

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 August 2020

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$294.8m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets MSCI EM Value

“A concentrated portfolio concentrates the mind...”

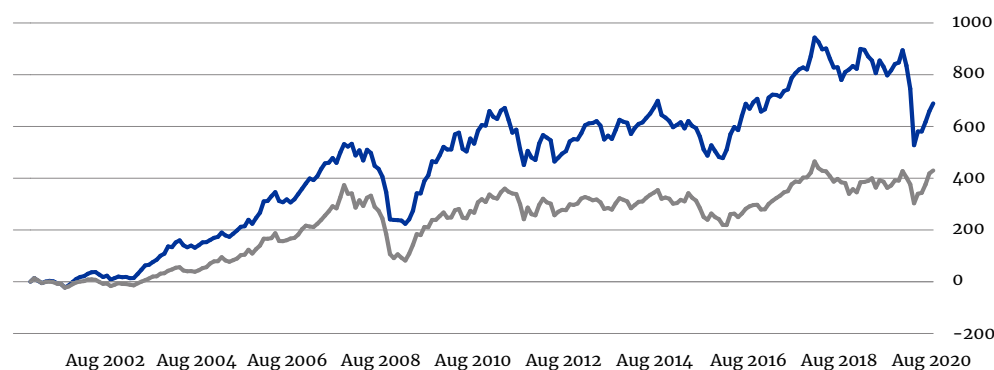
About Oldfield Partners

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	+4.0	-20.7	-12.0	+689.2	-4.5	+5.3	+11.1
■ MSCI Emerging Markets	+2.2	+0.4	+14.5	+429.9	+2.8	+8.6	+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

Equity markets are buoyed by stimulus and a return of global economic activity as governments are reluctant to re-impose lockdowns. The holdings have ‘toughed it out’. We see the differential in valuation between ‘value’ and ‘growth’ stocks in emerging markets as having become too stretched – and can favour value.

The bottom performers by contribution for the month were Samsung Electronics and Petrobras. **Samsung Electronics** (Korean electronics manufacturer) is benefiting from demand based on the ‘stay at home’ economy shifting life online and upgrading equipment to do so. In addition, supply discipline in the semiconductor industry adds to the credibility that the industry will experience gentler cycles (versus history) going forward. At the moment we are in a dip in the semiconductor cycle. **Petrobras** (Brazilian oil producer) continues to focus on its low-cost pre-salt operations. The company has spent the last several years in deleveraging mode, debt management, cost control, and capital expenditure restraint. Petrobras is a national champion and we believe it can comfortably weather a prolonged period of lower oil prices.

The top performers by contribution for the month were Buenaventura, Indofood, and Ternium. **Buenaventura** (Peruvian miner) experienced an extreme national lockdown in Peru to fight Covid-19 that has been lifted allowing all its operations to re-open. Most of its output is in precious metals that are experiencing buoyant prices. **Indofood** (Indonesian snack food producer) made an acquisition to expand geographically (into Africa and Saudi Arabia) with its noodle business. Investors hope that it can replicate the success of its domestic noodle business over time and allow the company to grow into new markets. Most of Indofood’s categories favour eating at home and these are performing well. **Ternium** (Latin American steel producer) is facing a difficult economic environment in Mexico and its other South American markets, as the region is still in the midst of the virus impact. Management have focused on costs and liquidity by deferring capital expenditure and the dividend payment. We believe Mexico is an attractive manufacturing location and as an efficient low-cost operator Ternium should benefit from these long-term growth prospects.

The top performers by contribution for the quarter were Buenaventura, Infosys, and SK Telecom; and the bottom performers were Turkcell, Thai Beverage, and Embraer.

Commentary - continued

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
Buenaventura	9.6	+18.7	+18.7
SK Telecom	9.2	+13.5	+13.5
Samsung Electronics	8.6	-6.7	-6.2
Infosys	8.3	-1.9	-1.9
Indofood	7.2	+17.7	+18.5
Thai Beverage	6.8	-3.9	-2.8
Lukoil	6.7	+0.4	+0.4
Petrobras	6.6	-6.1	-6.1
Telkom Indonesia	6.0	-2.9	-2.9
Ternium	6.0	+24.1	+24.1

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

Sector breakdown (%)

Materials	21.2	
Communication Services	18.9	
Information Technology	16.9	
Consumer Staples	14.0	
Energy	13.3	
Consumer Discretionary	4.7	
Financials	4.3	
Industrials	3.3	
Cash	3.2	

Country breakdown (%)

South Korea	17.8	
Indonesia	13.2	
China/Hong Kong	12.3	
Brazil	9.9	
Peru	9.6	
India	8.3	
Thailand	6.8	
Russia	6.7	
Mexico	6.0	
Turkey	3.7	
South Africa	2.4	
Cash	3.2	

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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.