

Emerging Markets – Composite

Patient, unconstrained, contrarian value investing

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Oldfield Partners

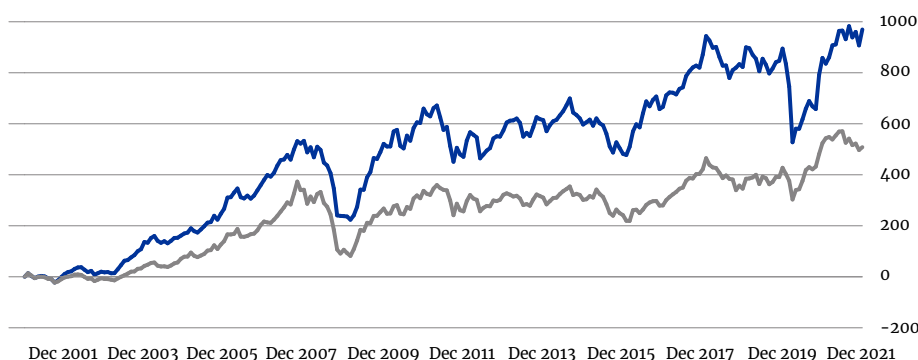
31 December 2021

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$269.8m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

Composite performance (%)



“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.

	Annualised						
	1 month	YTD	1 year	Launch	3 years	5 years	Launch
■ Emerging Markets Equity	+6.2	+11.6	+11.6	+969.5	+5.0	+6.9	+11.9
■ MSCI Emerging Markets	+1.9	-2.5	-2.5	+508.2	+10.9	+9.9	+9.0

Preceding five calendar years performance		2021	2020	2019	2018	2017
Emerging Markets Equity		+11.6	-3.7	+7.8	-5.0	+26.8
MSCI Emerging Markets		-2.5	+18.3	+18.4	-14.6	+37.3

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 headwinds for emerging market equities remain a slowing Chinese economy undergoing regulatory reset and gradual monetary policy tightening in the US. The omicron variant of the Covid virus has added a curve ball. That said the outlook for emerging market equities is generally positive as they recover one-step behind developed markets on the roll-out of vaccines, and benefit from pent-up demand both domestically and internationally. We continue to favour the normalisation trade as economic life recovers into the new year. Valuations for emerging market equities remain reasonable, and slightly below their long-term historic averages. The upside potential for the portfolio is 55% as measured by the weighted average of the company price targets.

The bottom performers by contribution for the month were Alibaba and Yue Yuen. **Alibaba** (Chinese e-commerce & cloud provider) has seen its growth slow as it grapples with stricter regulation imposed by the government. We believe the new regulations by the government around data and monopoly power of the ‘super platforms’ are sensible and prevent unwelcome monopolies developing. We see e-commerce continuing to grow in China over the long term and Alibaba remaining a leading player. The sharp correction in the share price since late-2020 provided a compelling opportunity to access the Chinese consumer. **Yue Yuen** (Chinese sports and casual shoe manufacturer) had seen its key factory locations in Vietnam hit by Covid restrictions, which are now being lifted and the vast majority of its employees are double vaccinated. In addition, the slowing consumer in China has hurt its retail operations and led to store closures. Management remains optimistic for 2022, with a normalisation of production expected in the first quarter, but again so much depends on the medical crisis.

The top performers by contribution for the month were Embraer and the Korean semiconductor manufacturers - SK Hynix and Samsung Electronics. **Embraer** (Brazilian aircraft manufacturer) continues to benefit from the ongoing recovery in the domestic and short-haul aviation market despite some setbacks from the omicron variant. It is the near sole remaining manufacturer of regional jets for the key US market and a solid player in the business jet market. The icing on the cake is its short-range electric flight vehicle (called EVE) as this market opportunity opens globally and builds on its significant order book. The Korean semiconductor stocks - **SK Hynix** and **Samsung Electronics** are moving through a customer inventory scare in DRAM, which we believe is a temporary setback as customer inventory adjusts and prices start to firm - with demand remaining solid and industry supply discipline still intact. Importantly DRAM producer inventory is at record lows allowing producers to push back on customer price demands.

Commentary - continued

The top performers for the fourth quarter were SK Hynix, Telkom Indonesia, and Infosys; and the bottom performers were Alibaba and Yue Yuen. The top performer for the year was Embraer and the bottom was Buenaventura.

Capacity and flows

We are pleased to announce that we are now offering an EM ex China strategy. Alongside this we have increased capacity across both EM and EM ex China to US\$1.5bn. If you would like to know more or arrange a meeting please contact clientrelations@oldfieldpartners.com.










Composite analysis

Top 10 holdings (%)













	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.9	+9.7	+9.2
Embraer	8.3	+26.0	+26.0
SK Hynix	7.6	+14.0	+13.5
Telkom Indonesia	6.5	+2.9	+2.9
Ternium	6.0	+13.9	+13.9
Thai Beverage	5.9	-1.4	-0.2
Infosys	5.6	+11.4	+11.4
Lukoil	4.9	+6.7	+6.7
Petrobras	4.8	+8.5	+8.5
Lee & Man Paper	4.6	+1.0	+1.0

*Inclusive of portfolio activity.
All data as at 31 December 2021.
Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	29.0	
Materials	15.1	
Communication Services	12.3	
Consumer Staples	10.4	
Energy	9.7	
Industrials	8.3	
Consumer Discretionary	7.8	
Financials	3.6	
Cash	3.8	

Country breakdown (%)

South Korea	23.0	
China/Hong Kong	14.2	
Brazil	13.1	
Indonesia	11.0	
Mexico	6.0	
Thailand	5.9	
India	5.6	
Russia	4.9	
Peru	4.5	
Taiwan	4.2	
Turkey	2.1	
South Africa	1.8	
Cash	3.8	

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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. © 2022 Partnership No. OC309959.