

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

30 April 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\$235.2m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

"A concentrated portfolio concentrates the mind..."

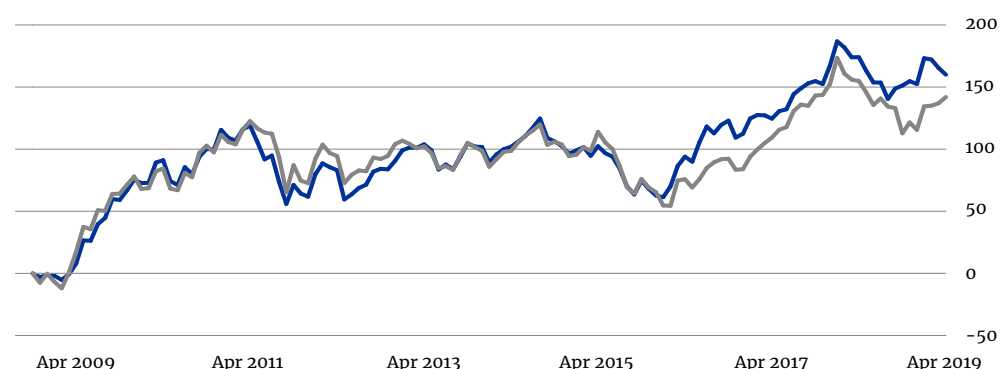
About Oldfield Partners

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	-2.0	+3.0	-5.1	+160.0	+10.3	+5.2	+9.5
■ MSCI Emerging Markets	+2.1	+12.2	-5.1	+142.0	+11.2	+4.0	+8.8

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

It was a difficult month, and year, as the growth component of the MSCI Emerging Market Index extended its lead on the value component and Chinese equities performed strongly. Investors are digesting an uncertain global growth outlook, an ever-elusive US-China trade deal, and various geo-political events impacting key markets such as oil. The valuation case for emerging market equities remains attractive, with the MSCI Emerging Markets Index trading below its longer term historic average valuation. The weighted average of the price targets in the portfolio is showing 39% upside.

The bottom performers by contribution in the month were Ternium and Buenaventura. **Ternium** (Latin American steel producer) is facing a slowdown in its key Mexican market and a difficult market in Argentina. Steel prices have fallen as the US market is well supplied and iron ore prices have spiked globally following a tragic mining accident in Brazil. Management highlighted the second quarter looks to be as tricky as the first was. The stock trades at a forward price to earnings ratio of six and at a price to book ratio of 0.8. **Buenaventura** (Peruvian miner) had a terrible quarter as heavy rains and strike action cut production at some of its mining operations and so cost metrics temporarily spiked. This will pass and management are sticking with their full-year guidance. The company has a decent production pipeline, and a good balance sheet and dividend stream (from joint ventures) to fund future projects. The stock trades at a price to book ratio of 1.5.

The top performers by contribution in the month were Indofood and Embraer. **Indofood** (Indonesian snack food producer) had strong first quarter results as the noodle division continued its strong performance, dairy and flour recovered well, and the drag from the agri-business looked to reach a bottom. The stock trades at a forward price to earnings ratio of 13. **Embraer** (Brazilian aircraft manufacturer) moves with investor sentiment towards the deal with Boeing that should complete by year-end. 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 stock trades at book value.

Fund analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.0	+3.3	+0.9
Embraer	8.5	+5.2	+5.2
Petrobras	8.3	-3.4	-3.4
Lukoil	8.1	-5.4	-5.4
Buenaventura	7.7	-5.9	-5.9
SK Telecom	7.7	-1.1	-1.1
Thai Beverage	6.7	-0.6	-1.0
Telkom Indonesia	6.0	-2.6	-2.6
Yue Yuen Industrial	5.9	-6.1	-6.1
Lee & Man Paper	5.4	-4.9	-4.9

Total number of holdings 17

Active share (%)** 93.8

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio	28.1	12.7
Price-to-book ratio	1.6	1.7
Price-to-earnings ratio	11.6	13.6
Return on equity (%)	13.4	12.2

*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	18.5	
Telecoms	16.6	
Energy	16.4	
Information Technology	13.1	
Consumer Staples	11.7	
Industrials	8.5	
Consumer Discretionary	6.8	
Financials	4.5	
Cash	3.9	

Country breakdown (%)

Brazil	16.8	
South Korea	16.8	
China/Hong Kong	13.6	
Indonesia	11.0	
Russia	8.1	
Peru	7.7	
Thailand	6.7	
Mexico	5.3	
India	4.9	
Turkey	2.9	
South Africa	2.3	
Cash	3.9	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.47%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$236.65
I USD	0.90%	1.12%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$149.05
A USD Hedged	1.25%	1.52%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$113.84
A GBP Hedged	1.25%	1.52%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£108.55

*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	-2.0	+3.0	-5.1	+160.0	-	+10.3	+5.2	+9.5	-	
I USD	-2.0	+3.1	-4.8	-	+68.1	+10.6	+5.6	-	+5.6	
MSCI Emerging Markets	+2.1	+12.2	-5.1	+142.0	+47.6	+11.2	+4.0	+8.8	+4.1	

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	+2.6	-1.9	+17.1	-	-	+6.5	
MSCI Emerging Markets USD Hdgd	+2.5	+12.6	-0.8	+22.7	-	-	+8.5	

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	-1.8	+1.9	-4.0	+11.8	-	-	+4.5	
MSCI Emerging Markets GBP Hdgd	+2.3	+11.6	-2.9	+17.6	-	-	+6.7	

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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