

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

30 September 2022

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.

Fund particulars

Launch date	03 November 2008
Fund size	US\$46.3m
Domicile	Ireland
Structure	QJAIIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

"A concentrated portfolio concentrates the mind..."

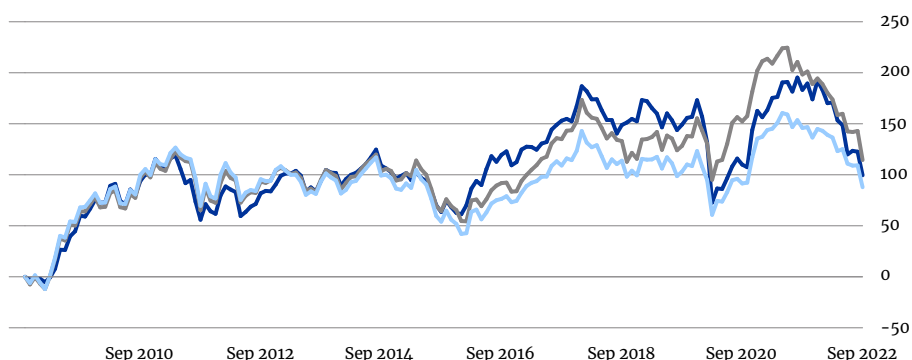
About Oldfield Partners

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	Annualised	
				3 years	5 years
■ A USD	-10.4	-31.7	-29.6	-7.1	-4.6
■ MSCI Emerging Markets	-11.7	-27.2	-28.1	-2.1	-1.8
■ MSCI EM Value	-10.2	-23.3	-23.6	-2.6	-2.1
Preceding five calendar years performance	2021	2020	2019	2018	2017
A USD	+11.3	-3.8	+8.2	-5.5	+25.8
MSCI Emerging Markets	-2.5	+18.3	+18.4	-14.6	+37.3
MSCI EM Value	+4.0	+5.5	+11.9	-10.7	+28.1

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.

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

Equity markets around the world had a very tough month and third quarter. Investors are contending with tightening liquidity from more restrictive monetary policy in the US and Europe, a strong US dollar, and the US, European, and Chinese economies weakening together. Fragmentation has replaced globalisation. Inflation globally remains stubborn, and it looks like early days in the fight by central banks. Valuation is a bright spot, and although valuation alone rarely turns markets, it does help to indicate turning points. This has already been a deep and lengthy bear market for emerging market equities. The upside potential for the portfolio is near 100% as measured by the weighted average of the company price targets.

The bottom performers by contribution in the month were Embraer and the Korean semiconductor stocks - Samsung Electronics and SK Hynix. **Embraer** (Brazilian aircraft manufacturer) is in a cyclical sector, but it is in a strong position within its industry. It is the sole remaining provider of regional jets into the key US market. Its order backlog continues to grow, representing over three years of revenue. In addition, Embraer owns the majority stake in EVE, a US listed short-range electric flight vehicle, that trades at a premium to the market capitalisation of Embraer - this offers the traditional regional jet, business jet, and defence businesses for free. The Korean semiconductor stocks - **Samsung Electronics** and **SK Hynix** - reacted to the weakening of memory chip demand in the smartphone and PC sectors spreading to the data centre providers. The DRAM sector, that dominates earnings for both businesses, is consolidated amongst three major producers globally. The weakness of demand coupled with existing inventories at producers and key customers have in the near-term overcome the benefits of supply discipline and industry concentration but will lead to industry cuts in capital expenditure helping to seed the next recovery. This latest cyclical low for the industry is likely to be at solid levels of profitability, in stark contrast to its historical reputation. We cannot predict the timing of the cyclical turn for sure, but both stocks are trading near valuation trough levels.

The top performers by contribution in the month were Buenaventura and Infosys. **Buenaventura** (Peruvian miner) has been reflecting the volatile political background in Peru since the Presidential elections last year and worries about its impact on the mining industry. The recent appointment of a new Finance Minister, Kurt Burneo, has been taken positively as he understands and promotes the importance of the mining industry in Peru. Disputes with local communities can have an impact on mine production, and Buenaventura as a local company has a good track record here. Buenaventura owns a 20% stake in a copper mine, Cerro Verde,

Commentary - continued

that equals its entire market capitalisation. **Infosys** (Indian IT services provider) is confident of delivering its year-end guidance despite the growing economic challenges in the US and Europe. IT projects are often multi-year, improve competitiveness, and can be cost takeout in nature, all of which means they are less likely to be cancelled. Margins will get tougher to deliver as wage and travel costs are firming. We see Infosys as well placed to benefit from the long-term demand trend towards corporate digitalisation and outsourcing of IT services.

The top performers for the third quarter were **Petrobras** (Brazilian oil producer) and **Telkom Indonesia** (Indonesian telecom provider); and the bottom performers were **Alibaba** (Chinese e-commerce provider), **Ternium** (Latin American steel producer), and **Lee & Man Paper** (Chinese packaging materials).

Russian holdings

Please note that as of 3rd March 2022 the holding of Lukoil ADR will have a fair value price (FVP) of zero. This has been determined by our Valuation Committee. Lukoil ADR listed on the London Stock Exchange (LSE) was suspended from trading by the exchange on the morning 3rd March 2022. We will continue to monitor the situation daily and update accordingly.

Fund analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Telkom Indonesia	7.8	-4.1	-4.1
Thai Beverage	7.2	-7.0	-9.5
Samsung Electronics	6.6	-11.1	-16.9
Embraer	6.4	-19.3	-19.3
Indofood	6.0	-3.2	-5.7
Petrobras	5.8	-9.3	-9.3
Ternium	5.6	-11.1	-11.1
SK Hynix	5.6	-12.7	-18.5
Alibaba	5.2	-17.3	-17.3
Buenaventura	4.9	+26.5	+26.5

Total number of holdings 22

Active share (%)** 91.7

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	21.0	12.0***
Price-to-book ratio	1.4	1.5
Price-to-earnings ratio	9.4	11.5
Return on equity (%)	13.9	13.3

*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 2022.

Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	22.6	
Consumer Staples	15.7	
Materials	14.8	
Communication Services	14.6	
Consumer Discretionary	9.2	
Industrials	6.4	
Energy	5.8	
Financials	4.4	
Cash	6.5	

Country breakdown (%)

South Korea	22.3	
China/Hong Kong	15.8	
Indonesia	13.8	
Brazil	12.3	
Thailand	7.2	
Mexico	5.6	
Peru	4.9	
Taiwan	4.1	
India	3.2	
Turkey	2.3	
South Africa	2.1	
Cash	6.5	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.42%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$173.92
I USD	0.90%	1.07%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$109.77

*AMC - Annual management charge

**TER - Total expense ratio

Performance summary of all share classes

USD shares	1 month	YTD	1 year	Annualised	
				3 years	5 years
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Oldfield Partners

11 Grosvenor Place
London, SW1X 7HH
United Kingdom

Telephone: +44 (0) 20 7259 1000

Email: info@oldfieldpartners.com

www.oldfieldpartners.com

Dealing and administrator details

Northern Trust International Fund
Administration Services (Ireland) Ltd.

Telephone: +353 (0) 1 434 5054

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