

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

28 February 2023

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.

Fund particulars

Launch date	03 November 2008
Fund size	US\$52.9m
Domicile	Ireland
Structure	QJAIIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

"A concentrated portfolio concentrates the mind..."

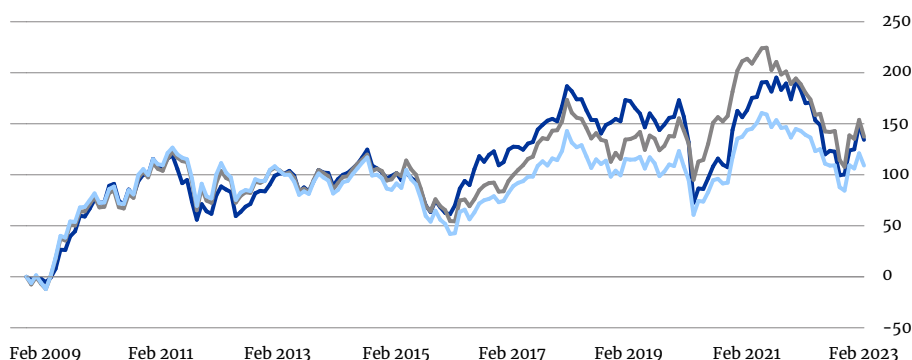
About Oldfield Partners

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 (USD, %)



	1 month	YTD	1 year	Annualised	
				3 years	5 years
■ Fund (A shares)	-6.0	+4.1	-13.3	+0.4	-3.6
■ MSCI Emerging Markets	-6.5	+0.9	-15.3	+1.0	-1.9
■ MSCI EM Value	-5.4	+1.4	-12.5	+2.4	-2.0
Preceding five calendar years performance	2022	2021	2020	2019	2018
Fund (A shares)	-23.0	+11.3	-3.8	+8.2	-5.5
MSCI Emerging Markets	-20.1	-2.5	+18.3	+18.4	-14.6
MSCI EM Value	-15.8	+4.0	+5.5	+11.9	-10.7

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

Following a strong start to the year, February saw the gains evaporate. A 'stronger for longer' US economy led to negative comments on US monetary policy and a bounce in the US dollar. Chinese equities were weaker on investor expectations for the re-opening trade, increased regulatory concerns ahead of the Party Congress, and more heated exchanges between US and China (in part over an alleged spy balloon). The upside potential for the portfolio is a little over 75% as measured by the weighted average of the company price targets in the portfolio.

The bottom performers by contribution in the month were Alibaba, LG H&H, and Thai Beverage. Expectations for the strength of the post-Covid re-opening trade in China were tested by investors, as they looked for real-world evidence, against the release of backward-looking company quarterly results (that still reflected lockdowns). **Alibaba** (Chinese e-commerce provider) and **LG H&H** (Korean cosmetics manufacturer) were impacted here, but we still believe they both remain beneficiaries of the ongoing bounce back in the Chinese consumer. **Thai Beverage** (leading Thai alcoholic beverage producer) continues to see solid growth in beer and spirits related to on-premise trade, and a pull-back in home consumption of spirits that benefitted in the Covid years. Cost pressures have been alleviated with price increases. The company has a strong franchise in Thailand with around 90% market share in spirits and a duopoly position in beer. It trades at 14 times earnings, which is approximately half the valuation of Asian peers.

The top performers by contribution in the month were Ternium and ASE Technology. **Ternium** (Latin American steel producer) is benefitting from a bounce back in US steel prices, but also from the 'near shoring' of manufacturing to Mexico. It is a low-cost producer of steel and a beneficiary of Mexican growth and through steel import substitution. **ASE Technology** (Taiwanese semiconductor testing & packaging provider) reported results during the month accompanied by guidance which, although reflecting an expected slowdown in utilisation rates affecting near-term margins, were stronger than expected into the second half of the year. Semiconductor packaging has become an integral part of the continuous performance enhancement of systems of integrated chips. This trend remains encouraging with strong new demand sources from the auto- and Industrial sectors. A market share nearly double that of its nearest competitor positions it well from a cost and advanced technology perspective. The high dividend pay-out ratio translates to a dividend yield near 7%, further supporting an attractive stock valuation.

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. 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).

Given the current international sanctions on Russian securities and cash balances, we believe that if lifted and the Fund was able to access the local market, the holding in Lukoil PJSC (with a current FVP of zero) would represent 7% of the Fund and cash dividend of 1%. We continue to monitor the situation closely.

Fund analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Embraer ADR	8.1	-1.5	-1.5
Samsung Electronics	7.4	-0.2	-6.6
Ternium ADR	7.3	+5.6	+5.6
Thai Beverage	7.0	-6.3	-8.6
Alibaba	6.3	-19.6	-19.7
Indofood	5.4	-3.7	-5.2
SK Square	5.1	+5.8	-1.0
Infosys ADR	4.9	-4.6	-4.6
Petrobras ADR	4.9	-5.4	-5.4
Lee & Man Paper	4.9	-1.2	-1.3

Total number of holdings **21**

Active share (%)** **91.5**

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	21.0	8.0***
Price-to-book ratio	1.6	1.6
Price-to-earnings ratio	10.5	12.0
Return on equity (%)	14.2	13.3

*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 2023.

Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	25.0	
Materials	17.0	
Consumer Staples	16.2	
Communication Services	11.3	
Consumer Discretionary	10.5	
Industrials	8.1	
Energy	4.9	
Financials	4.3	
Cash	2.7	

Country breakdown (%)

South Korea	23.8	
China/Hong Kong	17.6	
Brazil	13.1	
Indonesia	9.9	
Mexico	7.3	
Thailand	7.0	
India	4.9	
Taiwan	4.9	
Peru	4.7	
South Africa	2.1	
Turkey	2.0	
Cash	2.7	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.47%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$195.15
I USD	0.90%	1.12%	B4N0BT0	OVEMKEI ID	IE00B4N0BT09	US\$122.87

*AMC - Annual management charge

**TER - Total expense ratio

Performance summary of all share classes

USD shares	1 month	YTD	1 year	Annualised	
				3 years	5 years
A USD	-6.0	+4.1	-13.3	+0.4	-3.6
I USD	-5.9	+4.2	-13.0	+0.7	-3.3
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MSCI EM Value	-5.4	+1.4	-12.5	+2.4	-2.0

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Source: Oldfield Partners.

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