

Emerging Markets - Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 December 2020

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$364.3m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

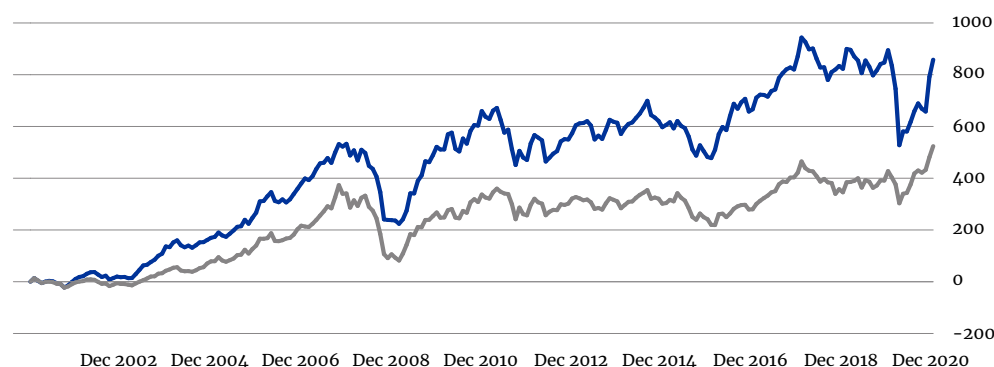
About Oldfield Partners

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	+7.4	-3.7	-3.7	+858.2	-0.5	+10.5	+12.0
■ MSCI Emerging Markets	+7.4	+18.3	+18.3	+524.1	+6.2	+12.8	+9.6

Preceding five calendar years performance

	2020	2019	2018	2017	2016
Emerging Markets Equity	-3.7	+7.8	-5.0	+26.8	+31.7
MSCI Emerging Markets	+18.3	+18.4	-14.6	+37.3	+11.2

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 vaccine roll-out allows equity markets to look through to the normalisation of economic life within a reasonable timeframe. Meanwhile any setbacks allow central banks to provide further support and stimulus measures. This provides a positive backdrop for emerging market equities together with potential for further US dollar weakness. This will be the year of vaccine winners and losers; and although emerging markets as a whole will lag in vaccine roll-outs the asset class has plenty of stocks that can benefit. China has stabilised economic growth earlier than most, due to the containment of Covid, but we believe the administration will continue to see further restrictions placed on it by a growing list of countries. Growth investing significantly beat value investing in 2020, but valuations between the two styles have become so stretched that we believe value can make a comeback boosted by a rotation into Covid-losers and the eventual normalisation of economic life. The weighted average of the price targets in the portfolio shows over 40% upside potential.

The bottom performers by contribution for the month were Indofood and JSE. **Indofood** (Indonesian snack food manufacturer) saw pressure on the margins of its key noodle business. Its noodle brands have dominant market share in Indonesia and fared reasonably well as a staple food but did see some trading down to cheaper alternatives and as consumers had more time to cook meals. **JSE** (South African stock exchange) often reflects sentiment towards the country, which can impact on trading volumes. There was no contributory company news flow to concern us. The company has a near monopoly position and a rock-solid balance sheet.

The top performers by contribution for the month were Samsung Electronics and Petrobras. **Samsung Electronics** (Korean electronics manufacturer) is entering the next up-cycle for semiconductors, notably DRAM, and will be a key beneficiary as the largest global producer. This month the company will release details for its updated shareholder return policy, which is likely to be generous to help the founding family with its inheritance tax bill. **Petrobras**' (Brazilian oil producer) latest five-year business plan focuses on reduced capital expenditure, continued non-core asset sales, debt reduction, and concentration on the newer lower-cost deep water production assets. The oil price has rallied with increased economic activity globally and OPEC+ keeping restraint on oil production.

The top performers for the quarter by contribution are Samsung Electronics and Petrobras; and the bottom performers are Buenaventura (Peruvian miner) and Indofood. The top performers for the year by contribution are Infosys (Indian IT services) and Samsung Electronics; and the bottom performers are Embraer (Brazilian regional jet manufacturer) and Lukoil (Russian oil producer). Embraer was by far the worst performer for the year, but we believe it can survive the downturn and be a vaccine winner this year as consumers begin to fly again and its portfolio of regional jets suit the demand profile for the US airline industry.

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
Samsung Electronics	9.9	+21.5	+23.6
Petrobras	8.6	+19.6	+19.6
SK Telecom	7.9	+4.1	+4.1
Ternium	7.9	+4.9	+4.9
Buenaventura	7.2	+9.8	+9.8
Infosys	7.2	+11.4	+11.4
Thai Beverage	7.1	-0.7	+0.7
Lukoil	6.7	+4.9	+4.9
Lee & Man Paper	6.5	+0.8	+0.8
Telkom Indonesia	6.4	+4.8	+4.8

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

Sector breakdown (%)

Materials	21.6	
Communication Services	17.8	
Information Technology	17.1	
Energy	15.2	
Consumer Staples	12.6	
Consumer Discretionary	4.9	
Industrials	4.3	
Financials	4.0	
Cash	2.4	

Country breakdown (%)

South Korea	17.8	
China/Hong Kong	13.1	
Brazil	12.9	
Indonesia	12.0	
Mexico	7.9	
Peru	7.2	
India	7.2	
Thailand	7.1	
Russia	6.7	
Turkey	3.5	
South Africa	2.2	
Cash	2.4	

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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. © 2021 Partnership No. OC309959.