

# Emerging Markets - Composite

## Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 December 2018

### Monthly Composite Review

#### Composite Particulars

Launch date	01 January 2001
Comp. assets	US\$651.4m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

*“A concentrated portfolio concentrates the mind...”*

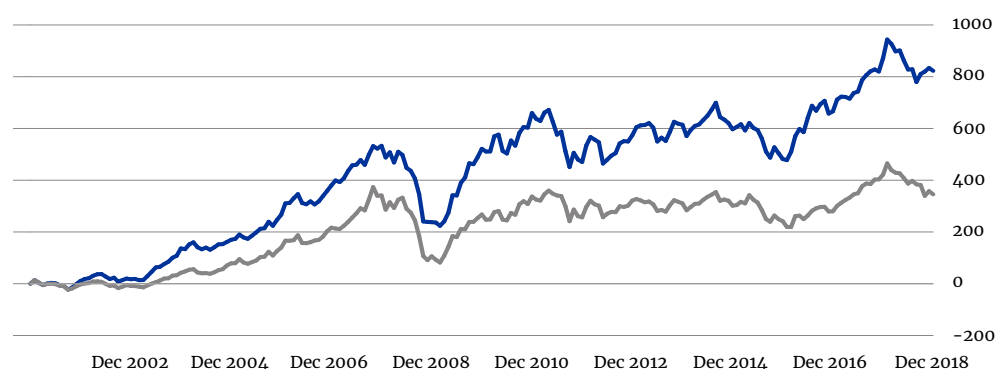
#### About Oldfield Partners

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	-1.2	-5.0	-5.0	+822.7	+16.6	+5.2	+13.1
■ MSCI Emerging Markets	-2.7	-14.6	-14.6	+345.4	+9.2	+1.6	+8.6

#### Preceding Five Calendar Years Performance

	2018	2017	2016	2015	2014
Composite	-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, with the MSCI Emerging Markets Index trading comfortably below its longer term historic average valuation. The price to book ratio for the index is 1.45. The weighted average of the price targets in the portfolio is showing 50% upside as the new year begins.

The bottom performers by contribution in the month were Petrobras and Samsung Electronics. **Petrobras** (Brazilian oil & gas producer) was a strong performer in 2018, but the dramatic fall in the oil price over the fourth quarter caused a pull back. We remain positive as the new Brazilian government remains favourable to its corporate strategy, it develops its deep-water oil assets, and steady deleveraging continues to be a management priority. It trades on a price to earnings ratio of 8.5 and at book value. **Samsung Electronics** (South Korean electronics manufacturer) continues to trade around expectations for the semiconductor cycle. Semiconductors are by far the most important division. We believe the share price already factors in a tough down cycle for 2019 and so we remain positive. A milder downturn than expected 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 1.1.

The top performers by contribution in the month were Buenaventura and Indofood. **Buenaventura** (Peruvian miner) benefited from the strength in the gold price in the month as safe havens were sought out by investors. Precious metals remain the largest share of the business despite it increasing base metal exposure in recent years. **Indofood** (Indonesian snack foods producer) rallied strongly into the year end (following a dismal year prior) as the local currency regained some composure, its agri-business stabilised, and investors favoured the stability of its key and dominant noodle division. It trades on a price to earnings multiple of 15.

For the fourth quarter the top performers by contribution were **Buenaventura**, **Petrobras**, and **Indofood**; and the bottom performers were **Samsung Electronics**, **Ternium** (Latin American steel producer), and **First Pacific** (Hong Kong listed holding company).










The portfolio ended the year with seventeen holdings - following the sale of **Top Glove** (Malaysian rubber glove producer) in the fourth quarter - maintaining its concentrated focus. Turnover was again reassuringly low for the year. Valuations are offering attractive upside potential for the patient investor.

## Composite Analysis



Top 10 Holdings (%)	Weighting	1 Month Total Return (%)*	
		Local terms	USD
Samsung Electronics	8.7	-7.7	-7.1
Embraer	8.2	-1.4	-1.4
SK Telecom	8.2	-5.5	-5.5
Buenaventura	8.0	+14.9	+14.9
Lukoil	7.1	-1.1	-1.1
Petrobras	7.0	-9.5	-9.5
Telkom Indonesia	5.9	+1.2	+1.2
Yue Yuen Industrial	5.9	+10.1	+10.0
Lee & Man Paper	5.8	-6.4	-6.4
Ternium	5.6	-6.6	-6.6

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

### Sector Breakdown (%)

Materials	19.4	
Telecoms	17.4	
Energy	14.0	
Information Technology	13.6	
Consumer Staples	10.2	
Industrials	8.2	
Consumer Discretionary	6.8	
Financials	4.8	
Cash	5.5	

### Country Breakdown (%)

South Korea	16.9	
Brazil	15.2	
China/Hong Kong	13.7	
Indonesia	11.1	
Peru	8.0	
Russia	7.1	
India	5.8	
Mexico	5.6	
Thailand	4.9	
Turkey	3.3	
South Africa	2.8	
Cash	5.5	

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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 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.

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