

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

31 October 2019

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$656.6m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

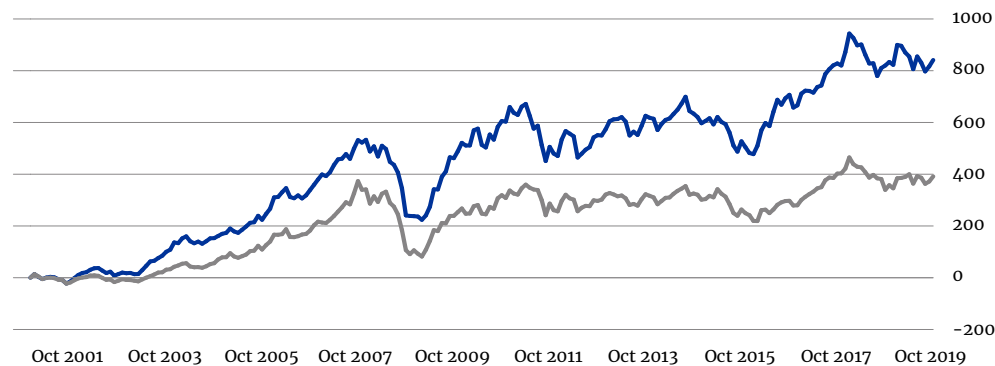
About Oldfield Partners

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	+2.7	+2.0	+2.3	+841.4	+5.3	+5.1	+12.6
■ MSCI Emerging Markets	+4.2	+10.4	+11.8	+391.6	+7.4	+2.9	+8.8

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 in emerging market equities continues to struggle year to date. The backdrop for emerging markets is still dominated by global monetary policy actions and ongoing trade disputes leading to fallout across the global economy.

The bottom performers by contribution in the month were Infosys and Telkom Indonesia. **Infosys** (Indian IT services provider) had a shock in the month as a whistle-blower complaint alleged aggressive treatment of recent large deals and pressure on the finance department to boost short term profits by the CEO and CFO. Infosys is treating the complaint in line with its policy and it has been referred to the Audit Committee and to an independent full investigation. It is clear that significant management turnover over recent years has caused internal tensions. Infosys has historically had an ethical culture ingrained, and the whistle-blower complaint could be doing exactly what it is supposed to do (warn before something worse happens). We have added to the position in the month following a significant fall in the share price. **Telkom Indonesia** (Indonesian telecom operator) is the leading telecom provider in one of Asia’s fastest growing telecom markets. It is well placed in wireless, as 4G penetration still has a long way to go, and fixed telecom, as the growth in broadband takes off. Its superior network and strong balance sheet help protect its dominant position.

The top performers by contribution in the month were Petrobras and Lukoil. **Petrobras** (Brazilian oil producer) continues its successful deleveraging programme as it sells assets and generates sustainable free cash flow. The third quarter results showed good production growth and a notable fall in lifting costs, especially in the pre-salt deep water operations. We look forward to hearing any incremental strategy points from the new business plan to be announced in early December. **Lukoil** (Russian oil producer) announced a stronger than expected upgrade to its shareholder return policy. It is emphasising dividends over share buy-backs and will pay out at least 100% of free cash flow to shareholders (and any acquisitions will be debt financed from its very strong balance sheet). This once again shows management’s strong ongoing commitment to shareholder returns.

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	8.8	+3.3	+5.8
Petrobras	8.6	+14.8	+14.8
Embraer	7.9	+0.7	+0.7
SK Telecom	7.7	+3.8	+3.8
Buenaventura	7.6	+1.1	+1.1
Lukoil	7.5	+11.2	+11.2
Thai Beverage	7.4	+3.4	+5.1
Telkom Indonesia	6.6	-4.1	-4.1
Indofood	5.7	0.0	+0.7
Yue Yuen Industrial	5.2	+3.1	+3.1

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

Sector breakdown (%)

Communications Services	17.5	
Energy	16.1	
Materials	16.0	
Consumer Staples	13.1	
Information Technology	12.9	
Industrials	7.9	
Consumer Discretionary	5.5	
Financials	4.4	
Cash	6.6	

Country breakdown (%)

Brazil	16.5	
South Korea	16.4	
Indonesia	12.2	
China/Hong Kong	11.1	
Peru	7.6	
Russia	7.5	
Thailand	7.4	
Mexico	4.6	
India	4.4	
Turkey	3.2	
South Africa	2.3	
Cash	6.6	

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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. © 2019 Partnership No. OC309959.