceding five calendar years performance

	2019	2018	2017	2016	2015
Emerging Markets Equity	+7.8	-5.0	+26.8	+31.7	-16.5
MSCI Emerging Markets	+18.4	-14.6	+37.3	+11.2	-14.9

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

The global economy is learning to live with the virus and some normality is being restored – peppered with ‘second wave’ and ‘vaccine’ news. We continue to favour holdings that can ‘tough it out’ – having characteristics such as a strong balance sheet, solid proven franchises, producing assets low down on the global cost curve, or access to government assistance. We believe all our holdings are survivors. Although growth for companies may be hard to come by, we still believe valuation is as important as ever.

The bottom performers by contribution for the month were Turkcell, Thai Beverage, and Ternium. **Turkcell** (Turkish mobile telecoms operator) has solved its long running shareholder dispute and simplified its shareholder structure (with the exit of Telia). This sets a positive tone for the long-term strategy of the company. We see Turkcell as well placed to grow data services as the leading mobile operator in Turkey. The negatives on the stock are from the economic and political side. **Thai Beverage** (leading producer of alcoholic beverages in Thailand) saw a strong bounce in consumption from the depressed levels of lockdown but growth has since been lacklustre weighing on the stock. There will be some inventory adjustments through the system, so it may be too early to tell for sure. Regardless, Thai Beverage has an outstanding franchise that generates significant free cash flow. **Ternium** (Latin American steel producer) is facing a difficult economic environment in Mexico and its other markets, as the region is still in the midst of the virus impact. We believe Mexico is an attractive manufacturing location, set to benefit as China is seen as a less reliable partner, and as an efficient low-cost operator Ternium should benefit from these long-term growth prospects.

The top performers by contribution for the month were Infosys, Buenaventura, and Samsung Electronics. **Infosys** (Indian IT services) is an enabler for the growth of the digital economy and benefitting from demand in the US and elsewhere to tilt operations online. The company has had little impact from the virus on its domestic operations and its move to set up US bases was well timed. Management were able to guide for revenue growth and margin stability ahead in the recent quarterly results. **Buenaventura** (Peruvian miner) is back in business after the national lockdown was lifted and all its operations were able to open. Precious metal prices have soared and the company is now benefitting.

Commentary - continued

Samsung Electronics (South Korean electronics manufacturer) was cautiously optimistic for semiconductor operations heading into the second half of 2020 and into 2021 with mobile handsets picking up and data centre memory demand based on the 'stay at home' economy shifting life online. We believe this further adds to the credibility that the semiconductor industry is experiencing gentler cycles (versus history) thanks to its supply discipline, favourable long-term demand, and industry consolidation.

Capacity and flows

AUM of the strategy is now below our US\$1bn capacity so we are accepting capital from investors, with priority given to existing investors and those on the waitlist, and then from new relationships. If you are interested in the strategy, please contact us.

Composite analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.6	+10.2	+10.7
Buenaventura	9.1	+29.8	+29.8
Infosys	8.9	+32.6	+32.6
SK Telecom	8.5	+5.0	+5.0
Thai Beverage	7.1	-5.2	-3.9
Lukoil	7.0	-3.0	-3.0
Petrobras	6.8	+7.0	+7.0
Telkom Indonesia	6.4	-2.4	-2.4
Indofood	6.3	+2.2	+0.5
Lee & Man Paper	5.9	+14.6	+14.6

*Inclusive of portfolio activity.
All data as at 31 July 2020.
Source: Oldfield Partners.

Sector breakdown (%)

Materials	19.8	
Communication Services	19.0	
Information Technology	18.5	
Energy	13.7	
Consumer Staples	13.4	
Consumer Discretionary	4.5	
Financials	3.9	
Industrials	3.6	
Cash	3.6	

Country breakdown (%)

South Korea	18.0	
Indonesia	12.7	
China/Hong Kong	11.9	
Brazil	10.3	
Peru	9.1	
India	8.9	
Thailand	7.1	
Russia	7.0	
Mexico	4.8	
Turkey	4.2	
South Africa	2.4	
Cash	3.6	

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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. © 2020 Partnership No. OC309959.