

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

28 February 2020

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\$198.3m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

"A concentrated portfolio concentrates the mind..."

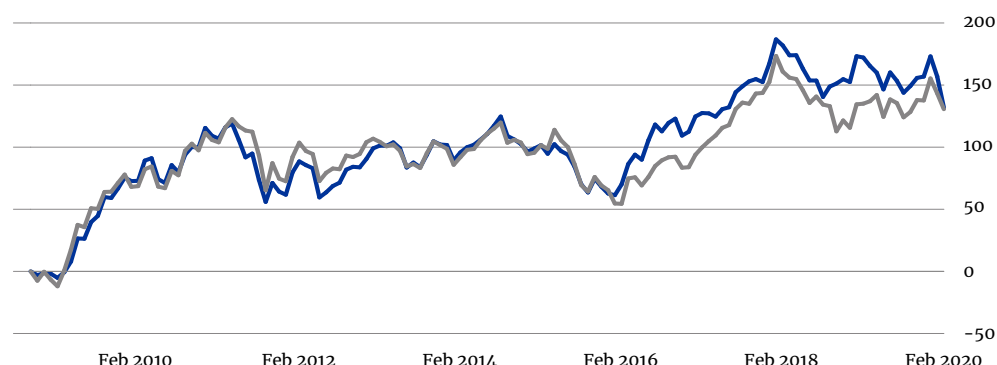
About Oldfield Partners

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.

Fund performance (%)



	1 month	YTD	1 year	Launch	Annualised		
					3 years	5 years	Launch
■ A USD	-9.8	-15.2	-14.9	+131.7	+0.6	+2.8	+7.7
■ MSCI Emerging Markets	-5.3	-9.7	-1.9	+130.6	+4.9	+2.7	+7.6

Preceding five calendar years performance

	2019	2018	2017	2016	2015
A USD	+8.2	-5.5	+25.8	+30.6	-17.2
MSCI Emerging Markets	+18.4	-14.6	+37.3	+11.2	-14.9

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

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

The spread of the Covid-19 virus around the world has led to sharp falls in equity markets as investors assess the impact to the global economy and mull even darker scenarios. Already we can see the economic shock in China to production, consumption, and supply chains. It remains a developing situation but one that policymakers are actively addressing. We have cautiously reduced cash. The valuation case for emerging market equities remains attractive, and the MSCI Emerging Markets Index trades below its longer term historic average valuation.

The bottom performers by contribution in the month were Lukoil, Indofood, and Petrobras. Oil companies were hit hard in the month as the oil price fell sharply on uncertainty of demand from China and of fear of a global recession. Both **Lukoil** (Russian oil producer) and **Petrobras** (Brazilian oil producer) can cope with oil prices in a bear market and should survive this period of uncertainty. **Indofood** (Indonesian snack foods) flagged a potential acquisition through its consumer brands business of Pinehill Group, a noodle manufacturing and distribution company for its brands focused on Africa and the Middle East. Investors are cautious because the acquisition is seen as being too close to the controlling shareholders, but management have said that disclosure would be transparent and that it must get majority minority shareholder approval to proceed.

The top performer by contribution in the month was Lee & Man Paper in China. **Lee & Man Paper** (Chinese containerboard manufacturer) will be hit by the economic shock in China, and especially to the consumer, but the share price already reflected investor concern about the slowing of the Chinese economy from last year. The company caught a break with the Chinese government offsetting the tariff on imported recycled cardboard with a temporary tax incentive. Domestic recycled cardboard is currently facing a shortage because of the economic shock leading to the industry having to increase prices for containerboard and leaving the larger players like Lee & Man Paper in a more favourable position. Lee & Man Paper's tissue paper business in China (now a top three player) should be a bright spot and do well in the current environment.

Total assets for the emerging markets strategy are now slightly over US\$1billion, which is our capacity limit. If you are interested in making a new investment or adding to an existing holding, we therefore request that you contact us to discuss this.

Fund analysis

Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.4	-3.4	-4.1
Embraer	8.2	-9.5	-9.5
Lukoil	7.9	-16.5	-16.5
SK Telecom	7.6	-9.4	-9.4
Thai Beverage	7.5	-0.3	-2.3
Petrobras	7.3	-15.1	-15.1
Buenaventura	6.5	-13.8	-13.8
Telkom Indonesia	6.3	-12.0	-12.0
Lee & Man Paper	6.2	+12.0	+11.5
Indofood	5.3	-16.9	-20.3

Total number of holdings 17

Active share (%)** 93.6

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	28.6	12.9***
Price-to-book ratio	1.5	1.6
Price-to-earnings ratio	9.7	11.8
Return on equity (%)	13.5	11.3

*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 28 February 2020.

Source: Oldfield Partners.

Sector breakdown (%)

Communication Services	17.6	
Materials	17.5	
Energy	15.2	
Information Technology	14.4	
Consumer Staples	12.9	
Industrials	8.2	
Consumer Discretionary	5.4	
Financials	3.6	
Cash	5.2	

Country breakdown (%)

South Korea	17.0	
Brazil	15.5	
China/Hong Kong	13.1	
Indonesia	11.6	
Russia	7.9	
Thailand	7.5	
Peru	6.5	
India	5.2	
Mexico	4.8	
Turkey	3.7	
South Africa	1.9	
Cash	5.2	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.51%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$208.27
I USD	0.90%	1.16%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$131.10
A USD Hedged	1.25%	1.56%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$102.43
A GBP Hedged	1.25%	1.56%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£96.42

*AMC - Annual management charge

**TER - Total expense ratio

Performance summary of all share classes

USD shares	Annualised									
	1 month	YTD	1 year	Since launch		3 years	5 years	Since launch		
				03/11/08	01/10/09			03/11/08	01/10/09	
A USD	-9.8	-15.2	-14.9	+131.7	-	+0.6	+2.8	+7.7	-	
I USD	-9.8	-15.1	-14.6	-	+50.3	+1.0	+3.2	-	+4.0	
MSCI Emerging Markets	-5.3	-9.7	-1.9	+130.6	+40.7	+4.9	+2.7	+7.6	+3.3	

USD Hedged shares	Annualised							
	1 month	YTD	1 year	Since launch		3 years	5 years	Since launch
				31/10/16	31/10/16			
A USD Hedged	-7.2	-11.2	-11.8	+6.7		+1.7	-	+2.0

GBP Hedged shares	Annualised							
	1 month	YTD	1 year	Since launch		3 years	5 years	Since launch
				31/10/16	31/10/16			
A GBP Hedged	-7.2	-11.1	-13.1	+0.5		-0.1	-	+0.2

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

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