

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

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Oldfield Partners

30 April 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\$160.5m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

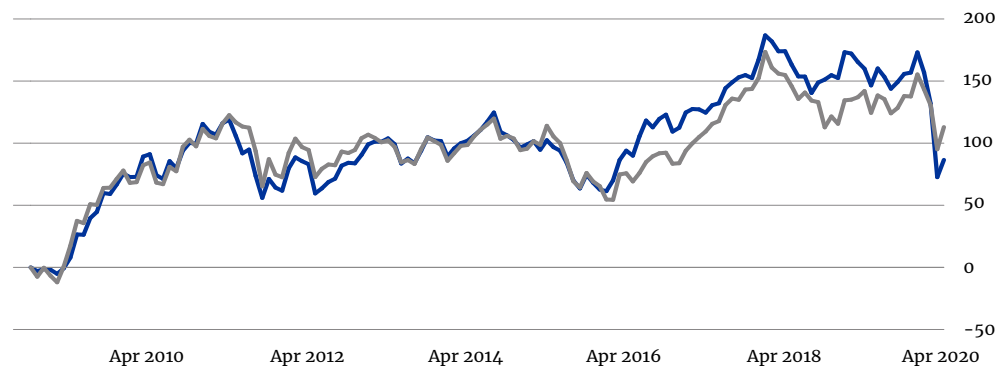
About Oldfield Partners

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	Annualised		
					3 years	5 years	Launch
■ A USD	+8.1	-31.7	-28.3	+86.5	-6.0	-1.6	+5.6
■ MSCI Emerging Markets	+9.2	-16.6	-12.0	+112.9	+0.6	-0.1	+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

Investors continue to focus on the subsidence of the initial medical crisis in many countries and the impact of the deep global economic shock that ensued. There is much uncertainty going forward as to the development of the health crisis, how the global economy recovers, and what longer term changes there might be for economic life. In emerging markets there is a spectrum of how countries were able to cope and defend themselves from the initial wave of the virus. 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 unfolds.

The bottom performers by contribution for the month are Embraer, JSE, and Buenaventura. **Embraer** (Brazilian aircraft manufacturer) fell as Boeing pulled out of the joint venture deal whereby Boeing would buy 80% of Embraer’s regional jet business. This is a clear disappointment, but we always viewed Embraer as capable of remaining a stand-alone entity. The global aviation industry is in turmoil and a recovery is distant. However, it is arguable that regional jets on domestic routes and business jets (to self-isolate in) could be early to recover. Embraer has no liquidity issues this year (or next), a sizeable order book to rearrange, and as a national industrial and defence champion the government is poised to assist financially. **JSE** (South African stock exchange) has a regulated solid balance sheet and a natural monopoly position that will endure but is often buffeted by sentiment to South Africa. **Buenaventura** (Peruvian miner) has been a great disappointment as a precious metal miner. It has sat out the rally in gold prices by reducing operations to focus on cost control before the crisis and more recently having its operations forced to close (along with all industries) as part of the Peruvian fight against Covid-19. Thankfully, the lockdown is due to end shortly and mining to restart against a backdrop of a higher gold price.

The top performers by contribution for the month are SK Telecom, Thai Beverage, and Petrobras. **SK Telecom** (Korean mobile telecom operator) has benefited from being a stable type of business in a country that dealt with the virus successfully. In addition, it has a stake in SK Hynix (second largest global DRAM producer) that is benefiting from the continued strength of the semiconductor cycle. **Thai Beverage** (Thailand’s leading alcoholic beverage producer) is a solid franchise with the dominant share of the spirits market and a duopoly position in the beer market in Thailand. The government has recently eased

Commentary - continued

restrictions imposed on the sale of alcohol implemented to restrict social gatherings due to the virus outbreak. Although there is some fluidity in local restrictions the trend is towards a phased end to the lockdown in Thailand. **Petrobras** (Brazilian oil producer) was quick to cut output in the crisis as the oil price fell but has subsequently increased production again in its low-cost pre-salt operations. The hit to domestic demand has been less than expected and exports have increased. The company has spent the last several years in deleveraging mode, debt management, and capital expenditure restraint that has put it in the correct frame of mind to deal with this crisis. Petrobras is a national champion and we can expect the current government to be supportive if needed. We believe it can weather a prolonged period with a low oil price.

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 last two 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	9.0	+5.2	+5.5
SK Telecom	8.9	+21.1	+21.1
Thai Beverage	8.3	+13.9	+15.1
Lukoil	7.6	+9.0	+9.0
Telkom Indonesia	7.2	+12.6	+12.6
Indofood	6.7	+2.7	+10.7
Infosys	6.3	+12.1	+12.1
Buenaventura	6.1	+2.5	+2.5
Lee & Man Paper	6.0	+4.4	+4.4
Petrobras	5.4	+23.6	+23.6

Total number of holdings **16**

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

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	26.4	13.0***
Price-to-book ratio	1.4	1.5
Price-to-earnings ratio	8.7	13.3
Return on equity (%)	13.3	11.1

*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 30 April 2020.

Source: Oldfield Partners.

Sector breakdown (%)

Communication Services	20.3	
Materials	16.9	
Information Technology	15.3	
Consumer Staples	15.0	
Energy	13.1	
Industrials	4.4	
Consumer Discretionary	4.3	
Financials	3.6	
Cash	7.1	

Country breakdown (%)

South Korea	17.9	
Indonesia	13.9	
China/Hong Kong	11.9	
Brazil	9.8	
Thailand	8.3	
Russia	7.6	
India	6.3	
Peru	6.1	
Mexico	4.8	
Turkey	4.2	
South Africa	2.0	
Cash	7.1	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.50%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$167.67
I USD	0.90%	1.15%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$105.61
A USD Hedged	1.25%	1.55%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$86.59
A GBP Hedged	1.25%	1.55%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£80.82

*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	+8.1	-31.7	-28.3	+86.5	-	-6.0	-1.6	+5.6	-	
I USD	+8.1	-31.6	-28.0	-	+21.1	-5.7	-1.3	-	+1.8	
MSCI Emerging Markets	+9.2	-16.6	-12.0	+112.9	+29.9	+0.6	-0.1	+6.8	+2.5	

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	+5.9	-24.9	-23.0	-9.8		-3.2	-	-2.9		

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	+6.1	-25.5	-24.6	-15.7		-5.1	-	-4.8		

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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