

# Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

# OP

Oldfield Partners

30 April 2021

## 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\$168.8m
Domicile	Ireland
Structure	QJAIIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

*"A concentrated portfolio concentrates the mind..."*

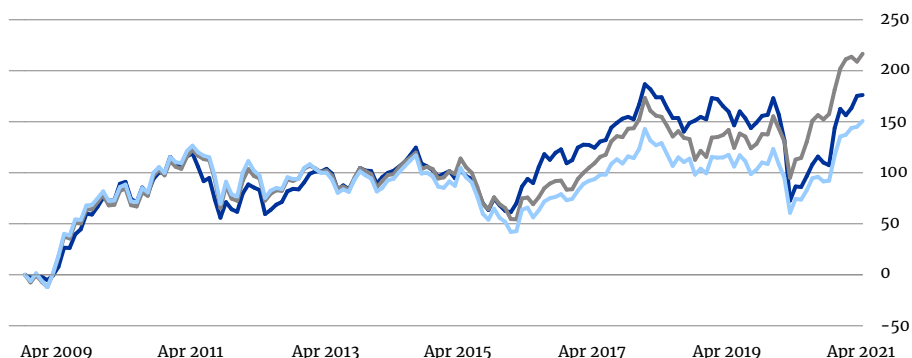
### About Oldfield Partners

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 (%)



	Annualised						
	1 month	YTD	1 year	Launch	3 years	5 years	Launch
■ A USD	+0.3	+5.2	+48.1	+176.2	+0.3	+7.3	+8.5
■ MSCI Emerging Markets	+2.5	+4.8	+48.7	+216.7	+7.5	+12.5	+9.7
■ MSCI EM Value	+2.3	+6.5	+43.8	+150.8	+3.1	+8.6	+7.6

### Preceding five calendar years performance

	2020	2019	2018	2017	2016
A USD	-3.8	+8.2	-5.5	+25.8	+30.6
MSCI Emerging Markets	+18.3	+18.4	-14.6	+37.3	+11.2
MSCI EM Value	+5.5	+11.9	-10.7	+28.1	+14.9

Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.

MSCI EM Value index is for comparison purposes only.

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

We believe a value investment style remains the best way to benefit from the ongoing normalisation trade. Cyclical stocks will need to prove themselves by delivering earnings growth post the sharp bounce back to maintain investor interest. Care will be needed in stock selection as inflationary pressures are permitted to build. The surge of Covid in India is a cautionary tale and has highlighted the risk, and to the world, of falling behind in vaccinating the developing world. A weighted average of the price targets in the portfolio shows near 40% upside potential.

The bottom performers by contribution for the month were Telkom Indonesia and Lukoil. **Telkom Indonesia** (Indonesian telecom operator) released solid full year results with mobile and broadband performing well. Competition remains energetic but further industry consolidation is likely as the government wishes it. **Lukoil** (Russian oil producer) was impacted by the negative sentiment towards Russia over Ukraine and further sanctions. Lukoil has not been impacted by sanctions thus far; it is not a state related corporate and could be viewed favourably on corporate governance over its history. OPEC+ has successfully managed the oil price through a difficult period and continues to balance demand recovery against supply restraint. We believe Lukoil is well placed within the global oil industry.

The top performers by contribution for the month were SK Telecom and Embraer. **SK Telecom** (South Korean mobile telecom operator) has moved steadily over recent years towards improving shareholder friendliness. It announced a long-awaited restructuring by proposing to split the telecom and investment portfolio of technology and 5G service subsidiaries. In addition, it has announced after month-end the cancellation of treasury shares accounting for over 10% of total shares. **Embraer** (Brazilian aircraft manufacturer) had decent first quarter delivery figures pointing to a continued recovery. This is a transitional year before the aviation industry picks-up, and Embraer's regional jets remain well positioned for the initial demand recovery. Importantly new orders are coming through in the regional jet division and the order book remains healthy with no cancellations.

### Capacity and flows

We are pleased to announce that we are now offering an EM ex China strategy. Alongside this we have increased capacity across both EM and EM ex China to US\$1.5bn. If you would like to know more or arrange a meeting please contact [clientrelations@oldfieldpartners.com](mailto:clientrelations@oldfieldpartners.com).

## Fund analysis

Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
SK Telecom	9.1	+12.7	+12.7
Samsung Electronics	8.6	-1.1	-0.2
Ternium	6.8	+0.6	+0.6
Embraer	6.7	+10.4	+10.4
Infosys	6.5	-3.4	-3.4
Thai Beverage	6.3	-3.4	-2.4
Lukoil	6.3	-5.2	-5.2
Petrobras	5.9	+4.1	+4.1
Lee & Man Paper	5.7	-5.3	-5.2
Telkom Indonesia	5.7	-6.7	-6.7

Total number of holdings 17

Active share (%)\*\* 92.6

### Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	23.0	5.0***
Price-to-book ratio	1.8	2.1
Price-to-earnings ratio	13.7	21.5
Return on equity (%)	10.5	9.7

\*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 2021.

Source: Oldfield Partners.

### Sector breakdown (%)

Information Technology	19.8	
Materials	18.0	
Communication Services	17.6	
Energy	12.2	
Consumer Staples	11.2	
Industrials	6.7	
Consumer Discretionary	5.6	
Financials	4.0	
Cash	4.8	

### Country breakdown (%)

South Korea	22.4	
China/Hong Kong	13.1	
Brazil	12.7	
Indonesia	10.6	
Mexico	6.8	
India	6.5	
Thailand	6.3	
Russia	6.3	
Peru	5.4	
Turkey	2.8	
South Africa	2.2	
Cash	4.8	

## Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.49%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$246.33
I USD	0.90%	1.14%	B4N0BT0	OVEMKEI ID	IE00B4N0BT09	US\$155.23

\*AMC - Annual management charge

\*\*TER - Total expense ratio

## Performance summary of all share classes

USD shares	1 month	YTD	1 year	Since launch		Annualised			
				03/11/08	01/10/09	3 years	5 years	Since launch	Since launch
				03/11/08	01/10/09			03/11/08	01/10/09
A USD	+0.3	+5.2	+48.1	+176.2	-	+0.3	+7.3	+8.5	-
I USD	+0.3	+5.3	+48.6	-	+79.9	+0.6	+7.7	-	+5.2
MSCI Emerging Markets	+2.5	+4.8	+48.7	+216.7	+93.2	+7.5	+12.5	+9.7	+5.8
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