

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

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Oldfield Partners

30 August 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\$212.3m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

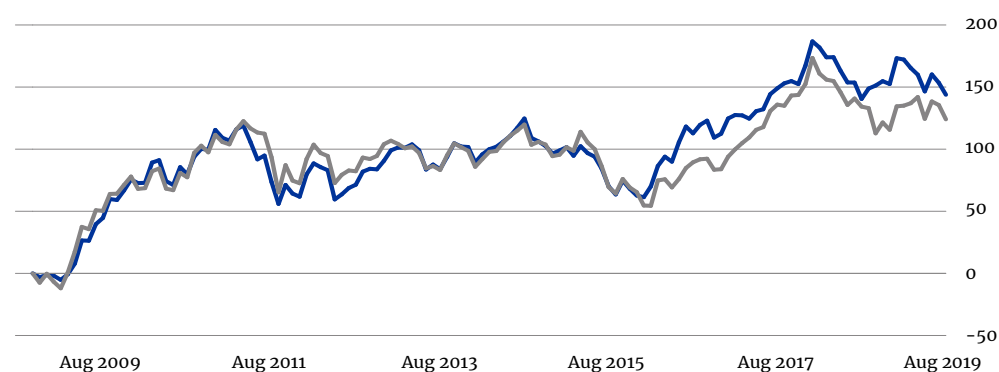
About Oldfield Partners

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	-3.8	-3.4	+1.4	+143.8	+4.7	+1.6	+8.6
■ MSCI Emerging Markets	-4.9	+3.9	-4.4	+124.0	+5.8	+0.4	+7.7

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

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. Value investing continues to have a tough year to date. The backdrop for emerging markets is still dominated by the US-China trade negotiations and the abrasive positioning and actions taken by both parties leading to fallout across the global economy.

The bottom performers by contribution in the month were Embraer, Petrobras and Ternium. **Embraer** (Brazilian aircraft manufacturer) is on track for the Boeing acquisition to complete by year end and this helps to underpin the current share price. Separation costs are a near term drag, but the Boeing relationship looks to be having a healthy impact on the order book. We have added to the position. **Petrobras** (Brazilian oil producer) continues to successfully deleverage with asset sales and sustained free cash flow from a reasonable oil price; and supported by a government backing company friendly policy actions. **Ternium** (Latin American steel producer) faces a more uncertain Mexican steel market as domestic demand stagnates, and Argentina is yet again in trouble. Management see a better pricing environment in Mexico from the fourth quarter.

The top performers by contribution in the month were Indofood, Thai Beverage, and Telkom Indonesia. In a difficult month it is not so surprising to see the top performers are some of our stable earning companies. **Indofood** (Indonesian snack food manufacturer) was driven by strong noodle sales, especially in the higher priced instant noodle category that has low penetration. **Thai Beverage** (Thailand's leading alcoholic beverage producer) had fantastic third quarter results confirming the bounce back in alcoholic beverage consumption and reflecting the government's ongoing strategies to boost the economy, and in particular targeted at lower income families. **Telkom Indonesia** (Indonesian telecom operator) has been able to put through price increases suggesting a stable competitive and regulatory environment (following the compulsory prepaid registration last year). Data growth continues to drive the mobile division and a strong broadband offering drives the fixed line division.

Total assets for the emerging markets strategy are now slightly over US\$1billion, 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	9.1	-3.0	-5.1
Embraer	8.4	-13.3	-13.3
Lukoil	8.1	-2.4	-2.4
Petrobras	7.8	-10.2	-10.2
Buenaventura	7.7	0.0	0.0
SK Telecom	7.6	-4.4	-4.4
Thai Beverage	7.5	+7.8	+6.3
Telkom Indonesia	7.5	+4.3	+4.3
Indofood	6.1	+12.0	+10.8
Yue Yuen Industrial	5.0	-8.7	-8.8

Total number of holdings 17

Active share (%)** 94.1

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	30.1	13.4***
Price-to-book ratio	1.7	1.6
Price-to-earnings ratio	10.3	13.2
Return on equity (%)	14.1	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.

***For the MSCI Emerging Markets the net debt to equity ratio excludes financials.

All data as at 30 August 2019.

Source: Oldfield Partners.

Sector breakdown (%)

Communications Services	18.4	
Energy	15.9	
Materials	15.8	
Information Technology	13.7	
Consumer Staples	13.6	
Industrials	8.4	
Consumer Discretionary	5.2	
Financials	4.7	
Cash	4.4	

Country breakdown (%)

South Korea	16.8	
Brazil	16.2	
Indonesia	13.5	
China/Hong Kong	11.1	
Russia	8.1	
Peru	7.7	
Thailand	7.5	
India	4.7	
Mexico	4.3	
Turkey	3.3	
South Africa	2.3	
Cash	4.4	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.47%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$221.95
I USD	0.90%	1.12%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$139.96
A USD Hedged	1.25%	1.52%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$108.03
A GBP Hedged	1.25%	1.52%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£102.95

*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	-3.8	-3.4	+1.4	+143.8	-	+4.7	+1.6	+8.6	-	
I USD	-3.8	-3.2	+1.8	-	+57.9	+5.0	+2.0	-	+4.7	
MSCI Emerging Markets	-4.9	+3.9	-4.4	+124.0	+36.7	+5.8	+0.4	+7.7	+3.2	

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	-0.7	-2.6	-0.1	+11.2	-	-	+3.8	
MSCI Emerging Markets USD Hdgd	-2.5	+6.0	-3.0	+15.6	-	-	+5.2	

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	-0.9	-3.4	-1.5	+6.0	-	-	+2.1	
MSCI Emerging Markets GBP Hdgd	-2.7	+4.1	-5.5	+9.7	-	-	+3.3	

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.

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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