

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

29 January 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\$156.5m |
| Domicile | Ireland |
| Structure | QIAIF |
| Base currency | USD |
| Dealing | Daily |
| Min. investment | €100,000 |
| Benchmark | MSCI Emerging Markets |

“A concentrated portfolio concentrates the mind...”

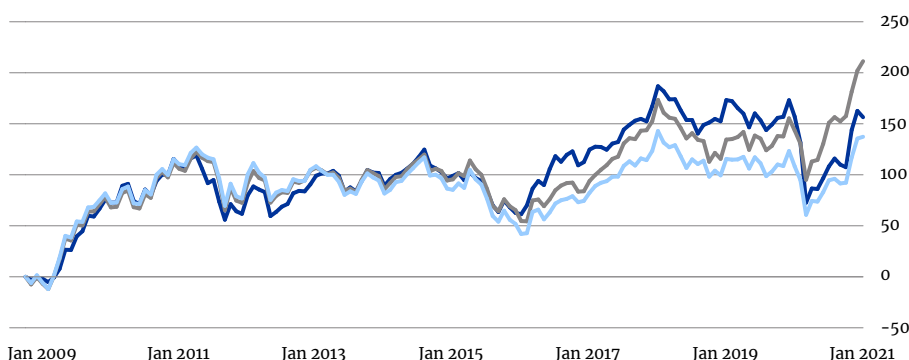
About Oldfield Partners

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 | 3 years | 5 years | Launch |
|-----------------------|---------|------|--------|--------|---------|---------|--------|
| A USD | -2.4 | -2.4 | -0.2 | +156.4 | -3.7 | +9.7 | +8.0 |
| MSCI Emerging Markets | +3.1 | +3.1 | +27.9 | +211.3 | +4.4 | +15.0 | +9.7 |
| MSCI EM Value | +0.8 | +0.8 | +14.0 | +137.3 | -0.8 | +10.8 | +7.3 |

| 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

The vaccination of the developed world should complete by year-end with highly effective vaccines and as distribution issues are ironed out, followed by China and Russia with their own proven vaccines, and thereafter wider emerging market populations. There will be continued skirmishes between vaccine and virus variants but the path out of the pandemic looks clear and the normalisation of economic life, maybe with some behavioural changes, is possible within a reasonable timeframe. The reduction of central bank stimulus may be problematic, but stimulus measures were present before the virus crisis and so it is likely they will continue thereafter. China has been a 'Covid winner' with an early economic recovery allowing it to restrain stimulus early. In general, this is a positive backdrop for emerging market equities.

The bottom performers by contribution for the month were Buenaventura and Petrobras. **Buenaventura** (Peruvian miner) suffered from investor fears of another harsh lock-down in Peru that crippled the mining industry last year. Thankfully, the government exempted the mining industry from the new lock-down at month-end allowing sentiment to recover. **Petrobras** (Brazilian oil producer) increased domestic fuel prices in the month alleviating fears that the threat of a truckers strike in Brazil would encourage the government to intervene. Refining is one of the non-core assets that Petrobras is looking to sell, so the ability to set free market fuel prices has an impact on the future valuation of these assets.

The top performers by contribution for the month were Thai Beverage and Lee & Man Paper. **Thai Beverage** (leading Thai alcoholic beverage producer) rose on news flow that it is exploring the option of listing its beer division. 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. We view this as positive, but management have been considering this (and other options) for over a year. The key spirits business has held up well during the economic stress and rural incomes are recovering as commodity prices increase. **Lee & Man Paper** (Chinese packaging manufacturer) is benefiting from price increases for containerboard in China. The Chinese consumer has joined in the 'post Covid' economic recovery together with a buoyant export industry increasing the demand for cardboard boxes and packaging. China has restricted the import of recycled cardboard boxes to encourage the recycling of cardboard domestically, which is more expensive due to inefficient collection, and favours the larger players, like Lee & Man Paper, that can also import pulp.

Commentary - continued

We added a new holding **SK Hynix** (Korean semiconductor manufacturer) in the month. SK Hynix is the second largest DRAM producer globally behind Samsung Electronics and is to be the second largest NAND player following its acquisition of Intel's NAND business for \$9 billion. It is a pure play memory semiconductor company. There is scope to improve technology in 3D NAND ramp up, better NAND product mix, and adopting EUV technology in DRAM. We like the continued consolidation of the global semiconductor industry which has allowed key players to profit maximise. We believe the DRAM sector is beginning a new up-cycle in 2021 underpinned by the continued structural growth of sectors such as cloud services and 5G smartphones. It trades on a price to book ratio of 1.7 with a strong balance sheet.

Capacity and flows

AUM of the strategy is now below our US\$1bn capacity so we are accepting capital from investors, with priority given to existing investors and those on the waitlist, and then from new relationships. If you are interested in the strategy, please contact us.

Fund analysis

Top 10 holdings (%)

| | Weighting | 1 month total return (%)* | |
|---------------------|-----------|---------------------------|-------|
| | | Local terms | USD |
| Samsung Electronics | 8.9 | +2.9 | +0.4 |
| Thai Beverage | 8.1 | +12.2 | +11.6 |
| SK Telecom | 7.9 | -1.3 | -1.3 |
| Petrobras | 7.4 | -11.6 | -11.6 |
| Infosys | 7.3 | -0.4 | -0.4 |
| Lukoil | 7.1 | +5.1 | +5.1 |
| Lee & Man Paper | 7.1 | +7.6 | +7.6 |
| Ternium | 6.7 | -9.0 | -9.0 |
| Telkom Indonesia | 6.3 | -4.3 | -4.3 |
| Buenaventura | 6.1 | -16.5 | -16.5 |

Total number of holdings 17

Active share (%)** 95.2

Fund characteristics

| | Fund | Benchmark |
|------------------------------|------|-----------|
| Net debt to equity ratio (%) | 26.0 | 6.0*** |
| Price-to-book ratio | 1.9 | 2.1 |
| Price-to-earnings ratio | 13.7 | 22.8 |
| Return on equity (%) | 11.6 | 9.3 |

*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 29 January 2021.

Source: Oldfield Partners.

Sector breakdown (%)

| | | |
|------------------------|------|--|
| Materials | 19.9 | |
| Information Technology | 18.8 | |
| Communication Services | 17.8 | |
| Energy | 14.5 | |
| Consumer Staples | 13.2 | |
| Consumer Discretionary | 5.2 | |
| Industrials | 4.2 | |
| Financials | 4.0 | |
| Cash | 2.5 | |

Country breakdown (%)

| | | |
|-----------------|------|--|
| South Korea | 19.4 | |
| China/Hong Kong | 14.0 | |
| Brazil | 11.6 | |
| Indonesia | 11.3 | |
| Thailand | 8.1 | |
| India | 7.3 | |
| Russia | 7.1 | |
| Mexico | 6.7 | |
| Peru | 6.1 | |
| Turkey | 3.6 | |
| South Africa | 2.2 | |
| Cash | 2.5 | |

Share class details

| Share class | AMC* | TER** | SEDOL | Bloomberg | ISIN | Price |
|-------------|-------|-------|---------|------------|--------------|------------|
| A USD | 1.25% | 1.52% | B3DDVH0 | OVEMKEA ID | IE00B3DDVH01 | US\$228.65 |
| I USD | 0.90% | 1.17% | B4N0BT0 | OVEMKEI ID | IE00B4N0BT09 | US\$143.97 |

*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 | -2.4 | -2.4 | -0.2 | +156.4 | - | -3.7 | +9.7 | +8.0 | - |
| I USD | -2.3 | -2.3 | +0.1 | - | +66.9 | -3.3 | +10.1 | - | +4.6 |
| MSCI Emerging Markets | +3.1 | +3.1 | +27.9 | +211.3 | +89.9 | +4.4 | +15.0 | +9.7 | +5.8 |
| MSCI EM Value | +0.8 | +0.8 | +14.0 | +137.3 | +41.3 | -0.8 | +10.8 | +7.3 | +3.1 |

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.

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