

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

30 April 2023

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.

Fund particulars

Launch date	03 November 2008
Fund size	US\$51.8m
Domicile	Ireland
Structure	QJAIIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

"A concentrated portfolio concentrates the mind..."

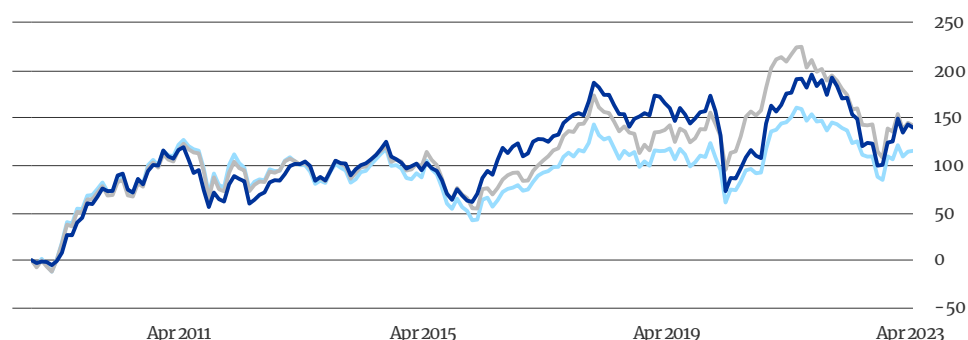
About Oldfield Partners

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 (USD, %)



	1 month	YTD	1 year	Annualised	
				3 years	5 years
■ Fund (A shares)	-1.4	+6.5	-5.4	+8.7	-2.7
■ MSCI Emerging Markets	-1.1	+2.8	-6.5	+4.3	-1.0
■ MSCI EM Value	+0.4	+4.3	-3.6	+7.2	-1.2

Preceding five calendar years performance	2022	2021	2020	2019	2018
Fund (A shares)	-23.0	+11.3	-3.8	+8.2	-5.5
MSCI Emerging Markets	-20.1	-2.5	+18.3	+18.4	-14.6
MSCI EM Value	-15.8	+4.0	+5.5	+11.9	-10.7

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

Emerging market equities moved slightly downwards in the month. The Chinese economy is growing following the re-opening post-Covid, but US-China tensions remain elevated and that has hit investor sentiment. US monetary policy remains a key focus. Emerging market equity valuations continue to be attractive. The upside potential for the portfolio is over 75% as measured by the weighted average of the company price targets in the portfolio.

The bottom performers by contribution in the month were Alibaba and Buenaventura. **Alibaba** (Chinese e-commerce provider) announced that it will split itself into six divisions that will have greater control over their own destiny. This includes the possibility of an IPO for some divisions. The hope being that this will shed light on the parts of the group that have been overlooked and undervalued by investors. To date the great China re-opening after Covid has been a bit of a flop – that said consumer spending is increasing steadily. We believe the Chinese consumer will return in time. The valuation of Alibaba is highly attractive on a price to earnings ratio of 8 (excluding net cash). **Buenaventura** (Peruvian miner) has been recovering from the protests that brought the country to a near standstill. Peruvian politics are certainly not dull. The gold price is at a high and the copper price looks well supported. The stake in the Cerro Verde mine alone accounts for the market capitalisation of the company, and the directly owned mines are in recovery. It trades on 0.5 times book value.

The top performers by contribution in the month were Petrobras, Ternium, and Indofood. **Petrobras** (Brazilian oil producer) is getting to grips with the new Brazilian government and its agenda. The dividend for this year is likely to be very attractive again, but payment may be staggered and delayed by the government (its largest shareholder and beneficiary). Capital expenditure is likely to increase, and areas such as environmentally friendly energy should benefit. Petrobras has world-class deepwater oil assets in production. We feel the valuation already discounts a lot of potential bad news trading on a price to earnings ratio of 3. **Ternium** (Latin American steel producer) is benefiting from the high US steel price and the continuing 'near shoring' of industries to Mexico from China. Ternium is an efficient producer of steel and able to increase market share in Mexico. It trades on a price to earnings ratio of 6. **Indofood** (Indonesian snack foods manufacturer) saw increased noodle profit margin as its market leading position benefited from the recent inflationary period. Noodles are a cheap, fast, and convenient food for busy consumers and Indofood has been adept at

Commentary - continued

maintaining consumer interest with new flavours. Indofood has an attractive valuation at 8 times earnings.

Russian holdings

Please note that on 3rd March 2022 the Fund's investment in Lukoil ADR listed on the London Stock Exchange (LSE) was suspended from trading. Our Valuation Committee considered it was in the Fund's best interests that the holding of Lukoil ADR be fair value priced (FVP) at zero. In June 2022, we elected for the holding to be converted into local shares (Lukoil PJSC).

Given the current international sanctions on Russian securities and cash balances, we believe that if lifted and the Fund was able to access the local market, the holding in Lukoil PJSC (with a current FVP of zero) would represent 8% of the Fund. We continue to monitor the situation closely.

Fund analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	7.8	+2.7	+0.1
Embraer ADR	7.7	-5.8	-5.8
Ternium ADR	7.3	+5.0	+5.0
Thai Beverage	6.9	+1.6	+1.3
Alibaba	5.9	-18.2	-18.2
Indofood	5.5	+4.0	+6.2
SK Square	5.5	+6.6	+3.9
Petrobras ADR	5.3	+12.8	+12.8
SK Telecom	4.9	+0.1	-2.5
Telkom Indonesia ADR	4.9	+5.6	+5.6

Total number of holdings 21

Active share (%)** 91.7

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	18.0	11.0***
Price-to-book ratio	1.4	1.6
Price-to-earnings ratio	8.9	12.4
Return on equity (%)	13.2	12.9

*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 2023.

Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	25.1	
Consumer Staples	16.5	
Materials	16.5	
Communication Services	11.9	
Consumer Discretionary	10.1	
Industrials	7.7	
Energy	5.3	
Financials	3.9	
Cash	3.0	

Country breakdown (%)

South Korea	24.8	
China/Hong Kong	17.1	
Brazil	13.0	
Indonesia	10.4	
Mexico	7.3	
Thailand	6.9	
India	4.7	
Taiwan	4.6	
Peru	4.3	
Turkey	2.1	
South Africa	1.7	
Cash	3.0	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.47%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$199.58
I USD	0.90%	1.12%	B4N0BT0	OVEMKEI ID	IE00B4N0BT09	US\$125.72

*AMC - Annual management charge

**TER - Total expense ratio

Performance summary of all share classes

USD shares	1 month	YTD	1 year	Annualised	
				3 years	5 years
A USD	-1.4	+6.5	-5.4	+8.7	-2.7
I USD	-1.4	+6.6	-5.1	+9.1	-2.3
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MSCI EM Value	+0.4	+4.3	-3.6	+7.2	-1.2

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Source: Oldfield Partners.

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