

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

30 June 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\$42.9m
Domicile	Ireland
Structure	QJAIIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

"A concentrated portfolio concentrates the mind..."

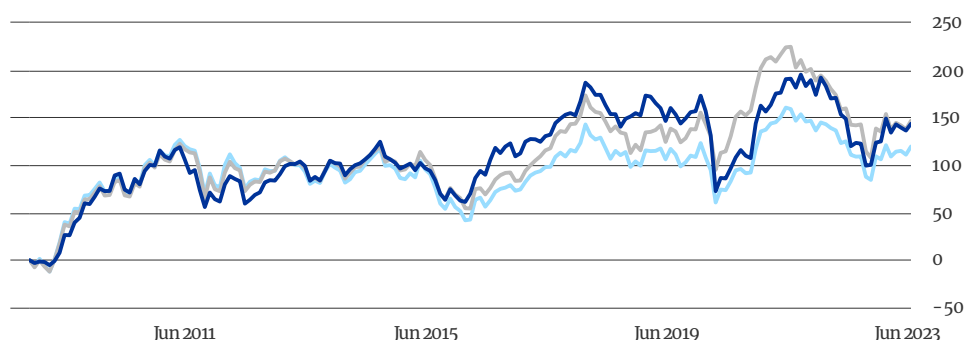
About Oldfield Partners

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)	+3.0	+8.2	+10.7	+7.4	-0.8
■ MSCI Emerging Markets	+3.8	+4.9	+1.8	+2.3	+0.9
■ MSCI EM Value	+4.1	+6.5	+4.1	+6.3	+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

We remain positive on the valuation of emerging market equities but note the need for the US economy to slow and for the Chinese economy to exit the doldrums perhaps with reluctant stimulus measures. This leaves emerging markets facing a less certain but fundamentally positive backdrop. The upside potential for the portfolio is 80% as measured by the weighted average of the company price targets in the portfolio.

The bottom performers by contribution in the month were LG H&H, Turkcell, and SK Telecom. **LG H&H** (Korean cosmetics manufacturer) has yet to see a sustained bounce back in demand from Chinese consumers after Covid. High-end cosmetics demand and travel to Korea being the biggest concerns. Local Chinese cosmetics brands have done best at capturing consumer attention since Covid. **Turkcell** (Turkish mobile telecom operator) remains troubled by the politics of the country and its impact on monetary policy. Although the new finance team have been given more leeway to correct inflation this may not always be so. The Turkish lira has fallen 25% this year. **SK Telecom** (Korean mobile telecoms provider) remains in a solid position in Korea as 5G penetration steadily increases, regulatory policy is broadly supportive, and capital expenditure continues to be restrained. Management is focussing on the most profitable 5G customers rather than just headline market share. The dividend yield at around 7% is dependable.

The top performers by contribution in the month were Petrobras and Ternium. **Petrobras** (Brazilian oil producer) was a strong performer in 2022 as it was able to pay significant dividends to its shareholders. This looks set to continue for 2023. The recent election of a socialist government in Brazil has unnerved investors, but we believe from past experience that the Lula administration will be pragmatic in its dealing with Petrobras and any strategy changes will be implemented slowly. It trades on a price to earnings ratio of 4 and a forecast dividend yield of 20%. **Ternium** (Latin American steel producer) is benefiting from the continued high US steel price and the 'near-shoring' of industries to Mexico from China. Ternium is a low-cost producer of steel, a beneficiary of Mexican economic growth, and of increased domestic market share in steel through import substitution. It trades on a price to earnings ratio of 6, a dividend yield of 7%, and it has a strong balance sheet.

The top performers for the second quarter were Petrobras, Samsung Electronics, and Indofood; and the bottom performers were Alibaba, LG H&H, and Lee & Man Paper.

Commentary - continued

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 9% of the Fund and cash dividend of 1.9%. We continue to monitor the situation closely.

Fund analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.6	+1.1	+1.8
Embraer ADR	8.2	+3.9	+3.9
Petrobras ADR	6.9	+25.6	+25.6
Ternium ADR	6.7	+6.3	+6.3
Thai Beverage	6.2	+3.6	+3.9
Indofood	6.1	+3.5	+3.3
Alibaba	5.8	+4.2	+4.2
SK Square	5.8	-4.1	-3.5
Infosys ADR	5.0	+2.0	+2.0
ASE Technology	4.9	+7.0	+5.7

Total number of holdings **21**

Active share (%)** **91.0**

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	16.5	11.2***
Price-to-book ratio	1.5	1.6
Price-to-earnings ratio	9.6	13.6
Return on equity (%)	13.7	12.0

*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 2023.

Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	22.0	
Consumer Staples	17.5	
Materials	14.9	
Industrials	14.0	
Communication Services	10.4	
Consumer Discretionary	9.4	
Energy	6.9	
Financials	1.3	
Cash	3.8	

Country breakdown (%)

South Korea	25.6	
China/Hong Kong	15.3	
Brazil	15.1	
Indonesia	10.6	
Mexico	6.7	
Thailand	6.2	
India	5.0	
Taiwan	4.9	
Peru	4.5	
South Africa	1.3	
Turkey	1.0	
Cash	3.8	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.60%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$202.89
I USD	0.90%	1.25%	B4N0BT0	OVEMKEI ID	IE00B4N0BT09	US\$127.88

*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	+3.0	+8.2	+10.7	+7.4	-0.8
I USD	+3.0	+8.4	+11.1	+7.8	-0.5
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Source: Oldfield Partners.

Oldfield Partners

11 Grosvenor Place
London, SW1X 7HH
United Kingdom

Telephone: +44 (0) 20 7259 1000

Email: info@oldfieldpartners.com

www.oldfieldpartners.com

Dealing and administrator details

Northern Trust International Fund
Administration Services (Ireland) Ltd.

Telephone: +353 (0) 1 434 5054

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