

# Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

# OP

Oldfield Partners

29 November 2019

## 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\$219.9m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

*"A concentrated portfolio concentrates the mind..."*

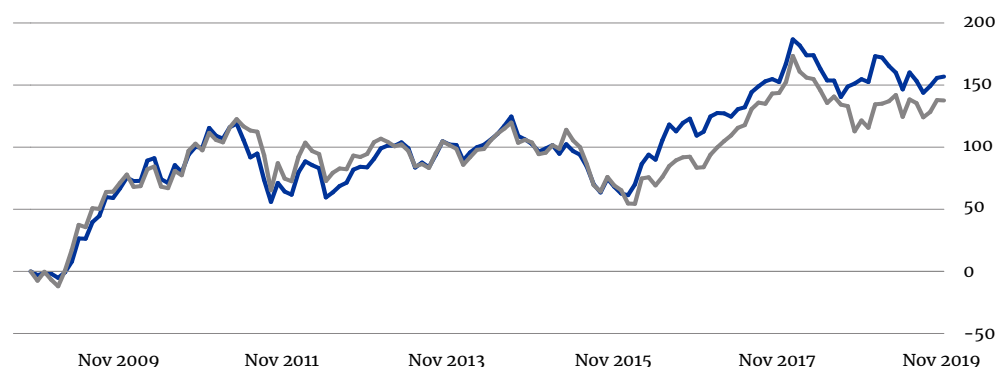
### About Oldfield Partners

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	+0.4	+1.7	+0.8	+156.8	+7.1	+4.9	+8.9
■ MSCI Emerging Markets	-0.1	+10.2	+7.3	+137.6	+9.0	+3.1	+8.1

Preceding five calendar years performance		2018	2017	2016	2015	2014
A USD		-5.5	+25.8	+30.6	-17.2	-2.6
MSCI Emerging Markets		-14.6	+37.3	+11.2	-14.9	-2.2

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.

**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

The valuation case for emerging market equities remains attractive, and the MSCI Emerging Markets Index continues to trade comfortably below its longer term historic average valuation. Value investing in emerging market equities continues to have a tough year. The backdrop for emerging markets is still dominated by global monetary policy actions, numerous political issues, and ongoing trade disputes leading to fallout across the global economy and equity markets.

The bottom performers by contribution in the month were Petrobras, Telkom Indonesia, and Thai Beverage. **Petrobras** (Brazilian oil producer) announced the outline for its five-year business strategy, and some investors were disappointed with the near-term production guidance and increase in capital expenditure. **Telkom Indonesia** (Indonesian telecom operator) is the leading operator in Indonesia in both mobile and fixed line; with a superior network and a strong balance sheet it is well placed in this growing telecom market. The third quarter results showed competition remains benign and management are executing well. **Thai Beverage** (the leading producer of alcoholic beverages in Thailand) announced at month-end that it will look into an initial public offering of its beer business. Historically its beer business in Thailand has been a drag on the company, but of late it has been turning around, and the company's beer exposure has increased in scale with the acquisition in Vietnam of Sabeco. This announcement should help shine a light on the beer division that has a forty percent market share in Thailand.

The top performers by contribution in the month were Lee & Man Paper and Ternium. Cyclical stocks were in favour during the month as valuations had become depressed. **Lee & Man Paper** (Chinese containerboard manufacturer) has seen price hikes by the large paper manufacturers in China and this looks sustainable during the holiday season with demand holding up and inventory levels low. **Ternium** (Latin American steel producer) had disappointing third quarter results with more difficult economic conditions in Mexico and Argentina. Ternium is used to dealing with difficult environments, but trade disputes and politics are a lingering worry for the stock.

Total assets for the emerging markets strategy are now slightly over US\$1billion, which is our capacity limit. If you are interested in making a new investment or adding to an existing holding, we therefore request that you contact us to discuss this.

## Fund analysis

Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.6	-0.2	-1.1
Lukoil	7.8	+3.7	+3.7
Embraer	7.7	-2.0	-2.0
Petrobras	7.7	-8.5	-8.5
Buenaventura	7.6	+0.4	+0.4
SK Telecom	7.6	-0.6	-0.6
Thai Beverage	7.2	-2.7	-3.2
Telkom Indonesia	6.2	-4.2	-4.2
Indofood	5.8	+3.2	+3.0
Yue Yuen Industrial	5.5	+4.8	+4.9

Total number of holdings 17

Active share (%)\*\* 93.6

### Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	30.0	12.0***
Price-to-book ratio	1.6	1.6
Price-to-earnings ratio	9.9	14.0
Return on equity (%)	13.8	11.6

\*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 29 November 2019.

Source: Oldfield Partners.

### Sector breakdown (%)

Communications Services	17.3	
Materials	17.1	
Energy	15.5	
Consumer Staples	12.9	
Information Technology	12.9	
Industrials	7.7	
Consumer Discretionary	5.8	
Financials	4.2	
Cash	6.6	

### Country breakdown (%)

South Korea	16.2	
Brazil	15.5	
China/Hong Kong	12.0	
Indonesia	12.0	
Russia	7.8	
Peru	7.6	
Thailand	7.2	
Mexico	4.9	
India	4.5	
Turkey	3.5	
South Africa	2.2	
Cash	6.6	

## Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.51%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$233.79
I USD	0.90%	1.16%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$147.55
A USD Hedged	1.25%	1.56%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$112.17
A GBP Hedged	1.25%	1.56%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£105.92

\*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	+0.4	+1.7	+0.8	+156.8	-	+7.1	+4.9	+8.9	-	
I USD	+0.4	+2.1	+1.2	-	+66.4	+7.4	+5.2	-	+5.1	
MSCI Emerging Markets	-0.1	+10.2	+7.3	+137.6	+44.9	+9.0	+3.1	+8.1	+3.7	

USD Hedged shares	Annualised							
	1 month	YTD	1 year	Since launch		3 years	5 years	Since launch
				31/10/16	31/10/16			
A USD Hedged	+1.5	+1.1	+0.2	+15.4		+5.8	-	+4.8

GBP Hedged shares	Annualised							
	1 month	YTD	1 year	Since launch		3 years	5 years	Since launch
				31/10/16	31/10/16			
A GBP Hedged	+1.4	-0.6	-1.8	+9.1		+4.1	-	+2.8

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.

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