

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 July 2022

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$138.4m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

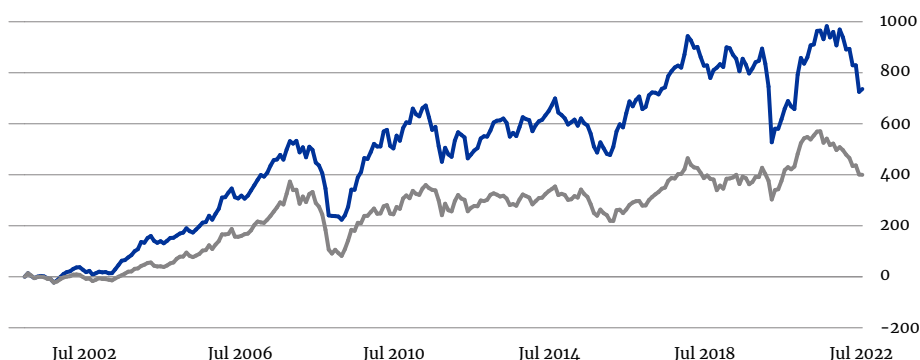
About Oldfield Partners

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
■ Emerging Markets Equity	+1.4	-21.8	-18.9	-3.5	-1.2
■ MSCI Emerging Markets	-0.2	-17.8	-20.1	+0.9	+1.0

Preceding five calendar years performance	2021	2020	2019	2018	2017
Emerging Markets Equity	+11.6	-3.7	+7.8	-5.0	+26.8
MSCI Emerging Markets	-2.5	+18.3	+18.4	-14.6	+37.3

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 backdrop for emerging markets equities is not a happy one: tightening US monetary policy, Chinese economic disruption, global inflationary pressures, and multiple geo-political issues. Recessionary pressures are building in key regions of the global economy. But this is not ‘new’ news, so much of the ‘known’ bad news is being reflected in equity valuations. The upside potential for the portfolio is over 90% as measured by the weighted average of the company price targets. We have not seen this level of upside potential on offer since the ‘Great Financial Crisis’ of 2008/9.

The bottom performers by contribution for the month were Alibaba, Buenaventura, and Lee & Man Paper. **Alibaba** (Chinese e-commerce) continues to be dominated by short term news flow rather than the longer-term fundamental strength of the core business. Headlines during the month included concerns about more Chinese lockdowns; Jack Ma announcing that he will be giving up control of Ant Group (Alibaba’s fintech arm); and Alibaba joining the list of Chinese companies that maybe delisted from the US stock exchange. We believe the lockdowns will impact short term performance but will ultimately pass; Ant is a small part of our valuation; and we hold the Hong Kong listing of Alibaba. **Buenaventura** (Peruvian miner) is reflecting the volatile political background in Peru and worries about its impact on the mining industry. Buenaventura has sold its stake in the aging Yanacocha gold mine (for \$300 million upfront) to its joint venture partner which will strengthen its balance sheet and assist in its own mine development programme. Buenaventura owns a 20% stake in a copper mine, Cerro Verde, that exceeds its entire market capitalisation. **Lee & Man Paper** (Chinese packaging materials) has been impacted by the ‘lock-downs’ across China and weak consumer sentiment. About 70% of the end demand for containerboard is to the Chinese consumer, which is currently depressed, but we believe is a long-term growth opportunity. Cost pressure is evident in energy and domestic recycled paper, which will significantly squeeze the smaller companies in the industry.

The top performers by contribution for the month were Petrobras, Samsung Electronics, and SK Hynix. **Petrobras** (Brazilian oil producer) is benefiting from the higher oil price, whilst negotiating its political fallout heading into the Brazilian elections in October. The summer has seen the government, its majority shareholder, react to higher domestic fuel prices by seeking to replace senior management at Petrobras (ironically that they recently appointed). This looks like a political ‘need to be seen to be doing something’, as the new management once in place continued to follow the international fuel price parity principle (as it must by law). The balance sheet has been repaired and with asset sales continuing and solid free cash flow generation from higher oil prices Petrobras is honouring its new dividend policy with record payouts. Korean memory semiconductor stocks (**Samsung Electronics** and **SK Hynix**) have been weak as the consumer electronics sales outlook globally has fallen considerably. The industry has moved from supply-led cycles to demand-led cycles allowing the key players more influence in inventory management. The current semiconductor cycle looks to be a shallow one and remaining at high levels of profitability (a far cry

Commentary - continued

from the historic cycles for this sector), whilst valuations are already nearing historic lows.

Russian holdings

Please note that as of 3rd March 2022 the holding of Lukoil ADR will have a fair value price (FVP) of zero. This has been determined by our Valuation Committee. Lukoil ADR listed on the London Stock Exchange (LSE) was suspended from trading by the exchange on the morning 3rd March 2022. We will continue to monitor the situation daily and update accordingly.

Composite analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	7.5	+8.2	+6.7
Thai Beverage	7.1	0.0	+0.5
Telkom Indonesia	6.8	+5.0	+5.0
Ternium	6.5	-1.8	-1.8
SK Hynix	6.4	+7.8	+6.3
Indofood	6.2	-3.5	-3.1
Petrobras	6.1	+22.7	+22.7
Embraer	6.1	+3.9	+3.9
Alibaba	5.5	-16.8	-16.8
SK Telecom	4.6	+4.3	+2.9

*Inclusive of portfolio activity.
All data as at 31 July 2022.
Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	24.9	
Consumer Staples	16.3	
Materials	14.5	
Communication Services	13.3	
Consumer Discretionary	9.2	
Energy	6.1	
Industrials	6.1	
Financials	4.9	
Cash	4.9	

Country breakdown (%)

South Korea	25.1	
China/Hong Kong	16.4	
Indonesia	13.0	
Brazil	12.2	
Thailand	7.1	
Mexico	6.5	
Taiwan	4.2	
Peru	3.5	
India	3.2	
South Africa	2.2	
Turkey	1.8	
Cash	4.9	

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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. © 2022 Partnership No. OC309959.