



# Staying the Course

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## EAFE Equities

*December 2021*

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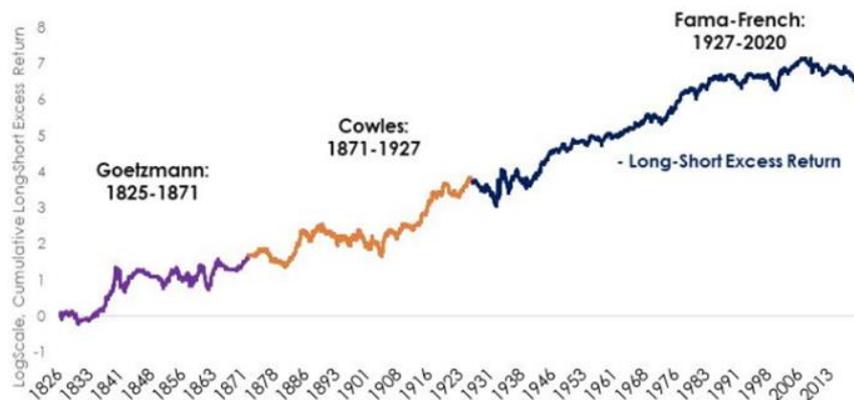
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*Please read the "Important Information" section on the last page of this presentation.*

# Value investing – works over the long-term

- The opportunity in Value vs Growth is as great as it has been in history
- Valuations for large parts of asset markets no longer matter
- Clear signs of speculation and exuberance while Value is shunned
- How long will the Fed have your back?

## Value versus Growth <sup>1</sup>



## Two centuries of value drawdowns

Cumulative loss of value factor since most recent peak (%)



The opportunity in 'Value' is as great as at any time in our careers

# The re-rating of the US vs international markets

## Shiller P/E ratio



Value is found outside of the US market

## Value vs Growth – re-rating drives Growth

### Value vs Growth Return Decomposition last 5 years

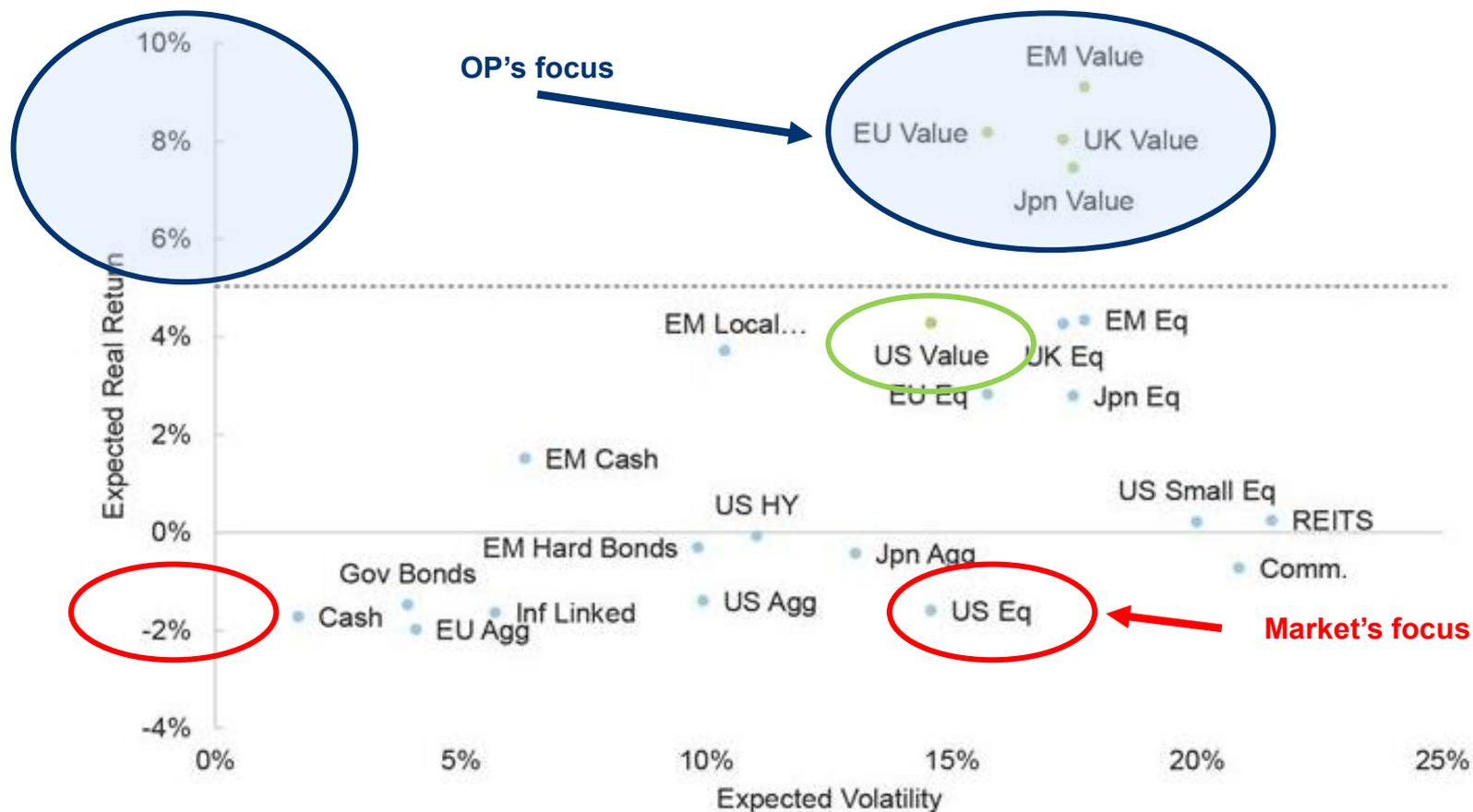
5-year annualised return attribution (Jun-16 to Jun-21)					
<u>Index</u>	<u>EPS growth</u>	<u>Dividends (incl reinvestment)</u>	<u>"Sustainable" return</u>	<u>P/E expansion</u>	<u>Total return</u>
MSCI World Value	6.9%	3.7%	10.6%	0.1%	10.7%
MSCI World Growth	6.8%	2.4%	9.2%	10.7%	19.9%

- Earnings growth same for Value and Growth over the last 5 years
- Value higher yield drives higher “sustainable return”
- P/E expansion for Value 0% vs Growth 11% per annum
- Last 5 years Value derived 0% return from multiple expansion, Growth +66%

The re-rating of Growth erodes the ‘margin of safety’

# Value investing offers the highest expected real returns

## 10 Year Expected Real Returns for Major Asset Classes <sup>1</sup>



The US dominates global indices to an unprecedented degree

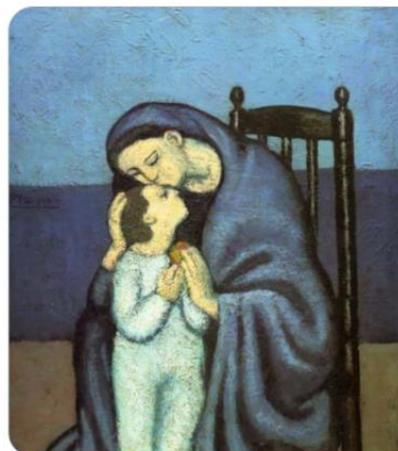
# Money printing creates speculation and moral hazard

- Growth stocks
- US stock market at all-time highs
- Loss-making Tech IPOs
- Retail frenzy
- SPACs/ Crypto/ NFTs

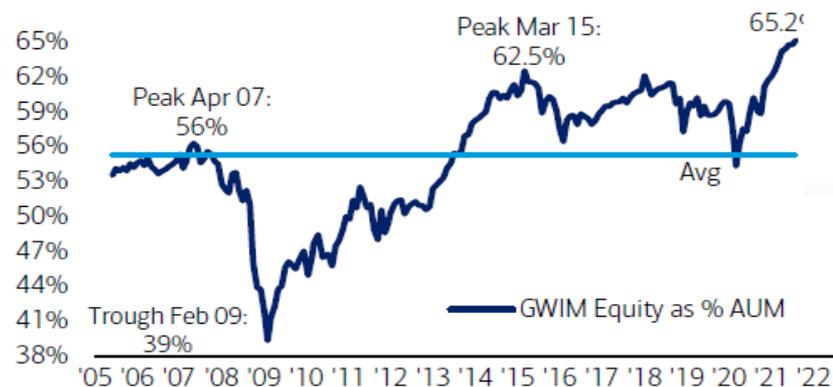


**Andres Guadamuz** @technollama · Aug 30  
Mother and Child by Picasso. \$4.13 million.  
Punk #7252 \$5.5 million.

We're living in the stupidest timeline.



**Chart 12: GWIM equity allocation at all-time high**  
BofA private client equity holdings as % of AUM



Value creates a margin of safety

Chart 12 source: BofA Global Research, 2<sup>nd</sup> Sep 2021,  
Andres Guadamuz via Twitter – Adjusted for inflation, Picasso's initial sale in 1967 of Mother and Child netted \$4.13m at today's prices.  
1. John Kenneth Galbraith, A Short History of Financial Euphoria.

## What sets OP apart? – EAFE Equity Strategy

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Philosophical commitment to patient, contrarian value investing



Portfolio composed of companies trading at significant discount to intrinsic worth

Experienced, cohesive team with a Global perspective



Global idea generation reinforced by specialist emerging markets skill set

Unconstrained, Conviction-based, capacity-constrained strategy



EAFE Equity strategy holds 20-25 of OP's "Best Ideas"

Investment discipline conquers emotion



Proven methodology to filter the bargains from the statistically cheap and reduce exposure to value traps

Good stewards of your capital



ESG issues including a commitment to achieving Net Zero emissions built into our investment process

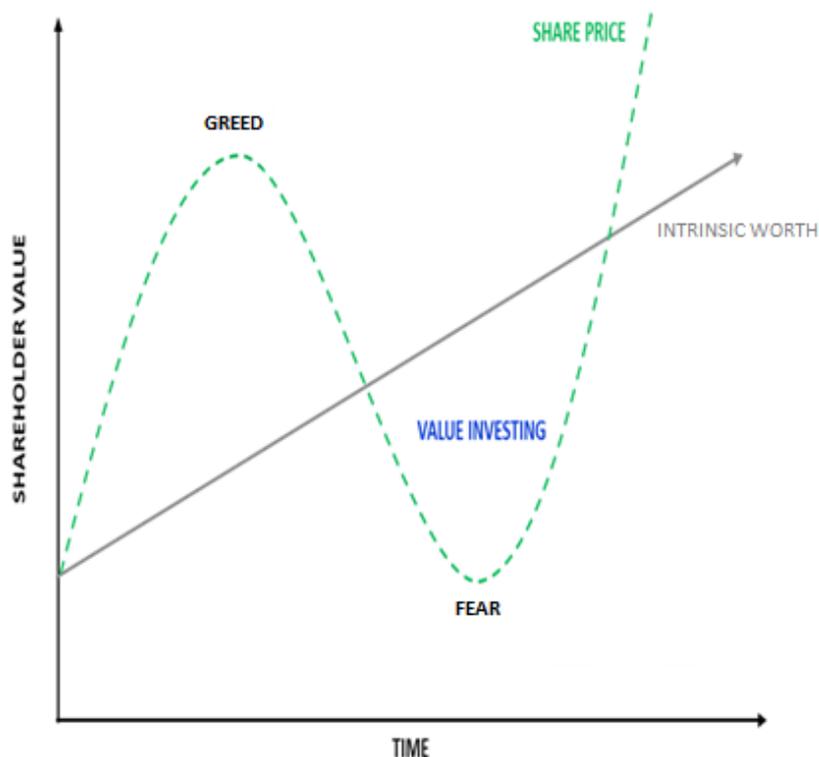
Multi-generational philosophy, time-tested investment practices



Excellent staff retention record and a consistent investment style

Unconstrained, patient, contrarian value

## Our investment philosophy – Contrarian, Patient, Value Investing

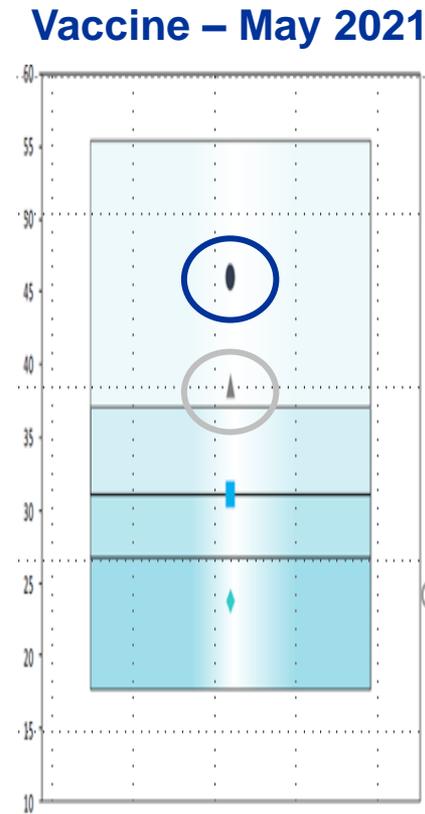
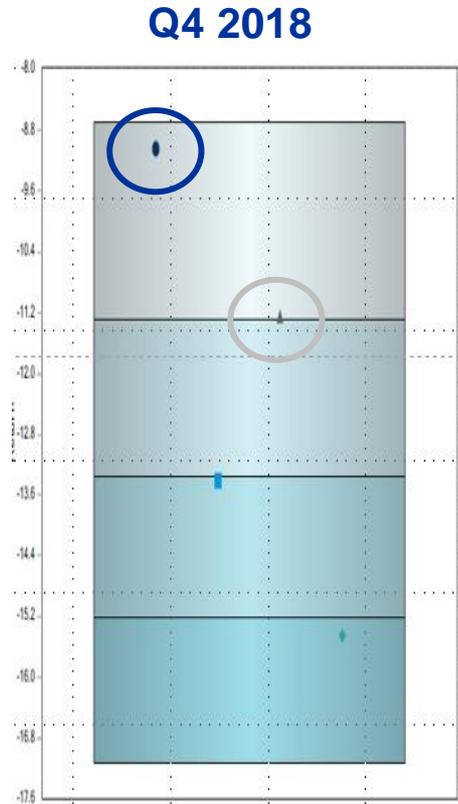
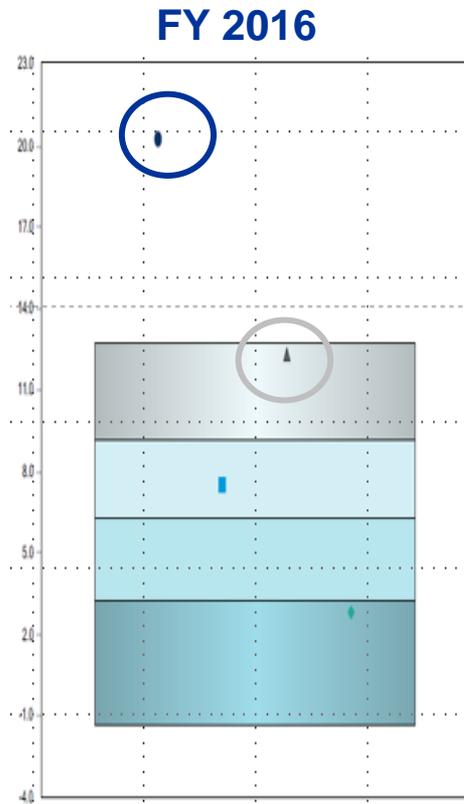


- Philosophical commitment to **contrarian value** investing. This requires **patience** and the right investment culture.
- Those who can take a long-term view and disregard index composition are at an advantage: they will be less a slave to momentum and **buy shares when they are out of favour and a bargain.**
- Modern markets are riven with **short-termism**. Share prices tend to **overreact after adversity**, providing investable opportunities. This usually means going against the tide of market opinion.
- We view risk not as volatility, or being **different** to the benchmark, but the permanent loss of capital.

***“The intelligent investor is a realist who sells to optimists and buys from pessimists”***

- Benjamin Graham, The Intelligent Investor

# Oldfield Partners – recent periods of Value outperformance



OP Global Strategy



Global Value index

Delivering when Value works

# OP investment process - Siemens vs GE in 2018

## OP attracted to stocks under a cloud

- Disruption - can't rely on reversion - own work, forward view
- Price - fallen a long way - says nothing about value
- Cheap - headline metrics - importance of triangulation (EV)

## Wary of combining operational and financial leverage

- Balance sheet - key driver - value leakage
- GE - high net debt - high risk (factoring, poor CF, liabilities)
- Siemens - no industrial debt - hidden value (transformed, SOTP)

## Long-term - strategic transformation

- GE - 'fire sale' to deleverage = value leakage
- Siemens - growth - Digital factory and spin outs = value creation

	Annualised return*
Siemens	20%
GE	2%
MSCI EAFE Value	5%



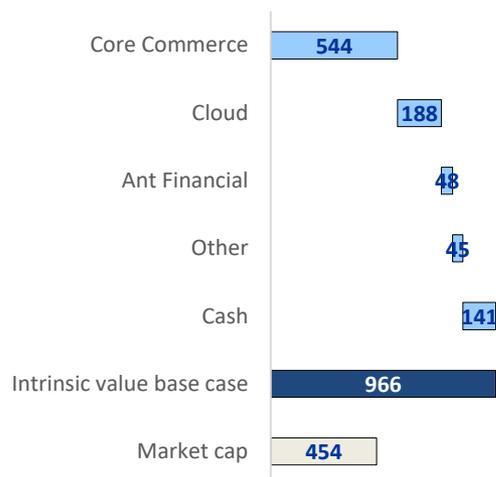
# SIEMENS

Fundamental analysis is key to separate true value from the statistically cheap

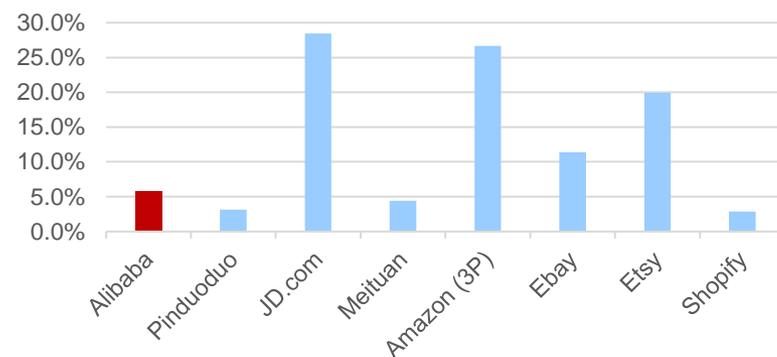
# Alibaba Group – capital flight creates value opportunity

- World’s largest online marketplace
- Ad based business model expanding into connected businesses
- Growth opportunities:
  - Largest cloud operator in China
  - 265m users of platforms outside China
  - Video, Logistics and Fintech
- Founders – including Jack Ma and Joe Tsai (c.4%), Softbank 18%
- Mid-teens return on capital despite investing heavily through P&L
- PE multiple: 18.5x (median since listing = 29.5x)
- Price to sales 4x (median since listing = 12x)
- Sum of the parts >100% upside

OP Sum of the Parts (\$bn)



Take rate across ecommerce market places



Purchased on a PE of c.12x consensus forecasts for 03/24

## Value Traps – the occupational hazard of the value investor

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Margin of safety



- Primary research process
- Low starting multiples
- Operational and financial leverage

'3 bites'



- Price vs value
- -20% = full review = 2<sup>nd</sup> bite
- -40% = new analyst review = 3<sup>rd</sup> bite

Controls



- Limit to 3 bites
- Limit to 10% at cost
- Distance - price and time

Discipline



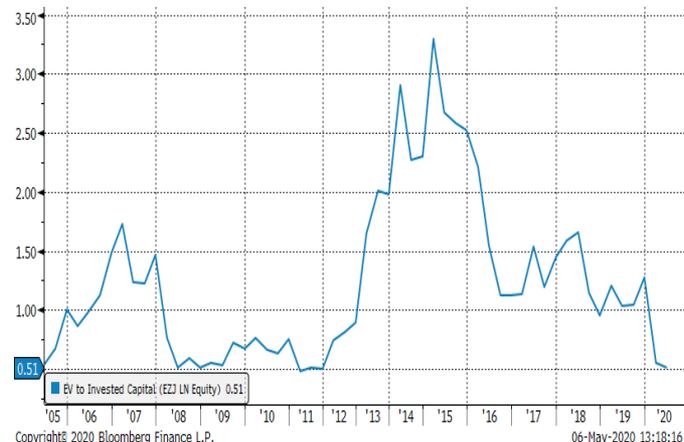
- Target valuation reached
- Thesis violation
- Reluctant sale

Without Value Traps the value investing proposition would not exist

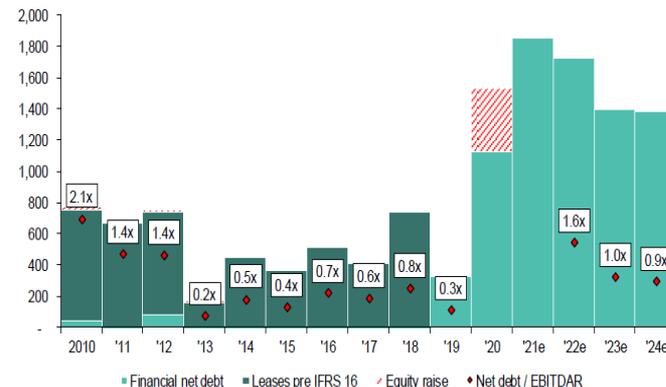
# easyJet – emerging relatively stronger

- Many airlines entered the pandemic with poor balance sheets - stress tests Q2 2020
- Low cost model advantage to grow over-time
- Constrained airports = pricing power
- Relatively strong balance sheet and asset base
- First to recover - short-haul leisure
- Management incentivised to improve returns

### EV to Invested Capital



### Net debt / EBITDAR



Long-term industry winner

Source: OP research, Bernstein estimates and analysis, Bloomberg.

# Global and EAFE Equity Strategies – holdings and valuation methodologies

Valuation	Target Valuation (Analyst)								
	Company Name	EAFE	Global	Share Price	Primary valuation method	Fair value	Upside	Total return (2 years)	Resp.
	SIEMENS AG-REG	6.0	5.7	136	P/E	177	30%	35%	CO
	BT GROUP PLC	5.9	5.9	151	SOTP + P/E	250	65%	75%	SZ
	LLOYDS BANKING GROUP PLC	5.6	5.4	44.80	P/TBV + P/E	66	46%	56%	RG/SZ
	EXOR NV	5.5	3.6	71	SOTP	95	34%	35%	SZ
	MITSUBISHI UFJ FINANCIAL GRO	5.0	4.5	632	P/E + P/TBV	708	12%	21%	AG
	EMBRAER SA-SPON ADR	4.8	-	17.61	P/B	19.90	13%	13%	AF
	TESCO PLC	4.5	4.6	252	P/E, P/B, P/CF, EV/EBITDA	299	19%	27%	NW
	TOYOTA MOTOR CORP	4.4	4.8	1,932	P/B	2,265	17%	24%	JM
	E.ON SE	4.4	5.6	10.89	P/E	12.60	16%	25%	SZ
	FRESENIUS SE & CO KGAA	4.3	3.3	40.62	SOTP + P/E	60	48%	52%	CO
	BAYER AG-REG	4.3	4.4	46.74	SOTP	71	52%	61%	CO
	ENI SPA	4.2	4.7	11.64	P/B	12.80	10%	24%	NW
	SANOFI	4.2	4.3	83	P/CF	108	30%	38%	SZ/RG
	KT&G CORP	4.0	-	80,800	EV/EBIT	116,155	44%	56%	JL
	EASYJET PLC	3.9	4.1	699	P/S + P/E	1,100	57%	58%	SZ
	SAMSUNG ELECTRONICS CO LTD	3.5	4.1	73,200	PE + net cash per share	94,592	29%	34%	AF
	NOMURA HOLDINGS INC	3.5	2.6	542	P/B	695	28%	39%	JM
	MITSUBISHI HEAVY INDUSTRIES	3.3	3.5	2,966	P/B	4,410	49%	55%	AG
	EAST JAPAN RAILWAY CO	3.2	-	7,871	EV/EBIT	7,879	0%	3%	JM
	ALIBABA GROUP HOLDING LTD	2.9	3.0	137	SOTP	350	155%	155%	SZ
	SVENSKA HANDELSBANKEN-A SH	2.9	-	98	P/BV	158	61%	75%	SZ/RG
	PORSCHE AUTOMOBIL HLDG-PRF	2.8	-	84	SOTP	109	30%	38%	CO
	KANSAI ELECTRIC POWER CO INC	2.6	2.2	1,083	P/B	1,863	72%	81%	AG
	NOKIA OYJ	2.0	3.0	4.77	EV/Sales	5.34	12%	15%	JL
	BARRICK GOLD CORP	-	2.6	22.95	P/B	38.10	66%	72%	RG
	BERKSHIRE HATHAWAY INC-CL B	-	5.1	274	SOTP + look through earnings + P/B	369	35%	35%	JL
	CITIGROUP INC	-	3.8	71	P/E + P/TBV	90	26%	32%	RG
	HEWLETT PACKARD ENTERPRISE	-	3.3	14.85	P/E	18.00	21%	28%	NW
	NOV INC	-	3.6	13.69	EV/EBITDA	25.00	83%	83%	HF
	Weighted average upside Global						39%		
	Weighted average upside EAFE						37%		

Source: OP.

Date: As at 4<sup>th</sup> October 2021.

Representative portfolios used.

## Performance summary

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	2021 to date	1 year	2 year annualised
Representative EAFE Equity portfolio (%) <sup>1</sup>	+15.1	+37.1	+8.7
MSCI EAFE (%)	+8.3	+25.7	+12.4
MSCI EAFE Value (%)	+9.6	+30.7	+7.3

Data as at 30<sup>th</sup> September 2021. Source: OP, Bloomberg and MSCI ©.

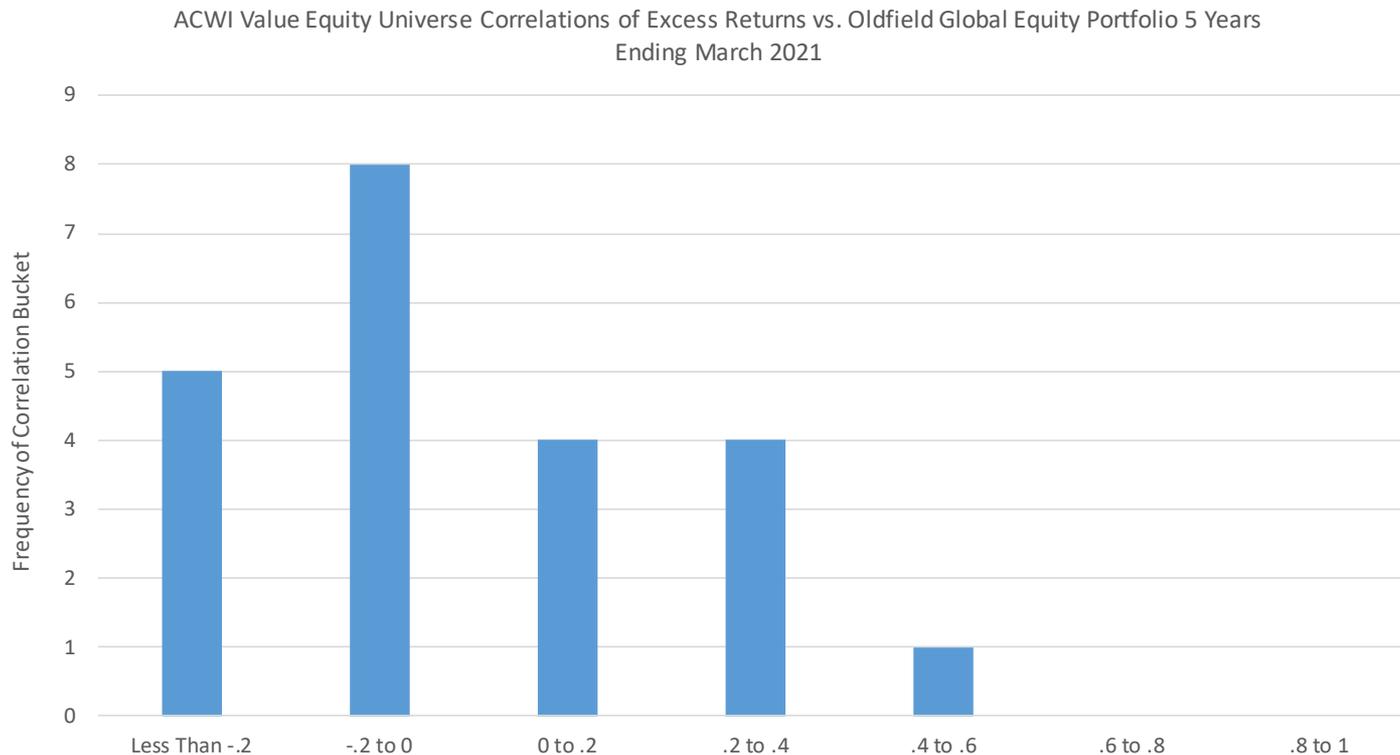
<sup>1</sup>Data shown is for a representative EAFE Equity portfolio.

Past performance is not a guide to future performance, please see risk warning on p.36.

# Appendix

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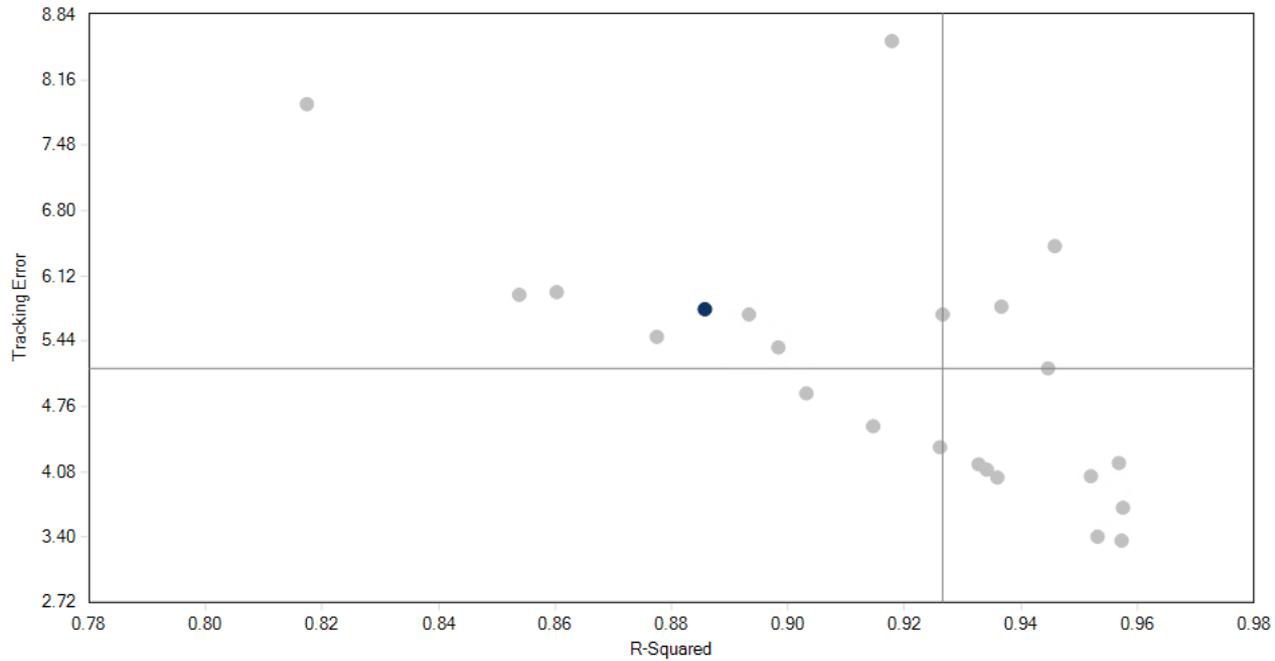
# Oldfield Partners - Correlations of Excess Returns vs Intersec Value peers



Source: Intersec – value peers  
Data to 31<sup>st</sup> March 2021.

# Global Equity Strategy – Differentiated Product Profile - R2

Oldfield Partners LLP  
 Oldfield Global Equity  
 Total Fund Tracking Error and R-Squared vs Median  
 5 Years Ending March 2021  
 All World Value Universe



	Tracking Error	R-Squared
● Oldfield Global Equity	5.77	0.89
— Median	5.16	0.93
Population	23	23

Source: Intersec – value peers  
 Data to 31<sup>st</sup> March 2021.

# Performance - EAFE Equity Composite

**Oldfield Partners**  
**EAFE Equity Composite**  
 01 January 2019 through 30 September 2021  
 Reported in US Dollar terms

Calendar year	Composite gross of fees (%)	Composite net of fees (%)	MSCI EAFE (NDR) (%)	Composite gross 3-Yr St Dev (%)	MSCI EAFE (NDR) 3-Yr St Dev (%)	No. of portfolios in composite	Composite dispersion (%)	Total composite assets (US\$m)	Total firm assets (US\$m)
2019	17.1%	17.0%	22.0%	N/A	N/A	1	N/A	24	4637
2020	-9.2%	-9.2%	7.8%	N/A	N/A	2	N/A	32	3840
2021 to date	15.1%	15.0%	8.3%					43	4129
Since inception per annum	7.6%	7.6%	13.8%						
Since inception cumulative	22.4%	22.2%	42.5%						

Inception of composite 1st January 2019.

NDR = Net Dividends Reinvested.

**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 necessarily a guide to future performance.**

Source: OP and MSCI ©.

Please refer to disclosures on the next page.

# Performance disclosures

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## Disclosures

### Compliance statement

Oldfield Partners LLP claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Oldfield Partners LLP has been independently verified for the periods 1st January 2001 to 31st December 2020. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

### Definition of the firm

Oldfield Partners LLP is an independent investment management firm established in December 2004, authorised by the FCA in January 2005, and beginning operations in March 2005. For the purposes of compliance with GIPS, the firm is defined as all assets managed by Oldfield Partners LLP. The firm also includes assets that were previously managed by Alta Advisers Ltd and were subsequently transferred to Oldfield Partners LLP. The historical performance record from Alta Advisers Ltd is linked to the performance of Oldfield Partners LLP.

### List of composites

A complete listing and description of all composites and a list of broad distribution pooled funds is available on request.

### Composite description

The EAFE Equity Composite includes EAFE equity portfolios. They are run with essentially the same style as the accounts within the Global Equity Composite except for this exclusion. The style is: large cap, value focussed, concentrated, index ignorant and anti-short term. There is no minimum account size for inclusion. The benchmark for this composite is MSCI EAFE Net Dividends Reinvested.

### Composite creation date

The composite was created in January 2019.

### Ex-post standard deviation

The three year annualised standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months.

### Fees

Gross of fees performance is calculated gross of investment management fees and as a rule net of custodial and administrative fees. Net of fees performance is presented net of actual investment management fees. Investment advisory fees are described in Oldfield Partners LLP's Form ADV Part 2A.

### Fee schedule

The highest fee Oldfield Partners LLP charges on any account within this composite is 0.9% per annum.

### Currency of results

The results are presented in US Dollar terms.

### Exchange rates

Sources of exchange rates and share prices may differ between the benchmark and the individual portfolios contained within the composite.

### Composite dispersion

Composite dispersion is only calculated if there are more than five accounts included in the composite for the full year. Dispersion is calculated as the highest return achieved for an account included in the composite minus the lowest return achieved for an account included in the composite. The calculation uses the gross of fees annual returns.

### Leverage/Derivatives

From time to time portfolios may use Currency Forwards to hedge currency.

### Withholding and capital gains taxes

Performance is calculated net of all non-recoverable withholding taxes and where applicable, net of capital gains taxes.

### Additional information

Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

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**United States:** Shares in the Funds have not been and will not be registered under the Securities Act 1933 of the United States (as amended), the Investment Company Act (1940) or the securities laws of any of the States of the United States. Shares in the Funds may not be offered, sold or delivered directly or indirectly in the United States or to or for the account or benefit of any "US Person" as defined in Regulation S under the 1933 Act except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and any applicable State laws.

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The following is a brief summary of only some of the risk factors which may apply to each of the Funds: An investment in a Fund carries with it a significant degree of risk. The value of shares in the Funds may fall as well as rise and investors may not get back the amount originally invested. Accordingly, an investment in a Fund should only be made by persons who are able to bear the risk of loss of all the capital invested. Investment Risk - An investment in a Fund involves investment risks, including possible loss of the amount invested. The capital return and income of a Fund are based on the capital appreciation and income on the investments it holds, less expenses incurred. Therefore, a Fund's return may be expected to fluctuate in response to changes in such capital appreciation or income. Currency Risk - Each Fund is denominated in either U.S. Dollars, Euro or Sterling but the investments of a Fund may be acquired in a wide range of currencies and this will create currency exposure. Political Risks - The value of a Fund's assets may be affected by uncertainties, such as political developments, changes in government policies, taxation and currency repatriation and restrictions on foreign investment in some of the countries in which the Funds may invest. Counterparty and Settlement Risks - The Funds will be exposed to a credit risk on parties with whom it trades and may also bear the risk of settlement default. In addition, market practices in relation to the settlement of transactions and the custody of assets could provide increased risks. Emerging Markets - Where a Fund invests in equities or securities of companies incorporated in or whose principal operations are based in emerging markets additional risks may be encountered. These include: (a) Currency Risk: the currencies in which investments are denominated may be unstable, may be subject to significant depreciation and may not be freely convertible; (b) Country Risk: the value of the Fund's assets may be affected by political, legal, economic and fiscal uncertainties within the emerging markets; (c) Market Characteristics: some emerging markets are still in the early stages of their development, have less volume, are less liquid and experience greater volatility than more established markets and are not highly regulated; (d) Custody Risk: in some markets custodians are not able to offer the level of service and safe-keeping, settlement and administration of securities that are available in more developed markets; and (e) Disclosure: less complete and reliable fiscal and other information may be available to investors and accounting standards may not provide the same degree of shareholder protection as would generally apply internationally. Substantial Repurchases - If there are substantial repurchases within a limited period of time, it may be difficult for a Fund to provide sufficient funds to meet such repurchases without liquidating positions prematurely at an inappropriate time or on unfavourable terms. Investment in Other Collective Investment Schemes - Each Fund may invest in other collective investment schemes and management fees and performance fees (if applicable) will be in addition to each Fund's charges.

The foregoing summary list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. Prospective investors must read the entire Offering Memorandum of the Company and consult with their own legal, tax and financial advisers before deciding to invest in a Fund.