

# Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

# OP

Oldfield Partners

30 September 2020

## 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\$129.9m
Domicile	Ireland
Structure	QJAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

*“A concentrated portfolio concentrates the mind...”*

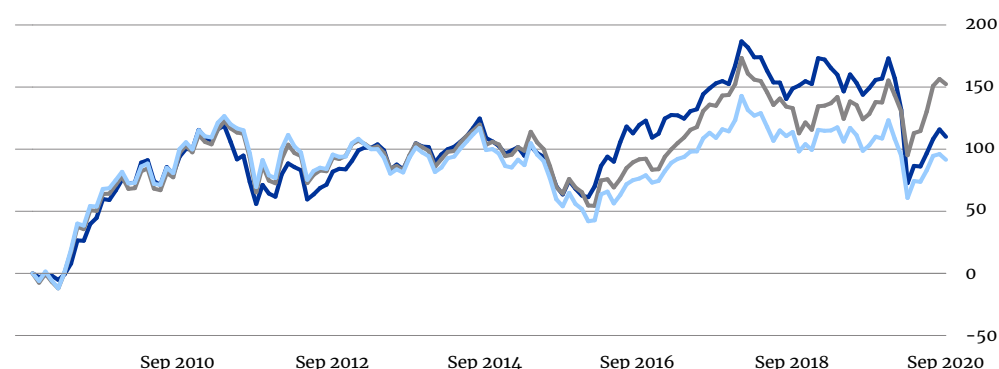
### About Oldfield Partners

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	-2.8	-23.1	-15.7	+110.0	-6.0	+5.1	+6.4
■ MSCI Emerging Markets	-1.6	-1.2	+10.5	+152.4	+2.4	+9.0	+8.1
■ MSCI EM Value	-2.3	-14.2	-5.7	+91.5	-2.9	+4.4	+5.6

### Preceding five calendar years performance

	2019	2018	2017	2016	2015
A USD	+8.2	-5.5	+25.8	+30.6	-17.2
MSCI Emerging Markets	+18.4	-14.6	+37.3	+11.2	-14.9
MSCI EM Value	+11.9	-10.7	+28.1	+14.9	-18.6

Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.

MSCI EM Value index is for comparison purposes only.

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 second wave of Covid-19 infections has not yet seen a dramatic rise in hospitalisations and deaths that could push governments to reconsider harsh ‘lock-downs’ again impacting economic activity. A vaccine and treatments (and perhaps patience as nature takes its course) remain the answer to this ongoing health crisis. Meanwhile governments and central banks must keep the economy and confidence ticking over. We believe the portfolio holdings are all survivors – but we must acknowledge the uncertainty and have a spectrum of holdings that can do well in different scenarios. We see the differential in valuation between ‘value’ and ‘growth’ stocks in emerging markets as having become too stretched – and can favour value.

The bottom performers by contribution for the month were Buenaventura, Lukoil, and Petrobras. Weaker oil and gold prices in the month impacted our commodity stocks. **Buenaventura** (Peruvian miner) has re-rated strongly following the re-opening of its mines that were shut due to a national lock-down in Peru. Management recently commented that the company is at 85% of capacity and will reach full capacity by November – a slower pace than its comments in the summer. **Lukoil** (Russian oil producer) and **Petrobras** (Brazilian oil producer) are well placed as low-cost oil producers that have reduced capital expenditure in an uncertain demand environment to increase free cash flow. Petrobras has the go-ahead (from the Supreme Court) to begin its next stage of divestments as it focuses on its upstream pre-salt assets.

The top performers by contribution for the month were Lee & Man Paper, Samsung Electronics, and Infosys. **Lee & Man Paper** (Chinese packaging manufacturer) is benefiting from the recovery in the Chinese economy. The bulk of its products are to the Chinese consumer, which has, so far, been lagging in the recovery. As we head into peak season inventory levels for the industry are moderate. **Samsung Electronics** (Korean electronics) is benefiting from a favourable semiconductor outlook in 2021 with supply discipline (notably DRAM), improving inventory, and demand drivers (datacentres, mobile, gaming, 5G ...) performing well. In addition, there has been positive news flow in foundry, networks, and mobile. **Infosys** (Indian IT services) is executing well in an environment that is favouring IT services. Companies need to have and improve their digital presence in the current environment. Infosys’ earlier move into digital and its fostering of facilities in the US look well timed.

## Commentary - continued

The top performers by contribution for the third quarter were Infosys, Buenaventura, and Lee & Man Paper; and the bottom performers were Lukoil, Telkom Indonesia, and Embraer. The top performers for the year to date by contribution are Infosys, Samsung Electronics, and SK Telecom; and the bottom performers are Embraer, Petrobras, and Lukoil.

## Capacity and flows

AUM of the strategy is now below our US\$1bn capacity so we are accepting capital from investors, with priority given to existing investors and those on the waitlist, and then from new relationships. If you are interested in the strategy, please contact us.

## Fund analysis

## Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.5	+7.8	+9.9
SK Telecom	9.3	-2.4	-2.4
Infosys	9.2	+9.6	+9.6
Buenaventura	8.6	-13.2	-13.2
Lee & Man Paper	7.1	+20.7	+20.7
Thai Beverage	6.9	-1.6	-2.0
Indofood	6.8	-6.2	-7.8
Ternium	6.4	+5.3	+5.3
Lukoil	6.0	-15.4	-15.4
Petrobras	5.9	-12.1	-12.1

Total number of holdings **16**

Active share (%)\*\* **93.9**

## Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	22.0	7.0***
Price-to-book ratio	1.7	1.7
Price-to-earnings ratio	11.4	18.6
Return on equity (%)	11.7	9.4

\*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 2020.

Source: Oldfield Partners.

## Sector breakdown (%)

Materials	22.1	
Information Technology	18.7	
Communication Services	18.3	
Consumer Staples	13.6	
Energy	12.0	
Consumer Discretionary	4.7	
Financials	4.4	
Industrials	2.9	
Cash	3.3	

## Country breakdown (%)

South Korea	18.7	
China/Hong Kong	13.7	
Indonesia	12.1	
India	9.2	
Brazil	8.8	
Peru	8.6	
Thailand	6.9	
Mexico	6.4	
Russia	6.0	
Turkey	3.7	
South Africa	2.5	
Cash	3.3	

## Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.52%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$188.73
I USD	0.90%	1.17%	B4N0BT0	OVEMKEI ID	IE00B4N0BT09	US\$119.05
A USD Hedged	1.25%	1.57%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$95.25
A GBP Hedged	1.25%	1.57%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£88.39

\*AMC - Annual management charge

\*\*TER - Total expense ratio

## Performance summary of all share classes

USD shares	1 month	YTD	1 year	Since launch		Annualised		Since launch	
				03/11/08	01/10/09	3 years	5 years	03/11/08	01/10/09
A USD	-2.8	-23.1	-15.7	+110.0	-	-6.0	+5.1	+6.4	-
I USD	-2.7	-22.9	-15.4	-	+36.5	-5.7	+5.5	-	+2.9
MSCI Emerging Markets	-1.6	-1.2	+10.5	+152.4	+53.9	+2.4	+9.0	+8.1	+4.0
MSCI EM Value	-2.3	-14.2	-5.7	+91.5	+14.0	-2.9	+4.4	+5.6	+1.2

USD Hedged shares	1 month	YTD	1 year	Since launch		Annualised		Since launch	
				31/10/16		3 years	5 years	31/10/16	
A USD Hedged	-2.2	-17.4	-12.0	-0.7		-3.4	-	-0.2	

GBP Hedged shares	1 month	YTD	1 year	Since launch		Annualised		Since launch	
				31/10/16		3 years	5 years	31/10/16	
A GBP Hedged	-2.0	-18.5	-14.1	-7.8		-5.3	-	-2.1	

Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.

MSCI EM Value index is for comparison purposes only.

Source: Oldfield Partners.

### Oldfield Partners

11 Grosvenor Place  
London, SW1X 7HH  
United Kingdom

Telephone: +44 (0) 20 7259 1000

Email: [info@oldfieldpartners.com](mailto:info@oldfieldpartners.com)

[www.oldfieldpartners.com](http://www.oldfieldpartners.com)

### Dealing and administrator details

Northern Trust International Fund  
Administration Services (Ireland) Ltd.

Telephone: +353 (0) 1 434 5054

Oldfield Partners LLP is authorised and regulated by the Financial Conduct Authority. 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. 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 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). © 2020 Partnership No. OC309959.