

OLDFIELD PARTNERS

OVERSTONE EMERGING MARKETS EQUITY FUND

NOVEMBER 2014 NEWSLETTER 73

Fund & Performance Summary

28 th November 2014							
NAV of fund	US\$ 408.6m						
A shares unit price	US\$ 195.81						
I shares unit price	US\$ 123.73						
Performance							
	November	2014 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-1.8%	+0.4%	+0.2%	+7.2%	+4.0%	+102.5%	+12.3%
Index**	-1.1%	+2.5%	+1.0%	+5.3%	+3.5%	+103.7%	+12.4%
I Shares*	-1.8%	+0.7%	+0.6%	+7.6%	+4.3%	+29.0%	+5.0%
Index**	-1.1%	+2.5%	+1.0%	+5.3%	+3.5%	+24.3%	+4.3%

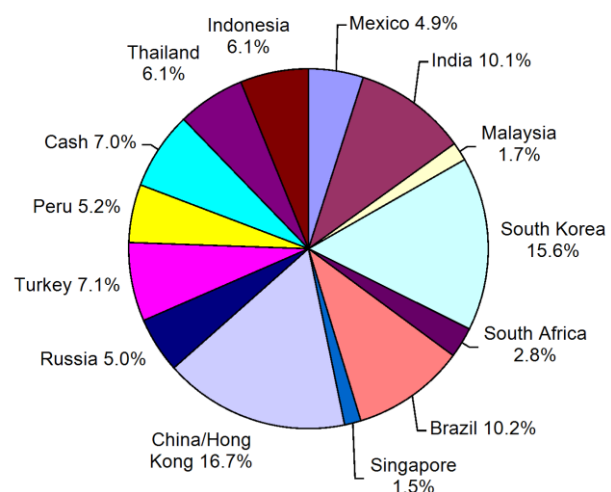
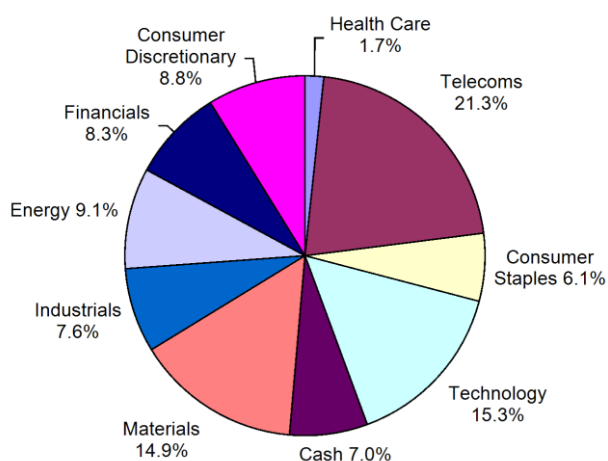
*A shares commenced on 3rd November 2008 and I shares on 1st October 2009. **MSCI Emerging Markets (Net Dividends Reinvested). Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd.

Performance of Five Largest Holdings*

Stock	Portfolio Weighting (%)*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
SK Telecom	8.1	+1.9%	+1.9%
Infosys	7.8	+4.5%	+4.5%
Embraer	7.6	-4.4%	-4.4%
Samsung Electronics	7.5	+3.5%	-0.2%
Turkcell	7.1	+8.5%	+8.5%

*As at end of period. **Total Return inclusive of dividends. Source: Oldfield Partners and Bloomberg.

Sector and country breakdown as at 28th November 2014



Source: Oldfield Partners.

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Commentary

Emerging market equities have fallen sharply since September (around 10% in US dollar terms) with concerns over a Chinese economic slowdown, US monetary policy change, various geo-political concerns, and more recently a sharp fall in commodity prices. Overall this is not a good macro-economic backdrop for the performance of emerging market equities. So far this year approximately \$10 billion has flowed out of the emerging market equity asset class. Emerging markets are arguably better able to adjust than in the past; for instance with interest rate cuts seen in China recently, overall the economies are in better financial health, and more of the countries have floating currencies.

The worst performers during the month by contribution were Thai Beverage and Petrobras. **Thai Beverage** (leading alcoholic beverage producer in Thailand) had third quarter results that disappointed the market, but were reflective of a seasonally weaker quarter and harsh comparatives. Volumes in the spirits business fell 11% year-on-year due to inventory building last year ahead of a tax hike. Overall Thai Beverage has held up well against a weaker consumer backdrop, as the consumer has traded down to its brands and rural communities have been less impacted. **Petrobras** (Brazilian oil & gas) has been impacted by the sharp fall in global oil prices and the on-going investigation into corruption in contracts for its downstream division, mostly notably the building of its new refineries. Petrobras is the victim, and is fully co-operating with the relevant authorities, but it will likely need to take write-offs (if assets are found to be held above fair value) and must actively improve its internal controls. The conclusion of the investigation and extent of any financial impact remain uncertain at this time. Petrobras has long been an attractive upstream proposition, but with the drag of an unattractive downstream division. We have approximately halved the position (to around a 2.5% weight) to reflect the uncertainty in the on-going investigation and the less attractive oil price environment on its upstream division.

The top performers during the month by contribution were **Turkcell** (Turkish mobile operator) and **Yue Yuen** (Hong Kong athletic shoes manufacturer). We wrote on both holdings in last month's newsletter, and their share prices continued to rally after solid underlying third quarter results.

After a long wait, of about a year, **Samsung Electronics** (Korean consumer electronics) said it would do a \$2 billion share buyback, which is approximately 1.2% of its shares. The timing of the announcement came as a surprise to investors, as the company had recently said it would address the shareholder return issue in its fourth quarter results. This does provide hope of further measures coming in the end-January results. Despite the poor trading of its mobile handsets division recently, the semiconductor division is doing well, and the valuation is attractive trading on a price to earnings ratio (ex-cash) of 5.

Turnover year-to-date has been low at 12%. The portfolio trades on a historic price to earnings ratio of 12.7 and a price to book ratio of 1.9.

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Fund Information as at 28 th November 2014			
Currency	USD	Investment Manager	Oldfield Partners LLP
Liquidity	Daily dealing	Administrator	Northern Trust International Fund Administration Services (Ireland) Ltd
Benchmark	MSCI Emerging Markets (Net Dividends Reinvested)	Custodian	Northern Trust Fiduciary Services (Ireland) Ltd
Management Fees	A shs = 1.25% I shs = 0.90%	Auditor	Deloitte
TER	A shs = 1.48% I shs = 1.13%	Legal Advisers	Arthur Cox
Minimum Investment	The equivalent of €100,000	Admin & Custody Fees	0.18% on the first US\$75m 0.155% on the next US\$75m 0.14% on the next US\$150m 0.11% thereafter
A shares ISIN	IE00B3DDVH01	I shares ISIN	IE00B4N0BT09
A shares sedol	B3DDVH0	I Shares sedol	B4N0BT0
A shares ticker	OVEMKEA	I shares ticker	OVEMKEI

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. Six other sub-funds exist under the Overstone Fund plc umbrella; Overstone Global Equity Fund was launched on 1st June 2005, Overstone European Equity Fund was launched on 3rd October 2005, Overstone Opportunity Multi Fund was launched on 1st November 2005, Overstone Global ex US Equity Fund was launched on 1st June 2006, Overstone Japanese Equity Fund was launched on 1st October 2007, Overstone Smaller Companies Fund was launched on 1st October 2007.

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