

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

31 October 2018

Monthly Composite Review

Composite Particulars

Launch date	01 January 2001
Comp. assets	US\$648.4m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

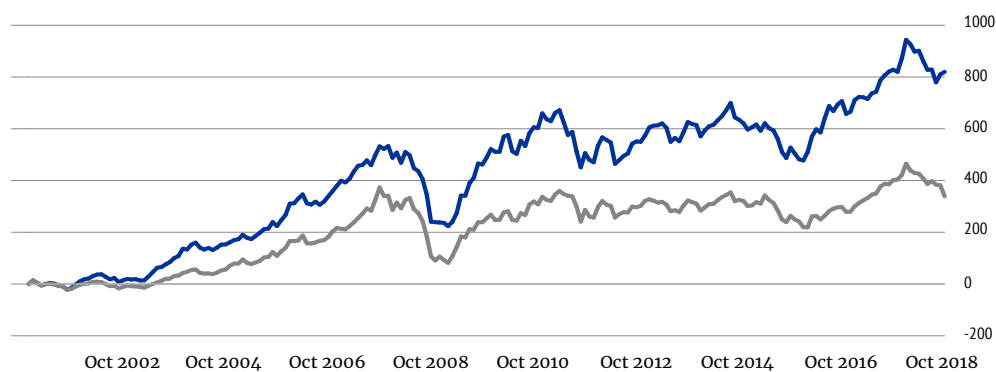
About Oldfield Partners

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
■ Composite	+1.1	-5.3	-0.9	+820.0	+13.6	+4.9	+13.2
■ Benchmark	-8.7	-15.7	-12.5	+339.5	+6.5	+0.8	+8.7

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, with the MSCI Emerging Markets Index trading comfortably below its longer term historic average valuation. The price to book ratio for the index is 1.5. The index has fallen over 20% in US dollar terms since its 2018 high in January. The weighted average of the price targets in the portfolio is showing an attractive 46% upside.

The bottom performers by contribution in the month were Samsung Electronics and SK Telecom. **Samsung Electronics** (Korean consumer electronics) continues to trade around expectations for the semiconductor cycle. We believe the share price already factors in a tough down cycle for 2019 and so we remain positive. A mild downturn in DRAM in 2019 would add confidence that the consolidated semiconductor industry is less cyclical than its past and focused on profit maximisation. It trades on a price to earnings ratio of 6 and a price to book ratio of 1.2. **SK Telecom** (Korean mobile telecom provider) has moved through the difficult period of regulatory pressure for the industry and has 5G adoption ahead of it. Industry competition is sensible. Its stake in **SK Hynix** (second largest DRAM producer globally) faces the same issue as Samsung Electronics above. SK Telecom trades on a price to earnings ratio of 7 and at book value.

The top performers by contribution in the month were Petrobras and Embraer. Brazilian equities have rallied significantly following a market friendly candidate winning the presidential elections. **Petrobras** (Brazilian oil & gas) is benefiting from a period of stronger oil prices and with ongoing divestments strengthening its balance sheet. It trades on a price to earnings ratio of 11 and a price to book ratio of 1.1. **Embraer** (Brazilian regional jet manufacturer) has accepted a joint venture offer from Boeing for its regional jet division and awaits regulatory approval in its key markets. Overall it is a positive for Embraer as it retains 20% of the joint venture and gains Boeing’s scale benefits in marketing the new generation of regional jets. The remaining business jet and defence businesses also look to be improving and will be the key focus for management. It trades on a price to earnings ratio of 16 and at book value.

Composite Analysis

Top 10 Holdings (%)	Weighting	Total Return (%)*	
		Local terms	USD
Embraer	8.3	+13.7	+13.7
Samsung Electronics	8.1	-8.2	-10.8
Petrobras	8.0	+41.7	+41.7
SK Telecom	7.7	-7.1	-7.1
Buenaventura	7.2	+3.2	+3.2
Lukoil	7.2	-2.6	-2.6
Ternium	6.3	+5.1	+5.1
Lee & Man Paper	5.6	-7.6	-7.8
Telkom Indonesia	5.4	+2.9	+2.9
Thai Beverage	5.0	-8.1	-9.4

*Inclusive of portfolio activity.
All data as at 31 October 2018.
Source: Oldfield Partners.

Oldfield Partners

11 Grosvenor Place
London, SW1X 7HH
United Kingdom

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

Sector Breakdown (%)

Materials	19.2	
Telecoms	16.2	
Energy	15.2	
Information Technology	13.0	
Consumer Staples	9.0	
Industrials	8.3	
Consumer Discretionary	5.9	
Financials	5.1	
Health Care	1.2	
Cash	6.9	

Country Breakdown (%)

Brazil	16.3	
South Korea	15.9	
China/Hong Kong	12.9	
Indonesia	9.4	
Peru	7.2	
Russia	7.2	
Mexico	6.3	
India	6.0	
Thailand	5.0	
Turkey	3.1	
South Africa	2.7	
Malaysia	1.2	
Cash	6.9	

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. 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 MSCI Emerging Markets Net Dividends Reinvested, calculated net of withholding taxes from the perspective of a Luxembourg-based investor. 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. © 2018 Partnership No. OC309959.