

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 August 2019

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$629.4m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

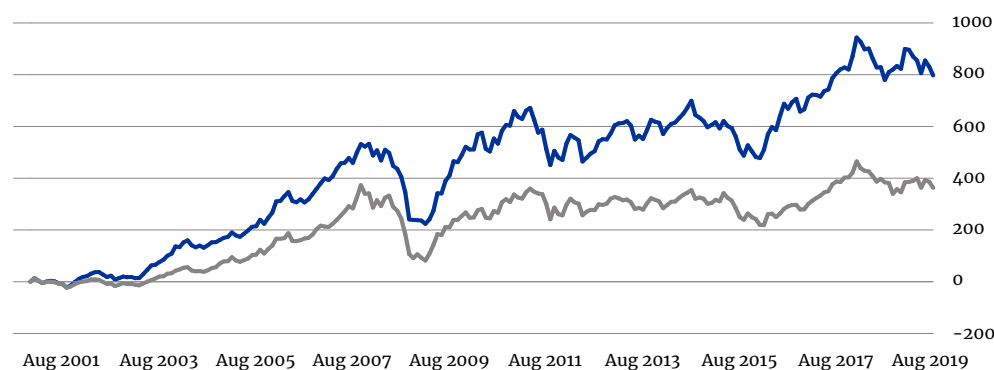
About Oldfield Partners

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	Launch	Annualised		
					3 years	5 years	Launch
■ Emerging Markets Equity	-3.7	-2.8	+2.0	+797.2	+5.3	+2.3	+12.5
■ MSCI Emerging Markets	-4.9	+3.9	-4.4	+362.8	+5.8	+0.4	+8.5

Preceding five calendar years performance	2018	2017	2016	2015	2014
Emerging Markets Equity	-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

The valuation case for emerging market equities remains attractive, and the MSCI Emerging Markets Index continues to trade comfortably below its longer term historic average valuation. Value investing continues to have a tough year to date. The backdrop for emerging markets is still dominated by the US-China trade negotiations and the abrasive positioning and actions taken by both parties leading to fallout across the global economy.

The bottom performers by contribution in the month were Embraer, Petrobras and Ternium. **Embraer** (Brazilian aircraft manufacturer) is on track for the Boeing acquisition to complete by year end and this helps to underpin the current share price. Separation costs are a near term drag, but the Boeing relationship looks to be having a healthy impact on the order book. We have added to the position. **Petrobras** (Brazilian oil producer) continues to successfully deleverage with asset sales and sustained free cash flow from a reasonable oil price; and supported by a government backing company friendly policy actions. **Ternium** (Latin American steel producer) faces a more uncertain Mexican steel market as domestic demand stagnates, and Argentina is yet again in trouble. Management see a better pricing environment in Mexico from the fourth quarter.

The top performers by contribution in the month were Indofood, Thai Beverage, and Telkom Indonesia. In a difficult month it is not so surprising to see the top performers are some of our stable earning companies. **Indofood** (Indonesian snack food manufacturer) was driven by strong noodle sales, especially in the higher priced instant noodle category that has low penetration. **Thai Beverage** (Thailand's leading alcoholic beverage producer) had fantastic third quarter results confirming the bounce back in alcoholic beverage consumption and reflecting the government's ongoing strategies to boost the economy, and in particular targeted at lower income families. **Telkom Indonesia** (Indonesian telecom operator) has been able to put through price increases suggesting a stable competitive and regulatory environment (following the compulsory prepaid registration last year). Data growth continues to drive the mobile division and a strong broadband offering drives the fixed line division.

Total assets for the emerging markets strategy are now slightly over US\$1billion, which is our capacity limit. If you are interested in making a new investment or adding to an existing holding, we therefore request that you contact us to discuss this.

Composite analysis

Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.1	-3.0	-5.1
Embraer	8.4	-13.3	-13.3
Lukoil	8.1	-2.4	-2.4
Petrobras	7.8	-10.2	-10.2
Buenaventura	7.7	0.0	0.0
SK Telecom	7.6	-4.4	-4.4
Thai Beverage	7.5	+7.8	+6.3
Telkom Indonesia	7.5	+4.3	+4.3
Indofood	6.1	+12.0	+10.8
Yue Yuen Industrial	5.0	-8.7	-8.8

*Inclusive of portfolio activity.
All data as at 31 August 2019.
Source: Oldfield Partners.

Sector breakdown (%)

Communications Services	18.4	
Energy	15.9	
Materials	15.8	
Information Technology	13.7	
Consumer Staples	13.6	
Industrials	8.4	
Consumer Discretionary	5.2	
Financials	4.7	
Cash	4.4	

Country breakdown (%)

South Korea	16.8	
Brazil	16.2	
Indonesia	13.5	
China/Hong Kong	11.1	
Russia	8.1	
Peru	7.7	
Thailand	7.5	
India	4.7	
Mexico	4.3	
Turkey	3.3	
South Africa	2.3	
Cash	4.4	

Oldfield Partners

11 Grosvenor Place
London, SW1X 7HH
United Kingdom

Telephone: +44 (0) 20 7259 1000
Email: info@oldfieldpartners.com
www.oldfieldpartners.com

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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.