

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

30 September 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\$213.5m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

"A concentrated portfolio concentrates the mind..."

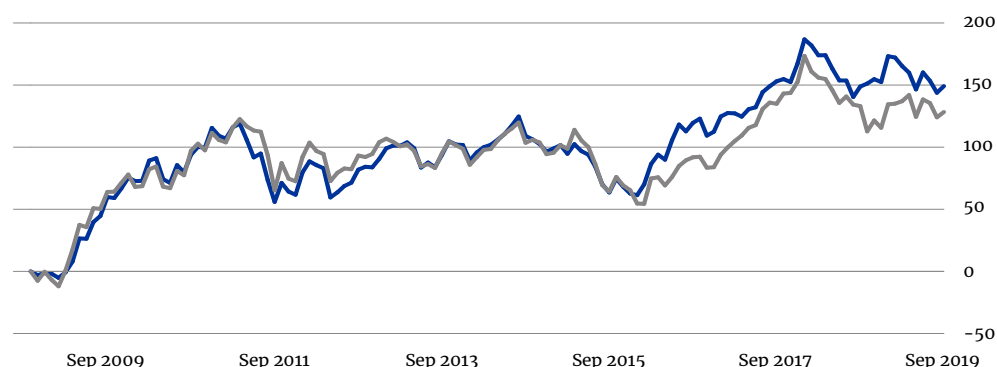
About Oldfield Partners

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	+2.2	-1.3	+0.1	+149.2	+4.3	+3.6	+8.7
■ MSCI Emerging Markets	+1.9	+5.9	-2.0	+128.3	+6.0	+2.3	+7.9

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 global monetary policy actions and widening trade disputes, with abrasive positioning becoming entrenched by both the US and China, leading to fallout across the global economy.

The bottom performers by contribution in the month were Telkom Indonesia and Indofood. **Telkom Indonesia** (Indonesian telecom operator) is the leading telecom provider in one of Asia's fastest growing telecom markets. It is well placed in wireless, as 4G penetration still has a long way to go, and fixed telecom, as the growth in broadband takes off. Its superior network and strong balance sheet help protect its dominant position. **Indofood** (Indonesian snack food manufacturer) is driven by its key noodle business that continues to grow strongly and maintain solid margins whilst commanding a dominant market share domestically. The penetration of cup noodles is low and should grow long term as income levels increase. Its in-house distribution network is a competitive advantage in a country where the vast majority of the retail market are small traditional family owned stores.

The top performers by contribution in the month were Samsung Electronics and Petrobras. **Samsung Electronics** (Korean electronics manufacturer) is looking forward to the turn in the semiconductor cycle, perhaps as close as a quarter away, and a margin recovery in the mobile handset division. **Petrobras** (Brazilian oil producer) continues its successful deleveraging programme as it sells assets and generates sustainable free cash flow. Although the oil market is currently well supplied recent attacks on the Saudi Arabian oil infrastructure and Middle East tensions highlight vulnerabilities that may support the oil price.

The top performers by contribution for the third quarter were **Indofood** (Indonesian snack food manufacturer) and **Thai Beverage** (Thailand's leading alcoholic beverage producer). The bottom performers by contribution for the quarter were **Embraer** (Brazilian aircraft manufacturer) and **Lee & Man Paper** (Chinese containerboard manufacturer).

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	9.6	+11.5	+12.5
Lukoil	8.2	+3.0	+3.0
Petrobras	8.2	+7.4	+7.4
Embraer	8.1	-1.6	-1.6
Buenaventura	7.7	-0.4	-0.4
SK Telecom	7.6	+1.6	+1.6
Thai Beverage	7.3	-1.7	-1.3
Telkom Indonesia	7.0	-4.2	-4.2
Indofood	5.8	-2.9	-2.9
Yue Yuen Industrial	5.2	+9.0	+9.0

Total number of holdings 17

Active share (%)** 93.6

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	29.7	13.9***
Price-to-book ratio	1.7	1.6
Price-to-earnings ratio	10.2	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 September 2019.

Source: Oldfield Partners.

Sector breakdown (%)

Communications Services	17.9	
Energy	16.4	
Materials	16.0	
Information Technology	14.0	
Consumer Staples	13.0	
Industrials	8.1	
Consumer Discretionary	5.4	
Financials	4.5	
Cash	4.6	

Country breakdown (%)

South Korea	17.2	
Brazil	16.3	
Indonesia	12.8	
China/Hong Kong	11.1	
Russia	8.2	
Peru	7.7	
Thailand	7.3	
India	4.6	
Mexico	4.5	
Turkey	3.3	
South Africa	2.3	
Cash	4.6	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.51%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$226.82
I USD	0.90%	1.16%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$143.07
A USD Hedged	1.25%	1.56%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$109.56
A GBP Hedged	1.25%	1.56%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£104.15

*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	+2.2	-1.3	+0.1	+149.2	-	+4.3	+3.6	+8.7	-	
I USD	+2.2	-1.0	+0.5	-	+61.4	+4.7	+3.9	-	+4.9	
MSCI Emerging Markets	+1.9	+5.9	-2.0	+128.3	+39.3	+6.0	+2.3	+7.9	+3.4	

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	+1.4	-1.2	-0.8	+12.7	-	-	+4.2	
MSCI Emerging Markets USD Hdgd	+1.4	+7.6	-0.4	+17.2	-	-	+5.6	

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	+1.2	-2.3	-2.2	+7.2	-	-	+2.4	
MSCI Emerging Markets GBP Hdgd	+1.3	+5.5	-3.0	+11.1	-	-	+3.7	

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.

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