

# Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

# OP

Oldfield Partners

26 February 2021

## Monthly fund review

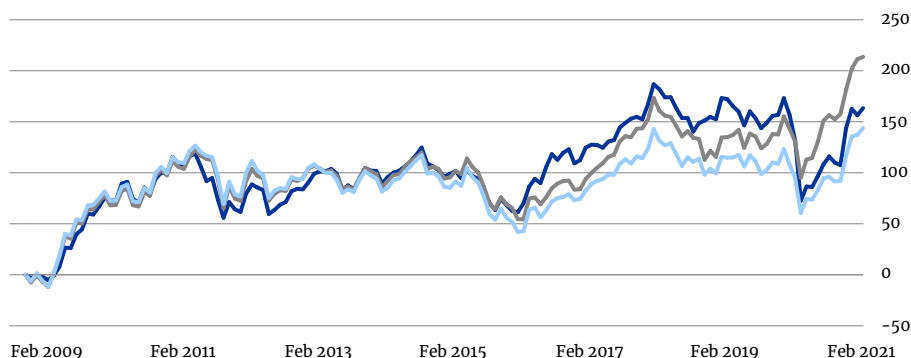
### Investment objective

The Fund will attempt to achieve over the long term a total return in excess of that of the MSCI Emerging Markets Index (with net dividends reinvested) through investment in a concentrated portfolio of equities of companies from emerging markets and from other markets where it can be demonstrated by the Investment Manager that the company concerned is overwhelmingly an emerging market related company. The approach is focussed on valuations and bottom-up fundamental research of individual companies.

### Fund particulars

Launch date	03 November 2008
Fund size	US\$160.8m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

## Fund performance (%)



	1 month	YTD	1 year	Launch	Annualised		
					3 years	5 years	Launch
■ A USD	+2.7	+0.3	+13.7	+163.4	-2.2	+9.1	+8.2
■ MSCI Emerging Markets	+0.8	+3.9	+36.0	+213.7	+6.3	+15.2	+9.7
■ MSCI EM Value	+2.8	+3.6	+25.1	+143.9	+1.7	+11.3	+7.5

### Preceding five calendar years performance

	2020	2019	2018	2017	2016
A USD	-3.8	+8.2	-5.5	+25.8	+30.6
MSCI Emerging Markets	+18.3	+18.4	-14.6	+37.3	+11.2
MSCI EM Value	+5.5	+11.9	-10.7	+28.1	+14.9

Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.

MSCI EM Value index is for comparison purposes only.

Source: 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

Value investing outperformed this month with the path to economic normalisation becoming clearer. Concerns around overheating the recovery look premature. Value investing continues to be at a significant valuation discount to growth investing for emerging market equities, and well placed to benefit from the normalisation trade. China has begun to tighten, as its economy has rebounded early and strongly from the Covid crisis, which may have some impact across emerging markets.

The bottom performers by contribution for the month were Petrobras and Thai Beverage. **Petrobras** (Brazilian oil producer) had a shocker in the month as the Brazilian President instructed a change in CEO over the old bugbear of domestic fuel pricing. Petrobras must charge international parity (by law) for its domestic fuel prices, but the timing of adjustments has been historically problematic (and occasionally disastrous). The government wants a smoother adjustment process, but this could potentially mean Petrobras subsidising consumers for lengthy periods. The move coming against a background of unrest from the road truckers and ahead of elections in October 2022 has an obvious political read through. The reintroduction of Brazilian politics into the rapidly improving Petrobras investment case based around its competitive low-cost deep-water production assets is a set-back. **Thai Beverage** (leading alcoholic beverage producer in Thailand) is moving towards a listing for its beer division, which excited investors last month. The beer division has a chequered history within Thai Beverage, but it is a duopoly business in Thailand and the recent acquisition in Vietnam has allowed it to become a regional player. Thailand continues with various restrictions on bars and alcohol consumption as the battle against Covid continues. Alcoholic beverage demand has held up reasonably well through the crisis, especially for cheaper spirits consumption in the rural areas, and where incomes are now benefiting from higher commodity prices.

The top performers by contribution for the month were Embraer and Ternium. **Embraer** (Brazilian aircraft manufacturer) had solid fourth quarter deliveries and maintained a healthy order book. With a strong portfolio of aircraft and streamlined operations, that survived possibly the worst aviation downturn in history, the company is well placed for the recovery. Recent enquiries from Lufthansa highlight that regional jets are of interest to airlines as smaller planes suit the post-Covid world, and we see further interest from airlines as travel demand recovers. **Ternium** (Latin American steel producer) is riding the strong rebound

*“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.

**Commentary - continued**

in US steel prices, as demand recovery caught the industry off guard, and management cautiously predict that prices will remain strong near-term. Fourth quarter results in the month were very strong and saw the return to paying a dividend. Mexico is well placed as a manufacturing hub exporting into the US market and Mexico remains a net importer of steel, which over time will allow Ternium to expand its efficient operations.

**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](mailto:clientrelations@oldfieldpartners.com).

**Fund analysis****Top 10 holdings (%)**

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.7	+0.6	-0.4
SK Telecom	7.7	-0.3	-0.3
Lukoil	7.0	+4.3	+4.3
Ternium	6.9	+16.2	+16.2
Thai Beverage	6.5	-9.2	-8.7
Buenaventura	6.5	+8.6	+8.6
Infosys	6.5	+1.7	+1.7
Telkom Indonesia	6.5	+6.5	+6.5
Lee & Man Paper	6.4	+5.8	+5.8
Petrobras	5.7	-17.0	-17.0

Total number of holdings

17

Active share (%)\*\*

92.5

**Fund characteristics**

	Fund	Benchmark
Net debt to equity ratio (%)	21.0	7.0***
Price-to-book ratio	1.8	2.1
Price-to-earnings ratio	12.8	22.6
Return on equity (%)	11.0	9.4

\*Inclusive of portfolio activity.










\*\*Active share is calculated using the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the MSCI Emerging Markets index, divided by two.

\*\*\*For the MSCI Emerging Markets the net debt to equity ratio excludes financials.













All data as at 26 February 2021.

Source: Oldfield Partners.

**Sector breakdown (%)**

Materials	19.8	
Information Technology	19.1	
Communication Services	17.7	
Energy	12.7	
Consumer Staples	11.3	
Industrials	5.6	
Consumer Discretionary	5.0	
Financials	4.1	
Cash	4.7	

**Country breakdown (%)**

South Korea	20.3	
China/Hong Kong	13.2	
Brazil	11.4	
Indonesia	11.3	
Russia	7.0	
Mexico	6.9	
Thailand	6.5	
Peru	6.5	
India	6.5	
Turkey	3.5	
South Africa	2.3	
Cash	4.7	

## Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.52%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$234.85
I USD	0.90%	1.17%	B4N0BT0	OVEMKEI ID	IE00B4N0BT09	US\$147.91

\*AMC - Annual management charge

\*\*TER - Total expense ratio

## Performance summary of all share classes

USD shares	1 month	YTD	1 year	Since launch		Annualised			
				03/11/08	01/10/09	3 years	5 years	Since launch 03/11/08	Since launch 01/10/09
A USD	+2.7	+0.3	+13.7	+163.4	-	-2.2	+9.1	+8.2	-
I USD	+2.7	+0.3	+14.1	-	+71.4	-1.9	+9.5	-	+4.8
MSCI Emerging Markets	+0.8	+3.9	+36.0	+213.7	+91.4	+6.3	+15.2	+9.7	+5.8
MSCI EM Value	+2.8	+3.6	+25.1	+143.9	+45.2	+1.7	+11.3	+7.5	+3.3

Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.

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Source: Oldfield Partners.

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