

# Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

# OP

Oldfield Partners

29 May 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\$125.6m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

*“A concentrated portfolio concentrates the mind...”*

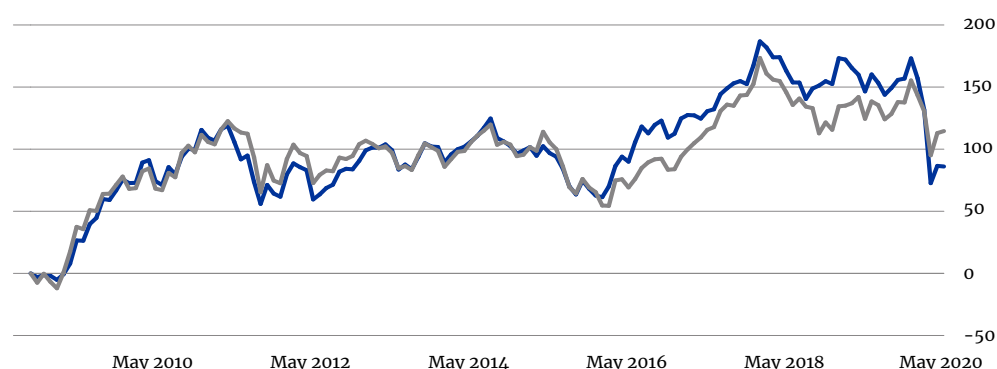
### About Oldfield Partners

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	-0.3	-31.9	-24.5	+86.1	-6.9	-1.1	+5.5
■ MSCI Emerging Markets	+0.8	-16.0	-4.4	+114.6	-0.2	+0.9	+6.8

### 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

There is continued uncertainty in the world with many regions still in the grip of the virus and for those countries moving out of lock-down as to the impact on economic life. Geopolitical tensions have increased. We favour holdings that can ‘tough it out’ through this period - having characteristics such as a strong balance sheet, solid proven franchises, producing assets low down on the global cost curve, or access to government assistance. We do not want to hide in a bunker nor just buy the most beaten down risky stocks - but rather a portfolio of holdings that can survive and some cash to be opportunistic with as this crisis and its aftermath unfolds.

The bottom performers by contribution for the month are Lee & Man Paper Manufacturing, Thai Beverage, and Indofood. **Lee & Man Paper** (Chinese containerboard manufacturer) would be a beneficiary of a pick-up in the Chinese economy and more so the Chinese consumer, which accounts for the bulk of the end demand for containerboard. The tensions between the US and China can be a negative as imported recycled cardboard is still an important input and has been a target for tariffs in the past. The stock trades on a price-earnings ratio of six and a price to book ratio of 0.8. **Thai Beverage** (Thailand’s leading alcoholic beverage producer) was impacted by the lock-down and restrictions on alcohol in Thailand and its other markets. However, as restrictions have been eased there are signs of a return to alcohol consumption. It is a dominant and well proven franchise in Thailand. The stock trades on a price-earnings ratio of 16. **Indofood** (Indonesian snack food producer) has announced a potential connected acquisition to expand geographically (into Africa and Saudi Arabia) with its noodle business, which was put on hold due to the crisis and has been rehashed. Investor sentiment is against the acquisition currently and there is a preference for the near-term stability (from the dominant domestic market share) of the existing noodle business. The stock trades on a price-earnings multiple of 11.

The top performers by contribution for the month are Lukoil, Ternium, and Petrobras. The oil stocks have performed well in the month as the oil price rebounded strongly from its April lows - but we remain in a low oil price environment. **Lukoil** (Russian oil producer) and **Petrobras** (Brazilian oil producer) are capable of surviving periods of a low oil price with their low-cost producing assets. After a disastrous initial reaction (a spat between Saudi Arabia and Russia) OPEC+ has succeeded in holding supply cuts in place and there are solid signs of demand recovery from automobile use. **Ternium** (Latin American steel producer) has its main assets in Mexico, which is experiencing an economic slump and has yet to pass the

**Commentary - continued**

peak of the virus. Management have cut capital expenditure, suspended the dividend, and expect a recovery in the third quarter. More positively there are already signs that industry and US supply chains are restarting in Mexico.

**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. Our client base has always been a competitive advantage for us, and this has been underlined in the recent months as we have received net inflows. 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	9.5	+1.5	-0.4
SK Telecom	9.0	+0.6	+0.6
Lukoil	8.2	+13.6	+13.6
Thai Beverage	7.6	-8.1	-8.4
Telkom Indonesia	7.1	-1.6	-1.6
Buenaventura	6.7	+4.8	+4.8
Infosys	6.6	-1.7	-1.7
Petrobras	6.1	+12.9	+12.9
Indofood	6.1	-11.8	-9.5
Ternium	5.6	+16.8	+16.8

Total number of holdings **16**

Active share (%)\*\* **93.7**

**Fund characteristics**

	Fund	Benchmark
Net debt to equity ratio (%)	24.0	12.0***
Price-to-book ratio	1.4	1.5
Price-to-earnings ratio	9.5	14.3
Return on equity (%)	12.5	10.5

\*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.

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

All data as at 29 May 2020.

Source: Oldfield Partners.

**Sector breakdown (%)**

Communication Services	20.4	
Materials	17.7	
Information Technology	16.1	
Energy	14.3	
Consumer Staples	13.6	
Financials	4.0	
Consumer Discretionary	3.8	
Industrials	3.8	
Cash	6.2	

**Country breakdown (%)**

South Korea	18.5	
Indonesia	13.2	
China/Hong Kong	10.7	
Brazil	9.9	
Russia	8.2	
Thailand	7.6	
Peru	6.7	
India	6.6	
Mexico	5.6	
Turkey	4.4	
South Africa	2.5	
Cash	6.2	

## Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.55%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$167.25
I USD	0.90%	1.20%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$105.37
A USD Hedged	1.25%	1.60%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$85.29
A GBP Hedged	1.25%	1.60%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£79.70

\*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	-0.3	-31.9	-24.5	+86.1	-	-6.9	-1.1	+5.5	-	
I USD	-0.2	-31.8	-24.3	-	+20.8	-6.6	-0.8	-	+1.8	
MSCI Emerging Markets	+0.8	-16.0	-4.4	+114.6	+30.9	-0.2	+0.9	+6.8	+2.6	

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	-1.5	-26.0	-20.2	-11.1		-4.3	-	-3.2		

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	-1.4	-26.5	-21.8	-16.9		-6.1	-	-5.0		

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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