

Emerging Markets - Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 December 2019

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$704.2m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

"A concentrated portfolio concentrates the mind..."

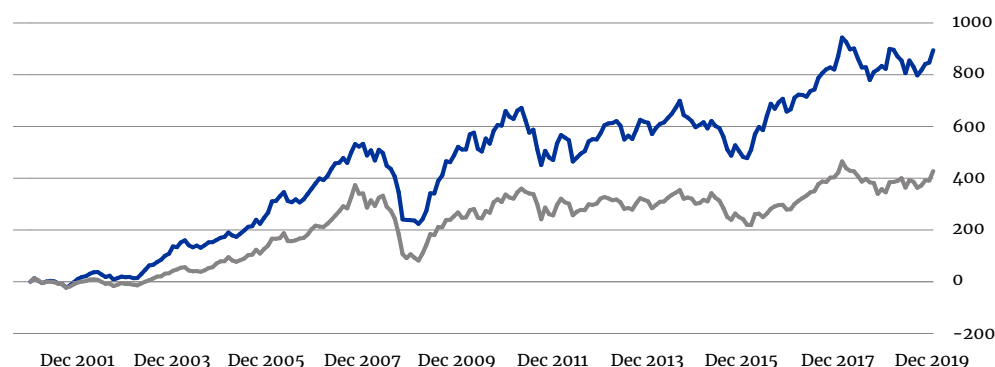
About Oldfield Partners

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	+5.0	+7.8	+7.8	+894.7	+9.1	+7.4	+12.8
■ MSCI Emerging Markets	+7.5	+18.4	+18.4	+427.5	+11.6	+5.6	+9.1

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

The valuation case for emerging market equities remains attractive, and the MSCI Emerging Markets Index continues to trade below its longer term historic average valuation. Value investing in emerging market equities had a tough year and we underperformed the benchmark by a wide margin. The backdrop for emerging markets remains unsettled and is dominated by global monetary policy actions, numerous political issues, and ongoing trade disputes leading to fallout across the global economy and equity markets.

The bottom performers by contribution in the month were First Pacific and Buenaventura. **First Pacific** (Hong Kong listed diversified holding company) had bad news as one of its holdings in the Philippines, Metro Pacific, had its water investment concession questioned by the President. Regulatory uncertainty in the Philippines is not new for Metro Pacific and has been a sore point since the election of President Duterte and his strongman style of leadership. Past disputes have been resolved satisfactorily once the political noise has faded and legal process engaged. **Buenaventura** (Peruvian miner) has been undergoing a 'debottlenecking' exercise in some of its key mines to reduce costs, which will yield positive long-term results, but near term has led to it missing out on the recent strength in the gold price. This is unfortunate timing but maintaining cost competitiveness is admirable.

The top performers by contribution in the month were Petrobras, Samsung Electronics, and Embraer. **Samsung Electronics** (Korean electronics manufacturer) is anticipating a turn in the semiconductor cycle and a margin boost in the handset division. The company is well positioned to retain its leadership in semiconductors as we exit the recent down cycle and hard-won industry rationalisation should allow a solid upcycle. **Embraer** (Brazilian aircraft manufacturer) had been expecting to complete the deal with Boeing by year end, but the European Union has indicated that it wishes to investigate the competitive market impact, which will delay completion by up to a quarter. We expect the deal to be approved. **Petrobras** (Brazilian oil producer) benefited from the strong oil price in December with Middle East tensions underpinning fears of a supply disruption. The proceeds from the settlement of the 2014 class action against Petrobras were paid during the month.

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	9.4	+10.9	+13.4
Embraer	8.5	+14.5	+14.5
Petrobras	8.0	+31.0	+31.0
Lukoil	7.7	+6.7	+6.7
SK Telecom	7.3	+0.8	+0.8
Buenaventura	7.1	-1.7	-1.7
Thai Beverage	6.9	0.0	+1.7
Telkom Indonesia	6.1	+3.0	+3.0
Indofood	5.6	-0.3	+1.6
Yue Yuen Industrial	5.2	-0.6	-0.2

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

Sector breakdown (%)

Materials	16.8	
Communication Services	16.7	
Energy	15.7	
Information Technology	13.6	
Consumer Staples	12.6	
Industrials	8.5	
Consumer Discretionary	5.6	
Financials	3.9	
Cash	6.7	

Country breakdown (%)

South Korea	16.6	
Brazil	16.5	
China/Hong Kong	11.9	
Indonesia	11.8	
Russia	7.7	
Peru	7.1	
Thailand	6.9	
Mexico	4.8	
India	4.6	
Turkey	3.3	
South Africa	2.1	
Cash	6.7	

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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.