

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

30 October 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\$125.6m
Domicile	Ireland
Structure	QJAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

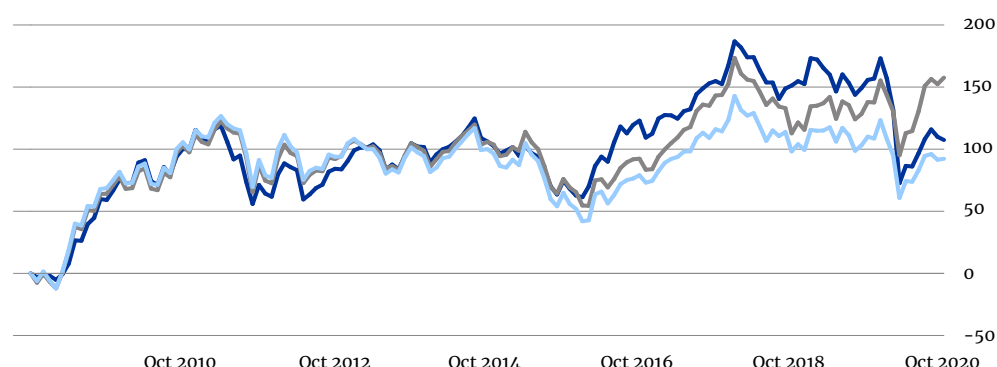
About Oldfield Partners

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	-1.2	-24.1	-18.9	+107.4	-6.6	+3.5	+6.3
■ MSCI Emerging Markets	+2.1	+0.9	+8.3	+157.6	+1.9	+7.9	+8.2
■ MSCI EM Value	+0.4	-13.9	-8.5	+92.3	-3.8	+3.1	+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

Equity markets are on edge with virus concerns, as second wave lockdowns begin, and with the US election, determining the timing and size of any new fiscal stimulus measures. China unveiled its latest five-year economic plan highlighting its desire to secure supply chains and boost technology independence as US policy towards China looks to remain frosty for the foreseeable future. Emerging market equities sold off sharply at month-end.

We believe the portfolio holdings are all survivors - but we must acknowledge the current level of uncertainty and have a spectrum of holdings that can do well in different scenarios. The weighted average of the price targets in the portfolio shows 60% upside potential. We see the differential in valuation between 'value' and 'growth' stocks in emerging markets as having become too stretched - and can favour value. A timely reminder of investing in highly valued growth stocks came with the pulling of the Ant Group IPO in China at the last minute showing that the government has the last say and that the Chinese Internet sector had best remember it.

The bottom performers by contribution for the month were Lukoil, SK Telecom, and Petrobras. The oil price fell sharply at month-end as lockdown fears turned into reality; but has subsequently regained composure as the leading oil producers look to maintain supply constraints. **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 continues to divest non-core assets to improve its balance sheet and its key deep-water oil producing fields have falling lifting costs. **SK Telecom** (Korean mobile telecommunications provider) is benefiting from the growth of 5G in Korea and the commercialisation of 5G services. The investment it has in SK Hynix (a leading semiconductor manufacturer) gives exposure to the growth of this rapidly consolidating industry. Management have moved slowly towards improving shareholder friendliness and have recently initiated a share buyback.

The top performers by contribution for the month were Ternium, Infosys, and Lee & Man Paper. **Ternium** (leading Latin American steel producer) has seen improved pricing as the US steel market recovers and this feeds into the Mexican market. Automobile production has increased, and Mexico is a solid manufacturing base to access the US marketplace. The third quarter results were superb on strong volumes and pricing,

Commentary - continued

and management guided for further improvement in the fourth quarter as production recovers to pre-pandemic levels. **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 services and its fostering of facilities in the US look well timed. **Lee & Man Paper** (Chinese packaging manufacturer) is benefiting from the recovery in a Chinese economy that has been spared significant impact from Covid-19. 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 suggesting further upside in prices as demand continues to pick up.

The top performers for the year to date by contribution are Infosys, Samsung Electronics, and Lee & Man Paper; 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	9.1	-2.3	0.0
Buenaventura	8.8	+0.4	+0.4
SK Telecom	8.4	-6.1	-6.1
Infosys	7.8	+3.4	+3.4
Lee & Man Paper	7.5	+4.5	+4.4
Ternium	7.0	+6.3	+6.3
Thai Beverage	6.8	-4.1	-4.3
Indofood	6.8	-2.1	-1.6
Petrobras	6.5	-6.2	-6.2
Lukoil	6.1	-11.7	-11.7

Total number of holdings **16**

Active share (%)** **94.1**

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	24.0	6.0***
Price-to-book ratio	1.6	1.8
Price-to-earnings ratio	10.7	18.7
Return on equity (%)	11.3	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 October 2020.

Source: Oldfield Partners.

Sector breakdown (%)

Materials	23.3	
Communication Services	17.8	
Information Technology	16.9	
Consumer Staples	13.6	
Energy	12.5	
Consumer Discretionary	4.8	
Financials	4.6	
Industrials	2.7	
Cash	3.8	

Country breakdown (%)

South Korea	17.5	
China/Hong Kong	14.5	
Indonesia	12.7	
Brazil	9.2	
Peru	8.8	
India	7.8	
Mexico	7.0	
Thailand	6.8	
Russia	6.1	
Turkey	3.5	
South Africa	2.4	
Cash	3.8	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.52%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$186.44
I USD	0.90%	1.17%	B4N0BT0	OVEMKEI ID	IE00B4N0BT09	US\$117.63
A USD Hedged	1.25%	1.57%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$93.61
A GBP Hedged	1.25%	1.57%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£86.91

*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	-1.2	-24.1	-18.9	+107.4	-	-6.6	+3.5	+6.3	-	
I USD	-1.2	-23.8	-18.6	-	+34.8	-6.3	+3.9	-	+2.7	
MSCI Emerging Markets	+2.1	+0.9	+8.3	+157.6	+57.1	+1.9	+7.9	+8.2	+4.2	
MSCI EM Value	+0.4	-13.9	-8.5	+92.3	+14.5	-3.8	+3.1	+5.6	+1.2	

USD Hedged shares	Annualised								
	1 month	YTD	1 year	Since launch		3 years	5 years	Since launch	
				30/10/16				30/10/16	
A USD Hedged	-1.7	-18.8	-14.2	-2.5		-4.3	-	-0.6	

GBP Hedged shares	Annualised								
	1 month	YTD	1 year	Since launch		3 years	5 years	Since launch	
				30/10/16				30/10/16	
A GBP Hedged	-1.7	-19.9	-15.7	-9.4		-6.1	-	-2.4	

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.

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