

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

30 June 2022

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\$55.2m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

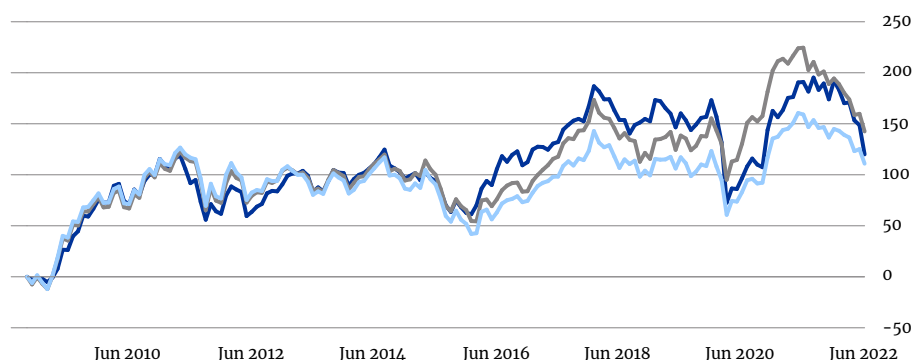
About Oldfield Partners

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	Annualised	
				3 years	5 years
■ A USD	-11.5	-24.7	-24.4	-5.4	-1.1
■ MSCI Emerging Markets	-6.6	-17.6	-25.3	+0.6	+2.2
■ MSCI EM Value	-6.3	-13.9	-18.6	-1.0	+1.2

Preceding five calendar years performance

	2021	2020	2019	2018	2017
A USD	+11.3	-3.8	+8.2	-5.5	+25.8
MSCI Emerging Markets	-2.5	+18.3	+18.4	-14.6	+37.3
MSCI EM Value	+4.0	+5.5	+11.9	-10.7	+28.1

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 remained under pressure in the month. The outlook is clouded by a heady mix of tightening US monetary policy, Chinese economic disruption, global inflationary pressures, and geopolitical issues. The upside potential for the portfolio is over 90% as measured by the weighted average of the company price targets. This level of upside potential has not been on offer since the 'Great Financial Crisis' of 2008/9.

The bottom performers by contribution for the month were Samsung Electronics, Ternium, and SK Hynix. The Korean semiconductor stocks (**Samsung Electronics** and **SK Hynix**) have been weak as consumer electronics sales outlook globally has dimmed considerably. The key server sales outlook remains strong, but these customers are savvy and have an inventory buffer on hand to aid their negotiating position. That said the current semiconductor cycle looks to be a shallow one and remaining at high levels of profitability (a far cry from the historic cycles for this sector), whilst valuations are nearing historic lows. **Ternium** (Latin American steel producer) has seen some weakness in steel prices recently, but these remain supported by global supply events notably from Russia and Ukraine. The economic outlook for the US and Mexico is key. Mexico is an increasingly attractive manufacturing location with its proximity to the key US market demand for flat steel.

The top performers by contribution for the month were Alibaba, Indofood, and LG Household & Healthcare (LGHH). **Alibaba** (Chinese e-commerce provider) had become unduly depressed by Chinese lockdowns, Chinese economic slowdown, and regulatory pressure. We see each of these issues beginning to pass and reflected in the valuation. The government looks keen to stabilise relationships with the private sector having asserted its primacy for all to see. We believe the long-term outlook for the Chinese consumer is positive and Alibaba remains well placed to benefit. **Indofood** (Indonesian snack food manufacturer) holds a 70% market share position in the Indonesian noodle market, which is effectively a duopoly. Noodles are a cheap staple fast food eaten 'on the go' and so busy consumers are less price sensitive and frequent flavour changes maintains consumer interest. In addition, Indofood owns the largest producer and importer of flour in the country that works on a cost-plus basis mitigating the increase in global wheat prices. **LG Household & Healthcare** (Korean consumer products manufacturer) is a new holding added in the month. LGHH has a solid portfolio of cosmetics (70% of operating profit), personal care (15%), and beverages (15%). The lockdowns across China due to outbreaks of Covid have provided an opportunity to buy into this quality name. The cosmetics

Commentary - continued

division, with the flagship Whoo brand, has seen its sales to the key Chinese market disrupted by lockdowns and travel restrictions (allowing internet re-sellers greater market power in the years since Covid began). We see this as a temporary phenomenon that should revert to historic normality in time. We have 80% upside to the price target.

The top performers for the second quarter were **Indofood** (Indonesian snack food manufacturer) and **Alibaba** (Chinese e-commerce provider); and the bottom performers were **Embraer** (Brazilian aircraft manufacturer), **Buenaventura** (Peruvian miner), and **SK Hynix** (Korean semiconductor manufacturer).

Russian holdings

Please note that as of 3rd March 2022 the holding of Lukoil ADR will have a fair value price (FVP) of zero. This has been determined by our Valuation Committee. Lukoil ADR listed on the London Stock Exchange (LSE) was suspended from trading by the exchange on the morning 3rd March 2022. We will continue to monitor the situation daily and update accordingly.

Fund analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Thai Beverage	7.2	+10.7	-8.5
Samsung Electronics	7.2	-15.4	-18.6
Alibaba	6.8	+16.3	+16.3
Ternium	6.7	-17.9	-17.9
Telkom Indonesia	6.6	-5.1	-5.1
Indofood	6.5	+6.8	+4.1
SK Hynix	6.1	-15.7	-18.9
Embraer	6.0	-18.0	-18.0
Lee & Man Paper	5.3	-11.8	-11.8
Petrobras	5.1	-13.6	-13.6

Total number of holdings 21

Active share (%)** 91.0

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	20.0	13.0***
Price-to-book ratio	1.4	1.7
Price-to-earnings ratio	9.6	12.5
Return on equity (%)	14.4	13.2

*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 June 2022.

Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	23.7	
Consumer Staples	16.4	
Materials	16.3	
Communication Services	13.2	
Consumer Discretionary	10.4	
Industrials	6.0	
Energy	5.1	
Financials	4.7	
Cash	4.2	

Country breakdown (%)

South Korea	24.1	
China/Hong Kong	18.3	
Indonesia	13.1	
Brazil	11.0	
Thailand	7.2	
Mexico	6.7	
Peru	4.3	
Taiwan	3.8	
India	3.1	
South Africa	2.1	
Turkey	1.9	
Cash	4.2	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.46%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$191.79
I USD	0.90%	1.11%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$120.94

*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	-11.5	-24.7	-24.4	-5.4	-1.1
I USD	-11.5	-24.6	-24.1	-5.1	-0.7
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