



# Overstone Emerging Markets Equity Fund

## September 2015 Newsletter 83

Oldfield Partners

### Fund & Performance Summary

| 30 <sup>th</sup> September 2015 |             |              |        |                    |                    |                 |                            |
|---------------------------------|-------------|--------------|--------|--------------------|--------------------|-----------------|----------------------------|
| NAV of fund                     | US\$ 193.0m |              |        |                    |                    |                 |                            |
| A shares unit price             | US\$ 156.75 |              |        |                    |                    |                 |                            |
| I shares unit price             | US\$ 98.88  |              |        |                    |                    |                 |                            |
| Performance                     |             |              |        |                    |                    |                 |                            |
|                                 | September   | 2015 to date | 1 year | 3 years annualised | 5 years annualised | Since inception | Since inception annualised |
| A Shares*                       | -3.8%       | -16.8%       | -21.8% | -3.5%              | -3.4%              | +63.5%          | +7.4%                      |
| Index**                         | -3.0%       | -15.5%       | -19.3% | -5.3%              | -3.6%              | +64.3%          | +7.4%                      |
| I Shares*                       | -3.8%       | -16.5%       | -21.5% | -3.2%              | -3.0%              | +4.4%           | +0.7%                      |
| Index**                         | -3.0%       | -15.5%       | -19.3% | -5.3%              | -3.6%              | +0.2%           | 0.0%                       |

\*A shares commenced on 3rd November 2008 and I shares on 1st October 2009. \*\*MSCI 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 Intl. Fund Administrator Services (Ireland) Ltd.

### Performance of Five Largest Holdings\*

| Stock               | Portfolio Weighting (%) <sup>*</sup> | Monthly Performance (local terms) <sup>**</sup> | Monthly Performance (USD terms) <sup>**</sup> |
|---------------------|--------------------------------------|---|---|
| Samsung Electronics | 9.2                                  | +4.0%   | +3.8%   |
| SK Telecom          | 8.5                                  | +7.3%   | +7.3%   |
| Embraer             | 8.0                                  | +1.2%   | +1.2%   |
| Infosys             | 7.2                                  | +11.2%  | +11.2%  |
| Yue Yuen Industrial | 7.0                                  | +4.6%   | +4.6%   |

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

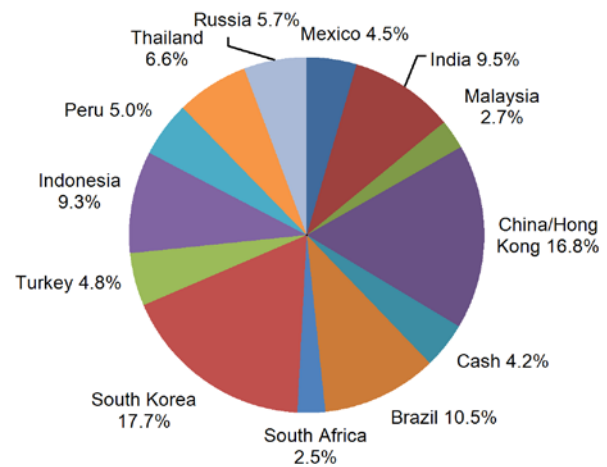
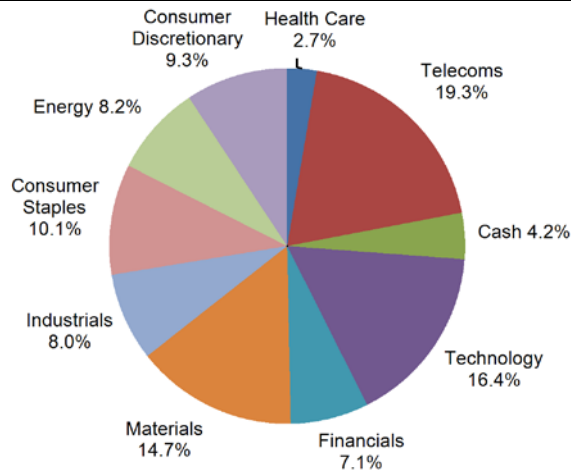
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### Sector and country breakdown as at 30<sup>th</sup> September 2015



Source: Oldfield Partners.

### Commentary

September was another negative month of performance for emerging market equities and closed off a strongly negative quarter. The MSCI Emerging Market Equities Index has fallen 25% in US dollar terms from its peak in April. Latin America has been by far the weakest regional performer this year.

The worst performers during the month by contribution were Petrobras and Telkom Indonesia. **Petrobras** (Brazilian oil & gas) has been impacted by the low oil price environment, the weaker Brazilian currency, and the rating downgrade by S&P of the country and the company. After month end Petrobras was able to increase domestic fuel prices, now trading at a healthy premium to international prices, despite the difficult economic and political circumstances in Brazil. The company still faces tough decisions in developing its new deep-water assets in a low oil price environment, but the new management has shown it is capable of making hard decisions. **Telkom Indonesia** (Indonesian telecom operator) was affected by the fall in the Indonesian currency over the summer and negative sentiment towards Indonesia. Operationally the company remains well placed.

The top performers during the month by contribution were Infosys and SK Telecom. **Infosys** (Indian IT services) is a beneficiary of the fall in the Indian currency and the decent demand backdrop for IT services in the US, which is its major market. **SK Telecom** (Korean mobile telecom operator) has been more focussed on shareholder return with share buy backs and a nod towards a dividend increase.

The top performers during the third quarter by contribution were **Infosys** (Indian IT services), **Yue Yuen** (Hong Kong shoe manufacturer), and **Eros International** (Indian Bollywood film producer). The worst performers by contribution were **Buenaventura** (Peruvian miner), **Petrobras** (Brazilian oil & gas), and **Ternium** (Latin American steel producer).

Against a difficult backdrop for emerging market equities there are now some glimmers of hope. The Chinese government has made some moves to stabilise the economy, with interest rate cuts, a depreciation of the currency, and measures to help property and automotive sales. Few believers in

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the official 7% GDP growth target remain, and the government seems happy with a lower level of growth driven by the consumer side of the economy. The Federal Reserve held off increasing interest rates, and opinion is divided on whether there will be an increase this year, early next year, or at all. More inventive measures to help the US economy may be needed in the future. In any case emerging market currencies stopped weakening at the end of the quarter. The MSCI Emerging Market Equities Index trades on a valuation of 1.35 times book value, which is towards the bottom-end of its historic trading range (one times book being a seldom achieved low). The upside potential from the weighted average of our price targets in the portfolio is a hearty 75%.

| Fund Information as at 30 <sup>th</sup> September 2015 |  |                                 |  |
|--|--|---------------------------------|--|
| <b>Currency</b>  | USD  | <b>Investment Manager</b>       | Oldfield Partners LLP  |
| <b>Liquidity</b>                                       | Daily dealing                                    | <b>Administrator</b>            | Northern Trust International Fund Administration Services (Ireland) Ltd                                    |
| <b>Benchmark</b>                                       | MSCI Emerging Markets (Net Dividends Reinvested) | <b>Custodian</b>                | Northern Trust Fiduciary Services (Ireland) Ltd  |
| <b>Management Fees</b>                                 | A shs = 1.25%<br>I shs = 0.90%                   | <b>Auditor</b>                  | Deloitte   |
| <b>TER</b>   | A shs = 1.49%<br>I shs = 1.14%                   | <b>Legal Advisers</b>           | Arthur Cox   |
| <b>Minimum Investment</b>                              | The equivalent of €100,000                       | <b>Admin &amp; Custody Fees</b> | 0.18% on the first US\$75m<br>0.155% on the next US\$75m<br>0.14% on the next US\$150m<br>0.11% thereafter |
| <b>A shares ISIN</b>                                   | IE00B3DDVH01                                     | <b>I shares ISIN</b>            | IE00B4N0BT09   |
| <b>A shares sedol</b>                                  | B3DDVH0  | <b>I Shares sedol</b>           | B4N0BT0  |
| <b>A shares ticker</b>                                 | OVEMKEA  | <b>I shares ticker</b>          | OVEMKEI  |

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. Six other sub-funds exist under the Overstone Fund plc umbrella; Overstone Global Equity Fund was launched on 1<sup>st</sup> June 2005, Overstone European Equity Fund was launched on 3<sup>rd</sup> October 2005, Overstone Opportunity Multi Fund was launched on 1<sup>st</sup> November 2005, Overstone Global ex US Equity Fund was launched on 1<sup>st</sup> June 2006, Overstone Japanese Equity Fund was launched on 1<sup>st</sup> October 2007, Overstone Smaller Companies Fund was launched on 1<sup>st</sup> October 2007.

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