

# OLDFIELD PARTNERS

## OVERSTONE EMERGING MARKETS EQUITY FUND

### APRIL 2014 NEWSLETTER 66

#### Fund Summary

30 <sup>th</sup> April 2014								
NAV of fund	US\$ 399.3m							
A shares unit price	US\$ 195.19							
I shares unit price	US\$ 123.08							
Performance								
	April	2014 to date	2013	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+1.0%	+0.1%	+5.9%	-1.0%	-2.7%	+13.3%	+101.9%	+13.6%
Index**	+0.3%	-0.1%	-2.6%	-1.8%	-3.7%	+11.1%	+98.5%	+13.3%
I Shares*	+1.0%	+0.2%	+6.2%	-0.6%	-2.3%	-	+28.3%	+5.6%
Index**	+0.3%	-0.1%	-2.6%	-1.8%	-3.7%	-	+21.1%	+4.3%

\*A shares commenced on 3rd November 2008 and I shares on 1st October 2009.

\*\*MSCI Emerging Markets (Net Dividends Reinvested).

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, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd.

#### Top Five Holdings

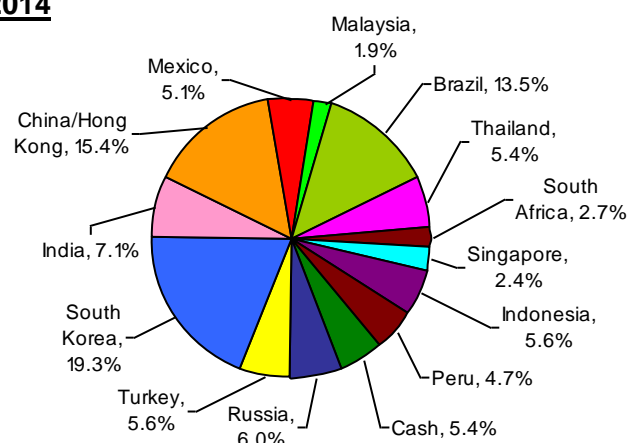
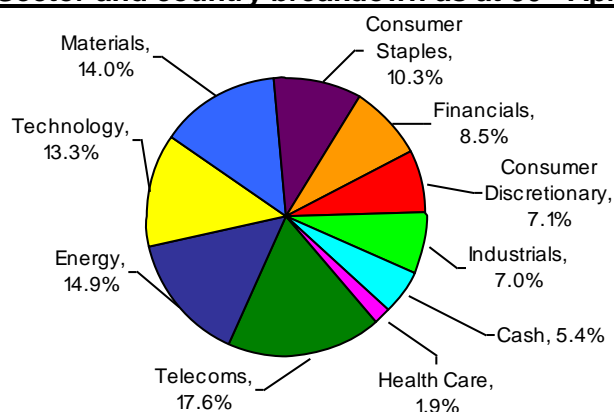
Stock	Portfolio Weighting (%)*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	7.9	0.0%	+2.8%
Embraer	7.0	-2.7%	-2.7%
Petrobras	6.5	+13.7%	+13.7%
SK Telecom	6.5	+2.3%	+2.3%
Lukoil	6.0	-4.9%	-4.9%

\*As at end of period.

\*\*Total Return inclusive of dividends.

Source: Oldfield Partners and Bloomberg.

#### Sector and country breakdown as at 30<sup>th</sup> April 2014



Source: Oldfield Partners.

Oldfield Partners

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#### Commentary

The MSCI Emerging Markets Index traded sideways in April. Year to date Latin America has seen the best performance and Eastern Europe the worst. Investor interest in emerging markets equities remains muted, and there was limited flow into the asset class over the month, but this made little impact on the significant outflows seen in both 2014 and 2013. The valuation of the MSCI Emerging Markets Index remains well below its longer term historic average, and this provides a support to equity markets.

The worst two performers during the month by contribution were Lee & Man Paper and Yue Yuen. **Lee & Man Paper** (Chinese containerboard manufacturer) is suffering from the poor sentiment created by the slowing Chinese economy. We view this as unfair as the key end markets for its products are the Chinese consumer sectors, where there is continuing growth. Overall the demand and supply for the industry look to be in balance during the current seasonally weaker period. **Yue Yuen** (Hong Kong shoe manufacturer) was impacted by a strike in its Dongguan factory (c.10% of its total capacity) over wages and workers benefits. This is a small event in a wider structural shift for the company. Employing Chinese workers has been getting increasingly expensive in recent years, and Yue Yuen continues to move production to lower wage countries. Vietnam and Indonesia are now 70% of the total. This transition will continue and be a hindrance to smooth operations of the company. Labour is around 20% of costs, and only limited automation can be introduced. Yue Yuen trades on a price to earnings ratio of 12, price to book ratio of 1.1, and a dividend yield of 5%.

The top two performers during the month by contribution were Petrobras and First Pacific. **Petrobras** (Brazilian oil & gas) has been a strong recent performer. Weak election poll results for the Rousseff administration have outweighed any negative headlines, such as an investigation of the poor acquisition of a US refinery in 2006 (itself likely politically motivated to discredit Rousseff). The current administration is viewed by many investors as too quick to meddle in the economy, and has obstructed parity in domestic and international fuel prices for Petrobras to help it control domestic inflation. **First Pacific** (Hong Kong holding company) trades on a 37% discount to its net asset value, which we view as too high given the solid underlying assets (mostly listed in the Philippines and Indonesia) and management efforts to improve shareholder returns.

When we launched the Overstone Emerging Markets Equity Fund in November 2008 with US\$3 million we set a maximum capacity of US\$1 billion to ensure that we could manage the portfolio as it had been managed historically, with the ability to invest in small and mid-cap companies. The assets under management for the emerging markets strategy as a whole have grown to US\$900 million, and we feel it would be prudent to stick to that original US\$1 billion so we will not accept inflows beyond that point unless there are exceptional circumstances, such as the need to replace significant redemptions in a pooled fund in order to maintain the economics for remaining investors.

This capacity will be reassessed from year to year. Over time the assets in the emerging markets strategy could grow organically to considerably above US\$1 billion but if assets under management fall below that level we would welcome inflows until the US\$1 billion capacity is again filled. Given that emerging markets can be volatile, assets under management may move around significantly so we encourage contact from any existing and potential investors who wish to discuss our ability to accept further investments.

Oldfield Partners

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Fund Information as at 30 <sup>th</sup> April 2014			
<b>Currency</b>	USD	<b>Investment Manager</b>	Oldfield Partners LLP
<b>Liquidity</b>	Daily dealing	<b>Administrator</b>	Northern Trust International Fund Administration Services (Ireland) Ltd
<b>Benchmark</b>	MSCI Emerging Markets (Net Dividends Reinvested)	<b>Custodian</b>	Northern Trust Fiduciary Services (Ireland) Ltd
<b>Management Fees</b>	A shs = 1.25% I shs = 0.90%	<b>Auditor</b>	Deloitte
<b>TER</b>	A shs = 1.45% I shs = 1.10%	<b>Legal Advisers</b>	Arthur Cox
<b>Minimum Investment</b>	The equivalent of €100,000	<b>Admin &amp; Custody Fees</b>	0.18% on the first US\$75m 0.155% on the next US\$75m 0.14% on the next US\$150m 0.11% thereafter
<b>A shares ISIN</b>	IE00B3DDVH01	<b>I shares ISIN</b>	IE00B4N0BT09
<b>A shares sedol</b>	B3DDVH0	<b>I Shares sedol</b>	B4N0BT0
<b>A shares ticker</b>	OVEMKEA	<b>I shares ticker</b>	OVEMKEI

Overstone Emerging Markets Equity Fund is a sub-fund of Overstone Fund plc, which is incorporated in Ireland and approved by the Irish Financial Services Regulatory Authority. Six other sub-funds exist under the Overstone Fund plc umbrella; Overstone Global Equity Fund was launched on 1<sup>st</sup> June 2005, Overstone European Equity Fund was launched on 3<sup>rd</sup> October 2005, Overstone Opportunity Multi Fund was launched on 1<sup>st</sup> November 2005, Overstone Global ex US Equity Fund was launched on 1<sup>st</sup> June 2006, Overstone Japanese Equity Fund was launched on 1<sup>st</sup> October 2007, Overstone Smaller Companies Fund was launched on 1<sup>st</sup> October 2007.

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