



Overstone Emerging Markets Equity Fund

November 2017 Newsletter 109

Oldfield Partners

Performance (USD terms)

	November	2017 to date	2016	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-0.9%	+18.8%	+30.6%	+20.6%	+7.6%	+6.6%	+152.4%	+10.7%
MSCI Emerging Markets**	+0.2%	+32.5%	+11.2%	+32.8%	+6.1%	+4.6%	+143.7%	+10.3%

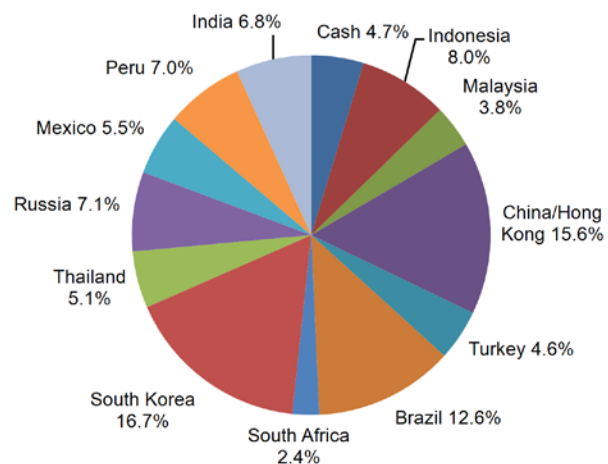
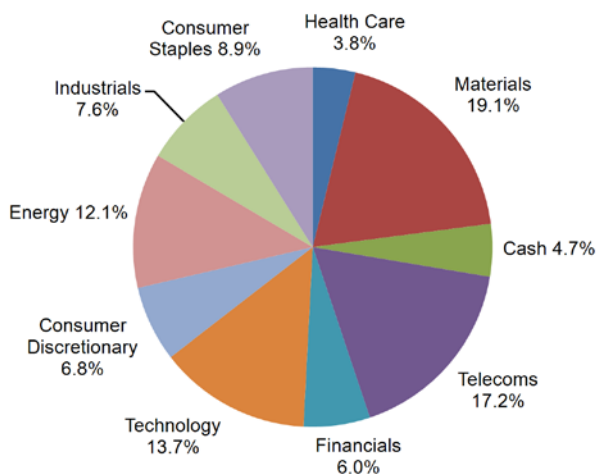
*A shares commenced on 3rd November 2008. **Net Dividends Reinvested. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust International Fund Administration Services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

Performance of Five Largest Holdings*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
SK Telecom	8.4%	+5.0%	+5.0%
Samsung Electronics	8.3%	-7.8%	-5.1%
Embraer	7.6%	0.0%	0.0%
Lukoil	7.1%	+4.6%	+4.6%
Buenaventura	7.0%	+1.6%	+1.6%

*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 2017



Source: Oldfield Partners.

Oldfield Partners

11 Grosvenor Place, London, SW1X 7HH, United Kingdom.
 Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
 www.oldfieldpartners.com

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Commentary

Growth investing continued to roundly beat value investing this month. The growth stock phenomenon this year has been driven by a handful of Chinese internet stocks, and it is difficult for us to predict when this trend may reverse. It is clear that the valuation differential between value and growth in emerging market equities is stretched. On a price to earnings ratio the MSCI Emerging Markets Value Index is at a 50% discount to its growth counterpart, and at one third of the valuation on a price to book basis. It is comforting to see that overall the valuations in emerging market equities remain reasonable and that the weighted average of the price targets in the portfolio shows an attractive 39% upside.

The bottom performers by contribution in the month were Petrobras, Ternium, and Indofood. **Petrobras** (Brazilian oil producer) posted another solid quarterly result with positive free cash flow generation and a reduction in leverage, but 2018 is an election year for Brazil and this adds an extra layer of risks to the company's strategic plan. It trades on a price to earnings ratio of nine and a price to book ratio of 0.8. **Ternium** (Latin American steel producer) announced that its long standing and well respected CEO will retire, but he will be Vice Chairman of the board from March 2018, so his forty years of experience in the steel industry will not be lost. It trades on a price to earnings ratio of nine and a price to book ratio of 1.3. **Indofood** (Indonesian consumer foods) saw tougher trading for some of its consumer brands portfolio and its flour business in the third quarter, but the key noodle business held up well. It trades on a price to earnings ratio of 15 and a price to book ratio of 2.2.

The top performers by contribution for the month were SK Telecom, Lukoil, and Top Glove. **SK Telecom** (South Korean telecom) has benefited from its focus on subscriber quality rather than market share, and that fears of further tariff interference by the regulator have faded. It trades on a prospective price to earnings ratio of eight and a price to book ratio of 1.2. **Lukoil** (Russian oil producer) had good third quarter results at the end of the month that showed strong free cash generation, lower capital expenditure, and management were able to increase its production growth guidance. It trades on a prospective price to earnings ratio of six and a price to book ratio of 0.8. **Top Glove** (Malaysian rubber glove manufacturer) made a long awaited acquisition, Aspion, that will increase its exposure to medical surgical gloves, which are more specialised and higher margin than standard gloves, and make it the global leader in this segment by market share.

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11 Grosvenor Place, London, SW1X 7HH, United Kingdom.
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Fund & Performance Summary

30 th November 2017								
NAV of fund								
A shares unit price								
I shares unit price								
A USD hedged shares unit price								
A GBP hedged shares unit price								
Performance								
	November	2017 to date	2016	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-0.9%	+18.8%	+30.6%	+20.6%	+7.6%	+6.6%	+152.4%	+10.7%
MSCI EM**	+0.2%	+32.5%	+11.2%	+32.8%	+6.1%	+4.6%	+143.7%	+10.3%
I Shares*	-0.9%	+19.2%	+31.1%	+21.0%	+8.0%	+6.9%	+62.5%	+6.1%
MSCI EM**	+0.2%	+32.5%	+11.2%	+32.8%	+6.1%	+4.6%	+48.6%	+5.0%
A USD Hedged Shares*	-1.9%	+11.5%	-2.0%	+12.3%	-	-	+9.3%	+8.5%
MSCI EM Hedged**	-0.9%	+21.7%	-2.5%	+21.6%	-	-	+18.7%	+17.0%
A GBP Hedged Shares*	-2.1%	+10.3%	-2.7%	+10.9%	-	-	+7.3%	+6.7%
MSCI EM Hedged**	-1.0%	+20.6%	-2.6%	+20.4%	-	-	+17.5%	+15.9%

*A shares commenced on 3rd November 2008, I shares on 1st October 2009, A 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 2017

Share class	Class Currency	Management Fees	TER	Sedol	Bloomberg Ticker	ISIN
A	USD	1.25%	1.46%	B3DDVH0	OVEMKEA	IE00B3DDVH01
I	USD	0.90%	1.11%	B4N0BT0	OVEMKEI	IE00B4N0BT09
A USD Hedged	USD	1.25%	1.51%	BZBVR05	OVEMAUH	IE00BZBVR050
A GBP Hedged	GBP	1.25%	1.51%	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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