

Emerging Markets - Composite

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

31 December 2022

Monthly composite review

Composite particulars

Launch date	01 January 2001
Comp. assets	US\$135.5m
Structure	Composite
Base currency	USD
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

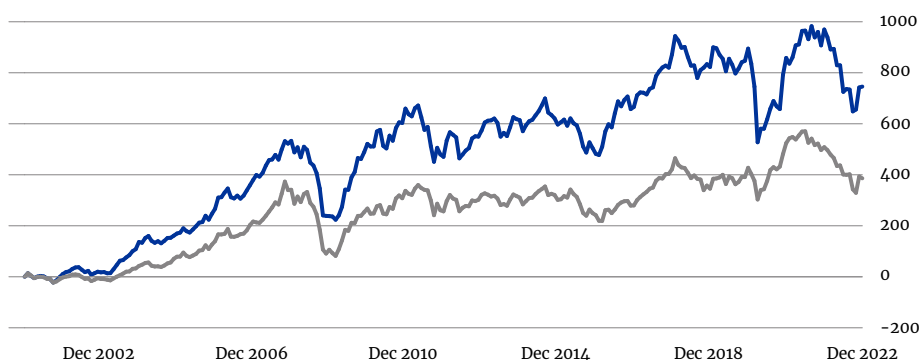
About Oldfield Partners

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	Annualised	
				3 years	5 years
■ Fund	+0.4	-20.9	-20.9	-5.3	-2.7
■ MSCI Emerging Markets	-1.4	-20.1	-20.1	-2.7	-1.4

Preceding five calendar years performance		2022	2021	2020	2019	2018
Fund		-20.9	+11.6	-3.7	+7.8	-5.0
MSCI Emerging Markets		-20.1	-2.5	+18.3	+18.4	-14.6

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

A difficult year for emerging markets equities against a backdrop of slowing global growth, inflationary pressures leading to tighter US monetary policy, China's Covid policies, and abundant geopolitical issues. The outlook for 2023 is thankfully better, if not remarkably so, and emerging market valuations look to reflect the negatives already. The upside potential for the portfolio is around 85% as measured by the weighted average of the company price targets in the portfolio. This level of potential upside has only been on offer when times are troubled.

The bottom performers by contribution in the month were Samsung Electronics, Infosys, and Petrobras. **Samsung Electronics** (Korean consumer electronics manufacturer) is emerging from a deep semiconductor down-cycle. Customer inventories and reduced consumer spending have caused a sharp correction in semiconductor prices. This has prompted the industry players to cut capex, which should stabilise the industry this year. Global bit production in 2023 for NAND and DRAM is likely to be flat to slightly down year-on-year. An announcement by Samsung on a reduction in capex would send a strong signal to the industry. **Infosys** (Indian IT services provider) benefits from the long-term growth in IT services, as companies must have a digital strategy, but even so are not completely immune to the threat of a US recession. Infosys has been a beneficiary of US dollar strength. **Petrobras** (Brazilian oil producer) has been a strong performer in 2022 and it was able to pay significant dividends to its shareholders. The recent election of a socialist government in Brazil has unnerved investors, as Petrobras may need to increase capex and possibly see interference in the pricing mechanism for its refined fuels. We believe the Lula administration will be pragmatic in its dealing with Petrobras and any strategy changes will be implemented slowly.

The top performers by contribution in the month were Thai Beverage, Lee & Man Paper, and LG H&H. **Thai Beverage** (leading alcoholic beverage producer in Thailand) has seen demand for beer and brown spirits recover to near the pre-pandemic norm in Thailand. Thai Beverage is the dominant player in the country with around 90% market share in spirits and 40% in beer. It trades on about half the valuation of its Asian peers despite being a strong franchise with growth opportunities in the surrounding region. **Lee & Man Paper** (Chinese packaging materials) and **LG H&H** (Korean cosmetics manufacturer) are beneficiaries of the end of the strict Chinese 'Covid-Zero' policy and the promise of a rebound in Chinese consumer spending and travel in the spring of this year.

The top performers for the fourth quarter by contribution were Embraer (Brazilian aircraft manufacturer), Turkcell (Turkish mobile telecoms), and Thai Beverage; and the bottom performers were Telkom Indonesia (Indonesian telecom provider) and Petrobras. The top performer for the year was Petrobras and the bottom was Lukoil (Russian oil).

Commentary - continued

Russian holdings

Please note that on 3rd March 2022 the Fund's investment in Lukoil ADR listed on the London Stock Exchange (LSE) was suspended from trading. Since this time, the Fund has been unable to buy or sell Lukoil. Our Valuation Committee considered it was in the Fund's best interests that the holding of Lukoil ADR be fair value priced (FVP) at zero. In June 2022, we elected for the holding to be converted into local shares (Lukoil PJSC). Had we not done so, the ADRs would have expired and would be liquidated for an unknown value on 31 December 2022.

We are aware that there is liquidity in the local shares for Russian residents. However, Lukoil PJSC may not be traded by foreign investors including the Fund. In addition, sanctions prevent the transfer of sale proceeds outside Russia.

At month end the local price was RUB 4,073. If local and international sanctions were lifted and the Fund was able to access the local market and remit sale proceeds, the security would represent an 8% position in the Fund.

We continue to price the local shares with a FVP of zero and will continue to monitor the situation closely.

Appointment of Charles Sunnucks

We are delighted to announce the appointment of Charles Sunnucks to the investment team as an Emerging Markets analyst. Charles joined OP at the start of 2023, prior to which he was involved in cross-border M&A transactions at investment bank NovitasFTCL. He previously worked at Jupiter Asset Management where he was part of a team managing the Jupiter Emerging & Frontier Income Trust.

Composite analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Thai Beverage	7.6	+7.9	+10.3
Embraer ADR	7.3	+2.9	+2.9
Samsung Electronics	7.2	-11.1	-6.7
Alibaba	6.4	+7.9	+8.0
Indofood	5.6	+4.2	+5.4
Ternium ADR	5.4	-3.0	-3.0
Lee & Man Paper	5.1	+14.2	+14.3
Infosys ADR	5.0	-11.8	-11.8
Buenaventura ADR	4.8	-8.7	-8.7
SK Telecom	4.8	-5.2	-0.5

*Inclusive of portfolio activity.
All data as at 31 December 2022.
Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	23.7	
Consumer Staples	17.6	
Materials	15.3	
Communication Services	11.4	
Consumer Discretionary	10.3	
Industrials	7.3	
Energy	4.8	
Financials	4.1	
Cash	5.5	

Country breakdown (%)

South Korea	23.5	
China/Hong Kong	17.3	
Brazil	12.0	
Indonesia	9.8	
Thailand	7.6	
Mexico	5.4	
India	5.0	
Peru	4.8	
Taiwan	4.4	
Turkey	2.4	
South Africa	2.2	
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 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. © 2023 Partnership No. OC309959.