

# Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

# OP

Oldfield Partners

30 September 2021

## Monthly fund review

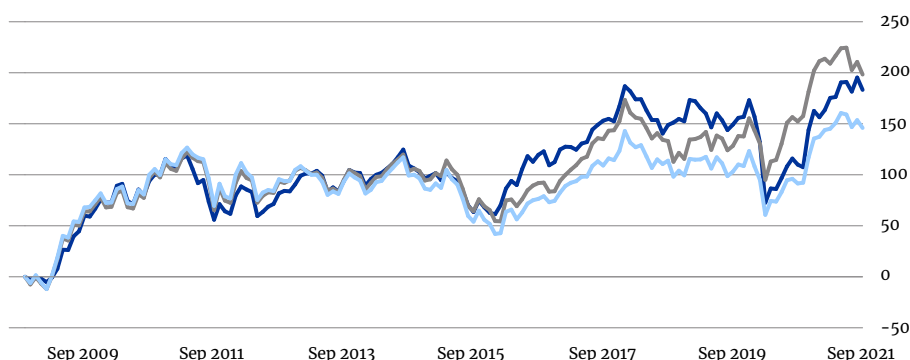
### Investment objective

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\$147.8m
Domicile	Ireland
Structure	QJAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

## Fund performance (%)



	Annualised						
	1 month	YTD	1 year	Launch	3 years	5 years	Launch
■ A USD	-4.1	+7.8	+34.9	+183.2	+4.4	+5.2	+8.4
■ MSCI Emerging Markets	-4.0	-1.2	+18.2	+198.3	+8.6	+9.2	+8.8
■ MSCI EM Value	-3.0	+4.4	+28.4	+145.9	+4.8	+6.9	+7.2

Preceding five calendar years performance		2020	2019	2018	2017	2016
A USD		-3.8	+8.2	-5.5	+25.8	+30.6
MSCI Emerging Markets		+18.3	+18.4	-14.6	+37.3	+11.2
MSCI EM Value		+5.5	+11.9	-10.7	+28.1	+14.9

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.**

*“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 manager commentary

There was a challenging mix of headwinds for emerging market equities this month. China continues to implement its wider agenda of economic and political controls made possible by its strong showing throughout the covid period and fear of a prolonged period of geo-political ‘butting of heads’. Chinese economic growth continues to slow, and government focus has moved to the loosely defined goal of ‘common prosperity’. The property and energy sectors could be reflecting a potential policy misstep. Supply disruptions are springing up throughout the global economy and this is adding to wider inflationary pressures - which are visible in energy, labour, and property markets. The US flagged that it would begin to tighten monetary policy, reducing additional liquidity, and the US dollar has strengthened. The covid virus has taken a backseat as the vaccine rollout continues globally and these ‘big macro-economic’ influences come to the fore.

The bottom performers by contribution for the month were Ternium, Lee & Man Paper, and Infosys. **Ternium** (Latin American steel producer) continues to enjoy high US steel prices, a solid demand outlook, and good strategic positioning in Mexico. The bull case for steel revolves around strong US demand, more disciplined industry supply, and Chinese export curtailments. The bear case is that this is all known; and imports to the US will ramp up, and that woes in China may escalate, spilling over to global steel markets. **Lee & Man Paper** (Chinese containerboard producer) is facing disruption to customer demand as the Chinese economy sees energy restrictions impacting economic growth. This is the more sensitive as it is heading into peak season for containerboard demand. **Infosys** (Indian IT services provider) continues to execute well in a period of booming demand for IT services to boost and enhance corporate digital capabilities. Management has steadily increased guidance over the year and heading into its quarterly results it may be harder to positively surprise investors further.

The top performers by contribution for the month were Lukoil and Telkom Indonesia. **Lukoil** (Russian oil producer) is benefiting from the strength in the global oil price. OPEC+ continues to discipline the market well and capital expenditure on oil exploration has been limited in recent years. Energy markets globally remain tight heading into the year-end. **Telkom Indonesia** (Indonesian telecom provider) benefits from further industry consolidation that should reduce periods of competitive pricing. Unlimited plans were a feature of competition in the lock-down period and competition has since become more rational. Broadband growth remains strong with the company in a solid long-term strategic position.

## Commentary - continued

The top performers by contribution for the quarter were **Embraer**(Brazilian aircraft manufacturer), **Telkom Indonesia**, and **Ternium**; and the bottom performers by contribution for the quarter were **SK Hynix**(Korean semiconductor manufacturer), **Buenaventura**(Peruvian mining company), and **Samsung Electronics** (Korean electronics producer).

We are holding a substantially higher than average cash weighting through this difficult period for emerging market equities and will look to reduce this as opportunities arise.

## Capacity and flows

We are pleased to announce that we are now offering an EM ex China strategy. Alongside this we have increased capacity across both EM and EM ex China to US\$1.5bn. If you would like to know more or arrange a meeting please contact [clientrelations@oldfieldpartners.com](mailto:clientrelations@oldfieldpartners.com).

## Fund analysis

## Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Embraer	8.8	-5.2	-5.2
Samsung Electronics	8.3	-3.4	-5.6
SK Telecom	7.8	+4.6	+4.6
Infosys	7.4	-6.6	-6.6
Lukoil	6.4	+13.0	+13.0
Telkom Indonesia	6.3	+6.8	+6.8
Ternium	6.0	-22.2	-22.2
Thai Beverage	6.0	-3.7	-4.7
Petrobras	5.7	-4.0	-4.0
SK Hynix	5.6	-3.3	-5.5

Total number of holdings

17

Active share (%)\*\*

93.1

## Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	23.0	12.0***
Price-to-book ratio	1.9	1.9
Price-to-earnings ratio	14.0	15.1
Return on equity (%)	9.8	12.7

\*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 2021.

Source: Oldfield Partners.

## Sector breakdown (%)

Information Technology	21.2	
Communication Services	16.7	
Materials	14.8	
Energy	12.1	
Consumer Staples	10.6	
Industrials	8.8	
Consumer Discretionary	4.3	
Financials	3.7	
Cash	7.8	

## Country breakdown (%)

South Korea	21.7	
Brazil	14.5	
Indonesia	11.0	
China/Hong Kong	10.8	
India	7.4	
Russia	6.4	
Mexico	6.0	
Thailand	6.0	
Peru	4.1	
Turkey	2.6	
South Africa	1.8	
Cash	7.8	

## Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.49%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$252.55
I USD	0.90%	1.14%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$159.38

\*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	-4.1	+7.8	+34.9	+183.2	-	+4.4	+5.2	+8.4	-
I USD	-4.1	+8.1	+35.4	-	+84.7	+4.8	+5.6	-	+5.2
MSCI Emerging Markets	-4.0	-1.2	+18.2	+198.3	+82.0	+8.6	+9.2	+8.8	+5.1
MSCI EM Value	-3.0	+4.4	+28.4	+145.9	-	+4.8	+6.9	+7.2	-

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Source: Oldfield Partners.

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### Dealing and administrator details

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