



Overstone Emerging Markets Equity Fund

June 2018 Newsletter 116

Oldfield Partners

Performance (USD terms)							
	June	2018 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-3.6%	-5.0%	+9.3%	+9.4%	+6.7%	+153.7%	+10.1%
MSCI Emerging Markets**	-4.2%	-6.7%	+8.2%	+5.6%	+5.0%	+135.6%	+9.3%

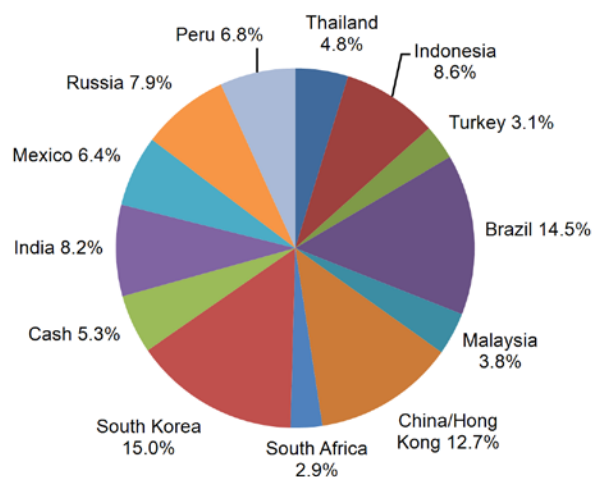
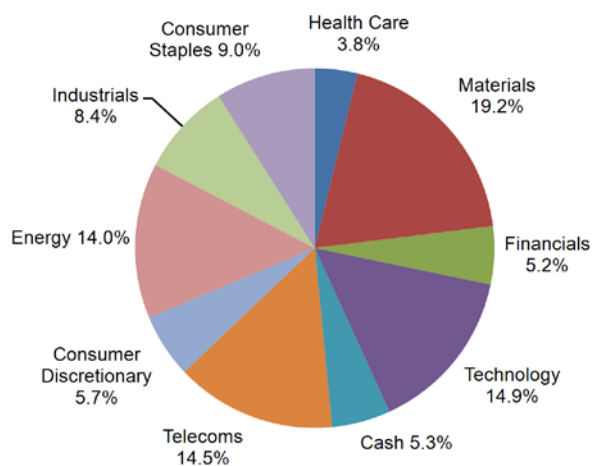
*A shares commenced on 3rd November 2008. **Net Dividends Reinvested. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust International Fund Administration Services (Ireland) Ltd.

Performance of Five Largest Holdings*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Embraer	8.4%	+3.6%	+3.6%
Samsung Electronics	8.0%	-8.0%	-10.6%
Lukoil	7.9%	+2.5%	+2.5%
SK Telecom	6.9%	+2.2%	+2.2%
Infosys	6.9%	+9.2%	+9.2%

*As at end of period. **Total return inclusive of the portfolio activity. Source: Oldfield Partners and Bloomberg.

Sector and country breakdown as at 29th June 2018



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 necessarily a guide to future performance.



Commentary

Emerging market equities have been impacted by several political and macro-economic factors recently; with the brewing trade war and loss of international cooperation being potentially the most troublesome longer term. It has been a volatile year, with the MSCI Emerging Markets Index having been +10% in January to -10% year to date in June – and so heading into a bear market sized fall.

The bottom performers by contribution in the month were Lee & Man Paper and Samsung Electronics. **Lee & Man Paper** (Chinese containerboard) has been impacted by the poor sentiment towards China and the Chinese economy regarding the trade war with the US. We find that the vast majority of containerboard in China is used for the domestic consumer market, rather than the export market, so any slowdown should not be dramatic. The industry remains in a solid position due to limited capacity additions and the continuing closure of environmentally unfriendly capacity by the Chinese government. **Samsung Electronics** (Korean consumer electronics) has been under pressure as the latest high-end Galaxy smartphone has been a damp squib, as Samsung played it safe, and that more importantly investors continue to fret over the semiconductor cycle. It is clear that the smartphone market has reached maturity in its current guise, but we believe that Samsung can continue to make decent margins as the industry consolidates, and next year could see the release of the long awaited 'foldable' smartphone form factor to inspire high end consumers. We continue to believe the semiconductor cycle will be benign, and that any downturn will allow investors to adjust (upwards) their long term thinking towards the industry.

The top performers by contribution in the month were Infosys and Top Glove. **Infosys** (Indian IT services) is seeing a pickup in demand in its key end markets, is gaining traction in digital services, and the weaker local currency is a positive tailwind. **Top Glove** (Malaysian rubber gloves) has been a strong performer this year as the acquisition of Aspion has moved the company further into higher margin surgical gloves and the demand backdrop for rubber gloves remains solid.

The top performers by contribution for the second quarter were **Infosys** (Indian IT services), **Top Glove** (Malaysian rubber gloves), and **Ternium** (Latin American steel producer), and the bottom performers by contribution were **Petrobras** (Brazilian oil & gas), **Yue Yuen** (Hong Kong listed athletic shoes), and **Turkcell** (Turkish mobile telecom).

The valuation case for emerging market equities remains attractive, with the MSCI Emerging Markets Index trading comfortably below its longer term historic average valuation. The price to book ratio for the index is 1.6. The weighted average of the price targets in the portfolio is showing an attractive 46% upside.



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Fund & Performance Summary

29 th June 2018							
NAV of fund		US\$ 245.7m					
A shares unit price		US\$ 234.56					
I shares unit price		US\$ 147.84					
A USD hedged shares unit price		US\$ 112.68					
A GBP hedged shares unit price		£ 109.60					
Performance							
	June	2018 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-3.6%	-5.0%	+9.3%	+9.4%	+6.7%	+153.7%	+10.1%
MSCI EM**	-4.2%	-6.7%	+8.2%	+5.6%	+5.0%	+135.6%	+9.3%
I Shares*	-3.6%	-4.9%	+9.7%	+9.7%	+7.1%	+63.6%	+5.8%
MSCI EM**	-4.2%	-6.7%	+8.2%	+5.6%	+5.0%	+43.7%	+4.2%
A USD Hedged Shares*	-2.2%	-0.7%	+11.4%	-	-	+14.3%	+8.3%
MSCI EM USD Hedged**	-2.5%	-3.0%	+9.5%	-	-	+17.9%	+10.4%
A GBP Hedged Shares*	-2.4%	-1.5%	+9.6%	-	-	+11.1%	+6.5%
MSCI EM GBP Hedged**	-2.6%	-4.2%	+7.5%	-	-	+15.1%	+8.8%

*A shares commenced on 3rd November 2008, I shares on 1st October 2009, A US\$ and GBP hedged shares commenced on 31st October 2016. **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 International Fund Administration Services (Ireland) Ltd.

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Fund and share class information as at 29th June 2018

Share class	Class Currency	Management Fees	TER	Sedol	Bloomberg Ticker	ISIN
A	USD	1.25%	1.46%	B3DDVH0	OVEMKEA	IE00B3DDVH01
I	USD	0.90%	1.11%	B4N0BT0	OVEMKEI	IE00B4N0BT09
A USD Hedged	USD	1.25%	1.51%	BZBVR05	OVEMAUH	IE00BZBVR050
A GBP Hedged	GBP	1.25%	1.51%	BD3WG94	OVEMAGH	IE00BD3WG942

Fund Currency	USD	Administrator	Northern Trust International Fund Administration Services (Ireland) Ltd
Liquidity	Daily dealing	Custodian	Northern Trust Fiduciary Services (Ireland) Ltd
Benchmark	MSCI Emerging Markets (Net Dividends Reinvested) and MSCI Emerging Markets (Net Dividends Reinvested) USD and GBP Hedged	Auditor	Deloitte
Minimum Investment	The equivalent of €100,000	Legal Advisers	Arthur Cox
Investment Manager	Oldfield Partners LLP		

Overstone Emerging Markets Equity Fund is a sub-fund of Overstone Fund plc, which is incorporated in Ireland and approved by the Central Bank of Ireland. Three other sub-funds exist under the Overstone Fund plc umbrella; Overstone Global Equity Fund was launched on 1st June 2005, Overstone Opportunity Multi Fund was launched on 1st November 2005 and Overstone Global ex US Equity Fund was launched on 1st June 2006.

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