



Overstone Emerging Markets Equity Fund

September 2017 Newsletter 107

Oldfield Partners

Performance (USD terms)

	September	2017 to date	2016	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+1.6%	+19.1%	+30.6%	+15.2%	+6.6%	+6.8%	+153.0%	+11.0%
MSCI Emerging Markets**	-0.4%	+27.8%	+11.2%	+22.5%	+4.9%	+4.0%	+134.9%	+10.0%

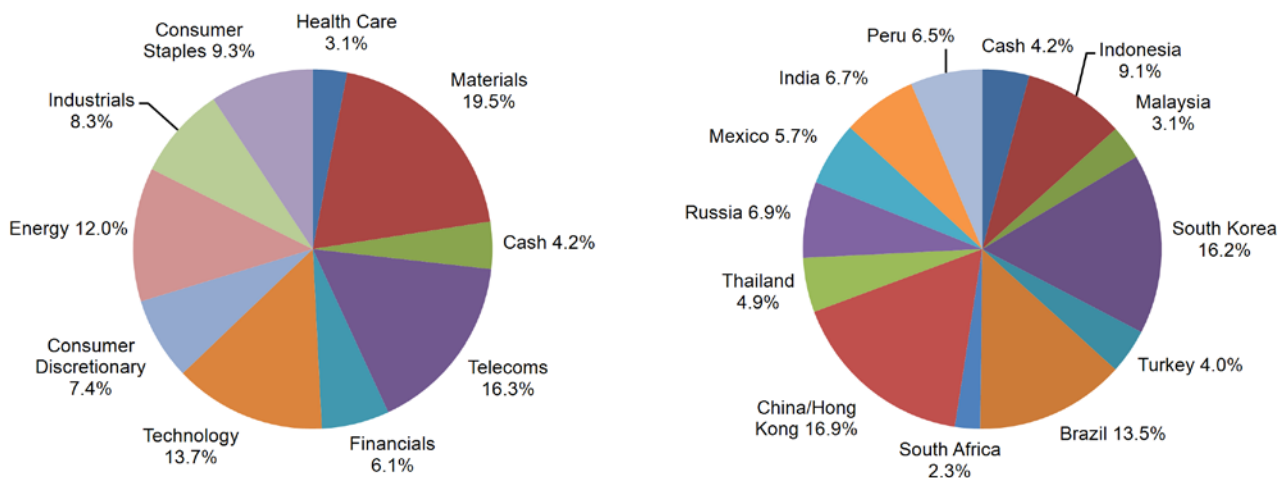
*A shares commenced on 3rd November 2008. **Net Dividends Reinvested. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust International Fund Administration Services (Ireland) Ltd.

Performance of Five Largest Holdings*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	8.6%	+10.7%	+8.8%
Embraer	8.3%	-0.2%	-0.2%
SK Telecom	7.6%	-2.8%	-2.8%
Lee & Man Paper	7.2%	+11.3%	+11.5%
Lukoil	6.9%	+5.3%	+5.3%

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

Sector and country breakdown as at 29th September 2017



Source: Oldfield Partners.

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Commentary

The portfolio performed well in the month and the quarter, and is in line with the MSCI Emerging Markets Value Index year to date. However, it is lagging the benchmark MSCI Emerging Markets Index this year due to the strong performance of growth stocks, and in particular a handful of technology stocks on demanding valuations. The turnover of the portfolio has remained low this year, and with the solid performance of the portfolio over the last couple of years, it is comforting to see that the weighted average of the price targets in the portfolio shows an attractive 39% upside.

The bottom performers by contribution in the month were Buenaventura, JSE, and SK Telecom. **Buenaventura** (Peruvian miner) suffered from weaker gold and copper prices in the month. The stock trades on a price to book ratio of 1.2. **JSE** (South African stock exchange) is trading at the bottom end of its historic valuation range and we have added to it recently. The stock trades on a price earnings ratio of 12. **SK Telecom** (Korean mobile telecom provider) has remained weak on a negative tariff ruling from the regulator and concern that the government may push for more. Tariff discounts were increased from 20% to 25%. The stock trades on a price to book ratio of 1.2.

The top performers by contribution for the month were Lee & Man Paper, Samsung Electronics, and Eros International. **Lee & Man Paper** (Chinese containerboard manufacturer) has seen increased enforcement of environmental protection policies lead to consolidation in the industry and increased pricing power for the larger players. Despite the buoyant cycle there is limited new supply planned by the industry. The stock trades on a prospective price earnings ratio of 10. **Samsung Electronics** (Korean consumer electronics) continues to execute well in its main divisions of semiconductors, mobile handsets, and display; and it is the global leader in each of them. A rock solid balance sheet (net cash) and strong free cash flow generation should allow the company to continue its shareholder return policy for the coming years. The stock trades on a prospective price earnings ratio of 9. **Eros International** (Indian Bollywood films) saw its share price recover fully after an opportunistic short seller attack in late July. There was nothing new, and management had already addressed the issues, so we were happy to invest through the volatility. The surprise demonetisation episode in India has caused a difficult year for the company but its impact is now passing. The growth of the Indian middle class and its increasing consumption of media is a long term positive for Eros and its library of content. The stock trades on a price to book ratio of 1.2.

The top performers by contribution for the quarter were **Lee & Man Paper** (Chinese containerboard manufacturer), **Embraer** (Brazilian regional jet manufacturer), and **Petrobras** (Brazilian oil producer). The bottom performers by contribution for the quarter were **SK Telecom** (Korean mobile telecom provider), **Indofood** (Indonesian snack foods), and **Infosys** (Indian IT services).

Total assets for the emerging markets strategy are now over US\$900m. Once the strategy reaches capacity at US\$1billion we will not accept additional capital, as was the case when we reached that level back in 2014. We are currently in the latter stages of due diligence with several large investors, so if you are interested in investing or adding to an existing holding, please contact us.

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Fund & Performance Summary

29th September 2017

NAV of fund	US\$ 260.0m
A shares unit price	US\$ 236.53
I shares unit price	US\$ 149.16
A USD hedged shares unit price	US\$ 109.90
A GBP hedged shares unit price	£ 108.22

Performance

	September	2017 to date	2016	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+1.6%	+19.1%	+30.6%	+15.2%	+6.6%	+6.8%	+153.0%	+11.0%
MSCI EM**	-0.4%	+27.8%	+11.2%	+22.5%	+4.9%	+4.0%	+134.9%	+10.0%
I Shares*	+1.7%	+19.4%	+31.1%	+15.6%	+6.9%	+7.2%	+62.7%	+6.3%
MSCI EM**	-0.4%	+27.8%	+11.2%	+22.5%	+4.9%	+4.0%	+43.3%	+4.6%
A USD Hedged Shares*	+2.2%	+12.4%	-2.0%	-	-	-	+10.2%	-
MSCI EM Hedged**	+0.3%	+18.4%	-2.5%	-	-	-	+15.5%	-
A GBP Hedged Shares*	+2.0%	+11.5%	-2.7%	-	-	-	+8.6%	-
MSCI EM Hedged**	+0.2%	+17.5%	-2.6%	-	-	-	+14.4%	-

*A shares commenced on 3rd November 2008, I shares on 1st October 2009, A US\$ and GBP hedged shares commenced on 31st October 2016. **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 International Fund Administration Services (Ireland) Ltd.

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Fund and share class information as at 29th September 2017

Share class	Class Currency	Management Fees	TER	Sedol	Bloomberg Ticker	ISIN
A	USD	1.25%	1.47%	B3DDVH0	OVEMKEA	IE00B3DDVH01
I	USD	0.90%	1.12%	B4N0BT0	OVEMKEI	IE00B4N0BT09
A USD Hedged	USD	1.25%	1.52%	BZBVR05	OVEMAUH	IE00BZBVR050
A GBP Hedged	GBP	1.25%	1.52%	BD3WG94	OVEMAGH	IE00BD3WG942

Fund Currency	USD	Administrator	Northern Trust International Fund Administration Services (Ireland) Ltd
Liquidity	Daily dealing	Custodian	Northern Trust Fiduciary Services (Ireland) Ltd
Benchmark	MSCI Emerging Markets (Net Dividends Reinvested) and MSCI Emerging Markets (Net Dividends Reinvested) Hedged	Auditor	Deloitte
Minimum Investment	The equivalent of €100,000	Legal Advisers	Arthur Cox
Investment Manager	Oldfield Partners LLP		

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. Three other sub-funds exist under the Overstone Fund plc umbrella; Overstone Global Equity Fund was launched on 1st June 2005, Overstone Opportunity Multi Fund was launched on 1st November 2005 and Overstone Global ex US Equity Fund was launched on 1st June 2006.

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