

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

29 March 2019

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\$236.4m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

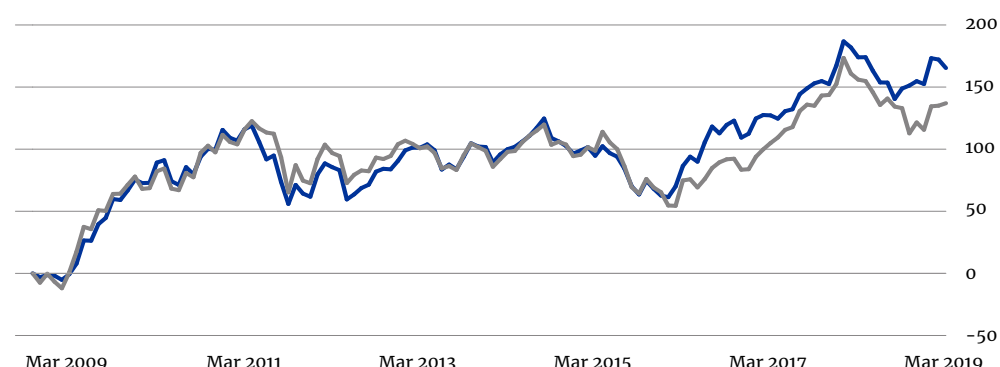
About Oldfield Partners

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	-2.5	+5.1	-3.1	+165.3	+12.5	+5.8	+9.8
■ MSCI Emerging Markets	+0.8	+9.9	-7.4	+137.0	+10.7	+3.7	+8.6

Preceding five calendar years performance	2018	2017	2016	2015	2014
A USD	-5.5	+25.8	+30.6	-17.2	-2.6
MSCI Emerging Markets	-14.6	+37.3	+11.2	-14.9	-2.2

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.

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 month (and year) saw the growth component of the MSCI Emerging Market Index soundly beat the value component. The more accommodative leaning of the US central bank, China stimulus measures, and the increased likelihood of a US-China trade deal made concerns over a global slowdown fade. The valuation case for emerging market equities remains attractive, with the MSCI Emerging Markets Index trading comfortably below its longer term historic average valuation. The weighted average of the price targets in the portfolio is showing 38% upside.

The bottom performers by contribution in the month were Turkcell and Embraer. **Turkcell** (Turkish telecom provider) was impacted by poor investor sentiment towards Turkey and the pre-election rhetoric of the President. In addition, its CEO resigned – but management remains committed to the current strategic direction. More positively it closed the sale of Fintur (Eurasian mobile telecom venture) with the proceeds helping its foreign exchange position and balance sheet. We believe Turkcell is weathering the current economic difficulties in Turkey well. **Embraer** (Brazilian aircraft manufacturer) was dented by the recent negative sentiment towards Boeing’s aircraft crashes, but it is unlikely that this will scupper the deal with Embraer. Investors still focus attention on the deal value for the regional jet business; and are currently giving little value to the business jet and defence businesses as they wait to see if these can stand by themselves.

The top performers by contribution in the month were Lukoil, Buenaventura and Thai Beverage. **Lukoil** (Russian oil & gas producer) continues to deliver increasing free cash flow making its shareholder return policy more attractive. An increased oil price this year and capital expenditure discipline bode well. There is some hope that US-Russian relations stabilise from here, and in any case, Lukoil has not been subject to US sanctions to date. **Buenaventura** (Peruvian miner) held its annual investor day in the month. Management continue a disciplined approach to costs and new projects whilst keeping a solid balance sheet. The Cerro Verde copper mine expansion is now complete and should allow management the freedom and funds to address future developments. Consolidation in the gold industry is a positive backdrop as it should lead to better discipline. **Thai Beverage** (Thailand’s leading alcoholic beverage company) is benefiting from the continued strong recovery in alcohol consumption in Thailand over the first quarter following unusual weakness last year from the national mourning period after the death of the King of Thailand and weak agricultural prices. Seasonally the next quarter should also be strong. Historically Thai Beverage has passed through periods of political change without much impact and this has been true of the recent elections.

The top performers by contribution in the quarter were **Thai Beverage, Lukoil, and Petrobras** (Brazilian oil producer). The bottom performers by contribution in the quarter were **Embraer, SK Telecom** (Korean telecom provider), and **Indofood** (Indonesian snack foods producer).

Fund analysis

Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.2	-1.0	-2.1
Petrobras	8.5	-0.1	-0.1
Lukoil	8.5	+7.7	+7.7
Buenaventura	8.2	+3.9	+3.9
Embraer	7.8	-7.4	-7.4
SK Telecom	7.6	-4.3	-4.3
Thai Beverage	6.6	+3.7	+3.4
Yue Yuen Industrial	6.1	+2.2	+2.2
Telkom Indonesia	5.9	-0.5	-0.5
Lee & Man Paper	5.6	-7.5	-7.5

Total number of holdings 17

Active share (%)** 93.8

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio	29.7	12.9
Price-to-book ratio	1.7	1.6
Price-to-earnings ratio	13.0	13.1
Return on equity (%)	13.4	12.5

*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.

Sector breakdown (%)

Materials	19.3	
Energy	17.1	
Telecoms	16.5	
Information Technology	13.3	
Consumer Staples	10.9	
Industrials	7.8	
Consumer Discretionary	7.0	
Financials	4.0	
Cash	4.1	

Country breakdown (%)

South Korea	16.8	
Brazil	16.3	
China/Hong Kong	13.5	
Indonesia	10.3	
Russia	8.5	
Peru	8.2	
Thailand	6.6	
Mexico	5.5	
India	5.1	
Turkey	3.0	
South Africa	2.1	
Cash	4.1	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.47%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$241.54
I USD	0.90%	1.12%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$152.09
A USD Hedged	1.25%	1.52%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$115.71
A GBP Hedged	1.25%	1.52%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£110.50

*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	-2.5	+5.1	-3.1	+165.3	-	+12.5	+5.8	+9.8	-	
I USD	-2.5	+5.2	-2.8	-	+71.6	+12.9	+6.2	-	+5.8	
MSCI Emerging Markets	+0.8	+9.9	-7.4	+137.0	+44.6	+10.7	+3.7	+8.6	+4.0	

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	-1.6	+4.3	+1.7	+19.1	-	-	+7.5	
MSCI Emerging Markets USD Hdgd	+1.3	+9.8	-2.1	+19.7	-	-	+7.7	

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	-1.6	+3.7	-0.2	+13.8	-	-	+5.5	
MSCI Emerging Markets GBP Hdgd	+1.2	+9.1	-4.2	+14.9	-	-	+5.9	

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.

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