



# Overstone Emerging Markets Equity Fund

## September 2018 Newsletter 119

Oldfield Partners

Performance (USD terms)							
	September	2018 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+3.5%	-6.9%	-1.7%	+15.0%	+5.1%	+148.8%	+9.6%
MSCI Emerging Markets**	-0.5%	-7.7%	-0.8%	+12.3%	+3.6%	+133.0%	+8.9%

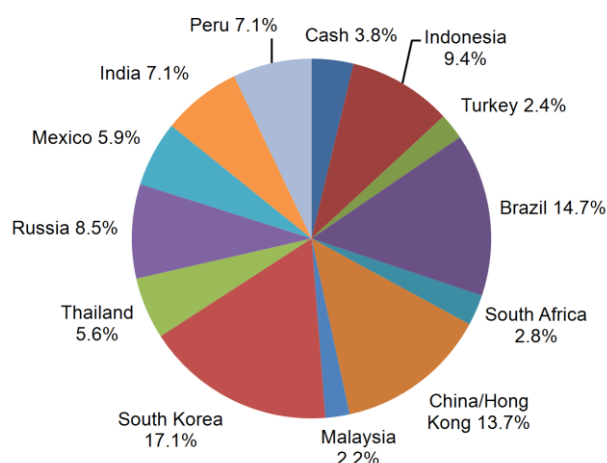
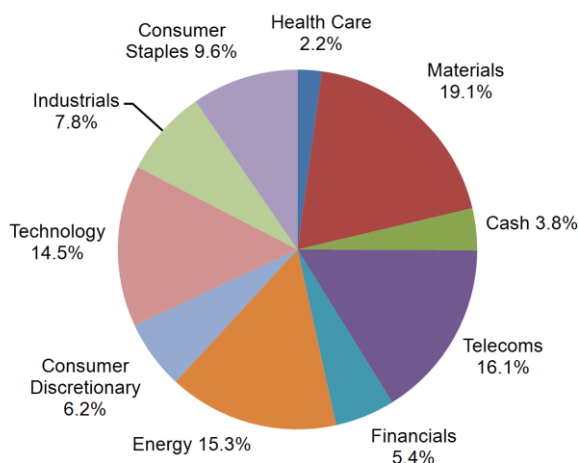
\*A shares commenced on 3rd November 2008. \*\*Net Dividends Reinvested. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust International Fund Administration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

### Performance of Five Largest Holdings\*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	8.7%	-4.1%	-3.5%
Lukoil	8.5%	+11.2%	+11.2%
SK Telecom	8.4%	+7.2%	+7.2%
Embraer	7.8%	+2.1%	+2.1%
Buenaventura	7.1%	+6.5%	+6.5%

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

### Sector and country breakdown as at 28<sup>th</sup> September 2018



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 necessarily a guide to future performance.



## Commentary

The valuation case for emerging market equities remains attractive, with the MSCI Emerging Markets Index trading comfortably below its longer term historic average valuation. The price to book ratio for the index is 1.6. The weighted average of the price targets in the portfolio is showing an attractive 50% upside.

The bottom performers by contribution in the month were Indofood and Samsung Electronics. **Indofood** (Indonesian snack food producer) has been impacted by the weakness in the local currency this year, and its knock-on impact on local pricing and demand, and in particular for low-end demand. It trades on a historic price to earnings ratio of 12.5 and a price to book ratio of 1.7. **Samsung Electronics** (Korean consumer electronics) continues to trade around expectations for the semiconductor cycle. We believe the share price already factors in a tough down cycle for 2019 and so remain positive. A mild downturn in DRAM in 2019 would add confidence that the consolidated semiconductor industry is less cyclical than its past and focused on profit maximisation. It trades on a historic price to earnings ratio of 7.6 and a price to book ratio of 1.5.

The top performers by contribution in the month were Lukoil and Petrobras. With the strong performance of the oil price this month and year our oil stocks have performed well. **Lukoil** (Russian oil & gas producer) is executing a generous shareholder return policy, highlighting its positive shareholder alignment and corporate governance, and is executing a \$3 billion share buyback currently. It trades on a historic price to earnings ratio of 7.6 and a price to book ratio of 0.9. **Petrobras** (Brazilian oil & gas producer) gave a confident investor day message of normalising its balance sheet and putting the difficult corruption scandal period in the rear-view mirror. The US authorities have ended their investigation, and so the vast majority of legal disputes against the company have been concluded. The next hurdle is the Brazilian presidential election in October. It trades on a historic price to earnings ratio of 12 and a price to book ratio of 0.8.

The top performers by contribution in the third quarter were **SK Telecom** (Korean mobile telecom), **Lukoil** (Russian oil & gas), and **Petrobras** (Brazilian oil & gas). The bottom performers by contribution in the quarter were **Embraer** (Brazilian regional jet manufacturer), **Ternium** (Latin American steel producer), and **Turkcell** (Turkish mobile telecom).



# Overstone Emerging Markets Equity Fund

## September 2018 Newsletter 119

Oldfield Partners

### Fund & Performance Summary

28 <sup>th</sup> September 2018							
NAV of fund		US\$ 219.7m					
A shares unit price		US\$ 230.01					
I shares unit price		US\$ 145.10					
A USD hedged shares unit price		US\$ 112.04					
A GBP hedged shares unit price		£ 108.20					
Performance							
	September	2018 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+3.5%	-6.9%	-1.7%	+15.0%	+5.1%	+148.8%	+9.6%
MSCI EM**	-0.5%	-7.7%	-0.8%	+12.3%	+3.6%	+133.0%	+8.9%
I Shares*	+3.5%	-6.6%	-1.3%	+15.4%	+5.5%	+60.6%	+5.4%
MSCI EM**	-0.5%	-7.7%	-0.8%	+12.3%	+3.6%	+42.2%	+4.0%
A USD Hedged Shares*	+2.1%	-1.3%	+3.1%	-	-	+13.6%	+6.9%
MSCI EM USD Hedged**	-1.2%	-3.2%	+1.9%	-	-	+17.7%	+8.8%
A GBP Hedged Shares*	+1.9%	-2.8%	+1.0%	-	-	+9.7%	+4.9%
MSCI EM GBP Hedged**	-1.3%	-4.7%	0.0%	-	-	+14.5%	+7.3%

\*A shares commenced on 3<sup>rd</sup> November 2008, I shares on 1<sup>st</sup> October 2009, A US\$ and GBP hedged shares commenced on 31<sup>st</sup> 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.

Oldfield Partners

11 Grosvenor Place, London, SW1X 7HH, United Kingdom.  
 Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com  
 www.oldfieldpartners.com



# Overstone Emerging Markets Equity Fund

## September 2018 Newsletter 119

Oldfield Partners

### Fund and share class information as at 28<sup>th</sup> September 2018

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	IE00BD3WG94 2

<b>Fund Currency</b>	USD	<b>Administrator</b>	Northern Trust International Fund Administration Services (Ireland) Ltd
<b>Liquidity</b>	Daily dealing	<b>Custodian</b>	Northern Trust Fiduciary Services (Ireland) Ltd
<b>Benchmark</b>	MSCI Emerging Markets (Net Dividends Reinvested) and MSCI Emerging Markets (Net Dividends Reinvested) USD and GBP Hedged	<b>Auditor</b>	Deloitte
<b>Minimum Investment</b>	The equivalent of €100,000	<b>Legal Advisers</b>	Arthur Cox
<b>Investment Manager</b>	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 1<sup>st</sup> June 2005, Overstone Opportunity Multi Fund was launched on 1<sup>st</sup> November 2005 and Overstone Global ex US Equity Fund was launched on 1<sup>st</sup> June 2006.

#### Oldfield Partners

11 Grosvenor Place, London, SW1X 7HH, United Kingdom.  
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com  
www.oldfieldpartners.com

Oldfield Partners LLP is authorised and regulated by the Financial Conduct Authority

Oldfield Partners LLP (OP) has approved and issued this communication for private circulation to Professional Clients only; it must not be distributed to Retail Clients (as defined by the Financial Conduct Authority). Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This is not an invitation to subscribe for any of the Funds mentioned herein. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. OP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. By acquiring an interest in the Fund, an investor acknowledges and agrees that (i) any information provided by OP is not a recommendation to invest in the Fund and that OP is not undertaking to provide any investment advice to the investor (impartial or otherwise), or to give advice to the investor in a fiduciary capacity in connection with an investment in the Fund and, accordingly, no part of any compensation received by OP is for the provision of investment advice to the investor, and (ii) OP has a financial interest in the investor's investment in the Fund on account of the fees and other compensation it expects to receive from the Fund as disclosed in the Fund's prospectus. © 2018 Partnership No. OC309959.