

# Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

# OP

Oldfield Partners

30 June 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\$233.2m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

*“A concentrated portfolio concentrates the mind...”*

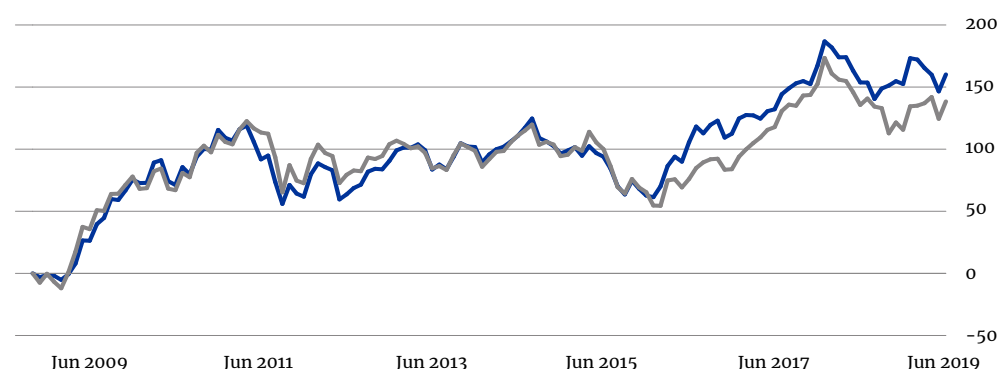
### About Oldfield Partners

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	+5.5	+3.1	+2.5	+160.2	+8.2	+4.3	+9.4
■ MSCI Emerging Markets	+6.2	+10.6	+1.2	+138.4	+10.7	+2.5	+8.5

### 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

Despite a strong bounce back in the month the valuation case for emerging market equities remains attractive, and the MSCI Emerging Markets Index continues to trade comfortably below its longer term historic average valuation. The backdrop for emerging markets is still dominated by the US-China trade negotiations and news on US monetary policy.

The top performers for the second quarter were Telkom Indonesia and Indofood (notably both Indonesian), and the bottom performers were Yue Yuen and Lee & Man Paper (notably both China related).

The bottom performer by contribution in the month was **Eros International** (Indian Bollywood media company). The share price fell dramatically as its Indian listed subsidiary missed two bank loan payments sparking fear of a liquidity issue and leading to a local rating agency automatically listing them as default. Management claimed the payments were only delayed (and the financial situation is solid), have authorised a share buy-back, and are looking into options for the business. There are less than two weeks until the next results statement. This is an attractive brand in the growing Indian media space that could attract bidders or partners. We will monitor the situation. **Ternium** (Latin American steel producer) was weaker in the month as Mexico remains on edge regarding any future initiatives from President Trump and a more challenging steel market backdrop. One positive is the dropping of the investigation in Argentina into payments made by Techint (the controlling shareholder) to government officials around 2008 that could have implicated Ternium's Chairman.

The top performer by contribution in the month was Samsung Electronics; with strong contributions from Petrobras, Telkom Indonesia, and Buenaventura. **Samsung Electronics** (Korean consumer electronics manufacturer) has for the year been driven by investor perception of the semiconductor cycle and if we have reached the trough. The US restrictions on Huawei (a Chinese competitor) were a positive as it could boost mobile phone and 5G network sales for Samsung Electronics. Throughout this more difficult period the company has made solid free cash flow and maintained an overly strong net cash financial position, which bodes well for continued shareholder returns. **Petrobras** (Brazilian oil producer) and **Buenaventura** (Peruvian miner) benefited as commodity prices bounced back in the month, with the oil price and gold price up by approximately six percent in US dollar terms in the month.

Total assets for the emerging markets strategy are now slightly over US\$1 billion, which is our capacity limit. If you are interested in making a new investment or adding to an existing holding, we therefore request that you contact us to discuss this.

## Fund analysis

Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.6	+10.6	+13.6
Embraer	8.9	+4.7	+4.7
Petrobras	8.5	+9.4	+9.4
SK Telecom	8.1	+6.5	+6.5
Lukoil	8.1	+4.8	+4.8
Buenaventura	8.0	+9.9	+9.9
Thai Beverage	6.7	+18.3	+4.1
Telkom Indonesia	6.6	+11.8	+11.8
Ternium	5.1	-6.9	-6.9
Indofood	5.1	+8.5	+9.7

Total number of holdings 17

Active share (%)\*\* 93.8

### Fund characteristics

	Fund	Benchmark
Net debt to equity ratio	28.1	14.2
Price-to-book ratio	1.7	1.6
Price-to-earnings ratio	9.7	13.5
Return on equity (%)	14.4	11.9

\*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.

### Sector breakdown (%)

Materials	17.8	
Communication Services	17.7	
Energy	16.6	
Information Technology	13.6	
Consumer Staples	11.8	
Industrials	8.9	
Consumer Discretionary	5.2	
Financials	4.6	
Cash	3.9	

### Country breakdown (%)

South Korea	17.7	
Brazil	17.4	
China/Hong Kong	11.9	
Indonesia	11.6	
Russia	8.1	
Peru	8.0	
Thailand	6.7	
Mexico	5.1	
India	4.1	
Turkey	3.0	
South Africa	2.4	
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\$236.83
I USD	0.90%	1.12%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$149.25
A USD Hedged	1.25%	1.52%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$112.03
A GBP Hedged	1.25%	1.52%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£106.79

\*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	+5.5	+3.1	+2.5	+160.2	-	+8.2	+4.3	+9.4	-	
I USD	+5.6	+3.2	+2.9	-	+68.4	+8.5	+4.7	-	+5.5	
MSCI Emerging Markets	+6.2	+10.6	+1.2	+138.4	+45.4	+10.7	+2.5	+8.5	+3.9	

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	+3.6	+1.0	+0.9	+15.3	-	-	+5.5	
MSCI Emerging Markets USD Hdgd	+4.6	+10.0	+1.7	+19.9	-	-	+7.0	

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	+3.5	+0.2	-1.0	+10.0	-	-	+3.6	
MSCI Emerging Markets GBP Hdgd	+4.4	+8.4	-0.8	+14.2	-	-	+5.1	

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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