



Overstone Emerging Markets Equity Fund

November 2016 Newsletter 97

Oldfield Partners

Performance (USD terms)							
	November	2016 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-6.1%	+28.7%	+24.5%	+1.2%	+5.0%	+109.3%	+9.6%
MSCI Emerging Markets**	-4.6%	+10.9%	+8.5%	-3.1%	+1.0%	+83.5%	+7.8%

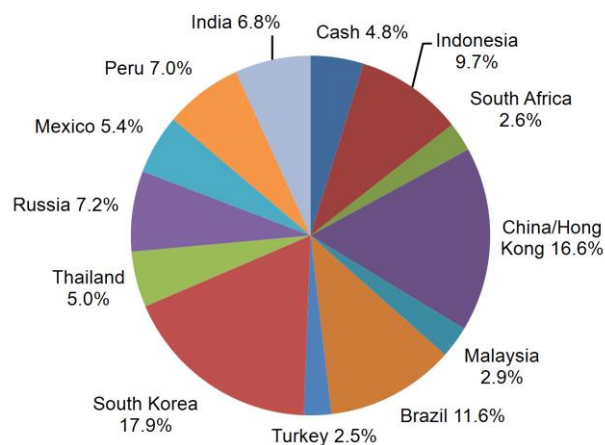
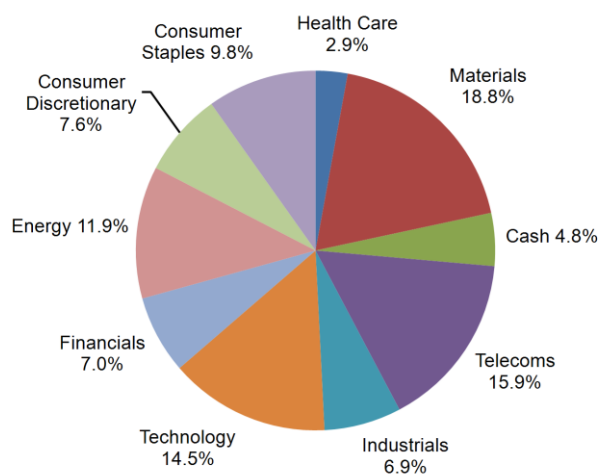
*A shares commenced on 3rd November 2008. **Net Dividends Reinvested. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust International Fund Administration Services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

Performance of Five Largest Holdings*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	9.4%	+6.5%	+3.6%
SK Telecom	8.6%	-3.0%	-3.0%
Lukoil	7.2%	+0.5%	+0.5%
Buenaventura	7.0%	-15.7%	-15.7%
Embraer	6.9%	-8.4%	-8.4%

*As at end of period. **Total return inclusive of the portfolio activity. Source: Oldfield Partners and Bloomberg.

Sector and country breakdown as at 30th November 2016



Source: Oldfield Partners.

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Commentary

As emerging market equity corrections go this is a mild one. With the US election over we can see how the dust is settling. The election only had two possible outcomes, so the market should not be too surprised by the result. The two stocks we were most concerned about, Ternium and Infosys, have performed much the same as the index since the election. President-elect Trump has toned down the rhetoric and more controversial policies may be re-thought. We hold both stocks at 5% weights in the portfolio. Emerging market equities in general have suffered, especially from a more pro-US investment bias by investors, the possibility of a globalisation-lite agenda, and from the strength of the US dollar, as investors expect the US rate cycle to kick in.

The laggards during the month by contribution were Buenaventura and Petrobras. **Buenaventura** (Peruvian miner) is impacted by the 8% fall in the gold price in dollar terms since the US election. However, it also has a substantial exposure to the copper price, which has increased 15% in dollar terms in the same period. It trades on a price to book ratio of 0.9. **Petrobras** (Brazilian oil & gas) has seen a run of good news over the year, including capex reductions, asset sales, free cash flow generation, higher oil prices, a sustained premium to international oil prices, and a more transparent pricing mechanism. However, much of the debt is in US dollars. It trades on a price to book ratio of 0.9.

The top performers by contribution were Samsung Electronics, Ternium, and Lee & Man Paper. **Samsung Electronics** (Korean consumer electronics) has unveiled its updated shareholder return plan with increased dividends, more share buy backs, and a higher pay out from free cash flow of 50%. It trades on a price to earnings multiple of 10, a price to book ratio of 1.3, and has an exceptionally strong balance sheet. **Ternium** (Latin American steel producer) is in limbo until Trump clarifies his policies towards Mexico. On the one hand it benefits from a better US steel cycle, but on the other hand, only if the NAFTA free trade agreement stands. It trades on a price to earnings multiple of 10, a price to book ratio of 1.2, and has a solid balance sheet. **Lee & Man Paper** (Chinese containerboard manufacturer) has increased prices again in the month, following price increases even in the seasonally quiet months, and efforts by provincial governments in China to close smaller industry players continue. It trades on a price to earnings multiple of 10 and a price to book ratio of 1.5.

The upside potential for the portfolio from the weighted average of the price targets is a healthy 46%.

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Fund & Performance Summary

30th November 2016							
NAV of fund		US\$	223.2m				
A shares unit price		US\$	197.25				
I shares unit price		US\$	124.43				
A US\$ hedged shares unit price		US\$	97.37				
A GBP hedged shares unit price		GBP	96.81				
Performance							
	November	2016 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-6.1%	+28.7%	+24.5%	+1.2%	+5.0%	+109.3%	+9.6%
MSCI EM**	-4.6%	+10.9%	+8.5%	-3.1%	+1.0%	+83.5%	+7.8%
I Shares*	-6.1%	+29.1%	+25.0%	+1.5%	+5.3%	+34.2%	+4.2%
MSCI EM**	-4.6%	+10.9%	+8.5%	-3.1%	+1.0%	+11.9%	+1.6%
A US\$ Hedged Shares*	-4.0%	-2.6%	-	-	-	-2.6%	-
MSCI EM Hedged**	-2.4%	-2.4%	-	-	-	-2.4%	-
A GBP Hedged Shares*	-4.1%	-3.2%	-	-	-	-3.2%	-
MSCI EM Hedged**	-2.4%	-2.4%	-	-	-	-2.4%	-

*A shares commenced on 3rd November 2008, I shares on 1st October 2009, I US\$ and GBP hedged shares commenced on 31st October 2016. **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 International Fund Administration Services (Ireland) Ltd.

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Fund and share class information as at 30th November 2016

Share class	Class Currency	Management Fees	TER	Sedol	Bloomberg Ticker	ISIN
A	USD	1.25%	1.49%	B3DDVH0	OVEMKEA	IE00B3DDVH01
I	USD	0.90%	1.14%	B4N0BT0	OVEMKEI	IE00B4N0BT09
A US\$ Hedged	USD	1.25%	1.54%	BZBVR05	OVEMAUH	IE00BZBVR050
A GBP Hedged	GBP	1.25%	1.54%	BD3WG94	OVEMAGH	IE00BD3WG942

Fund Currency	USD	Administrator	Northern Trust International Fund Administration Services (Ireland) Ltd
Liquidity	Daily dealing	Custodian	Northern Trust Fiduciary Services (Ireland) Ltd
Benchmark	MSCI Emerging Markets (Net Dividends Reinvested) and MSCI Emerging Markets (Net Dividends Reinvested) Hedged	Auditor	Deloitte
Minimum Investment	The equivalent of €100,000	Legal Advisers	Arthur Cox
Investment Manager	Oldfield Partners LLP		

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. Three other sub-funds exist under the Overstone Fund plc umbrella; Overstone Global Equity Fund was launched on 1st June 2005, Overstone Opportunity Multi Fund was launched on 1st November 2005 and Overstone Global ex US Equity Fund was launched on 1st June 2006.

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