

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

30 November 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\$147.6m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

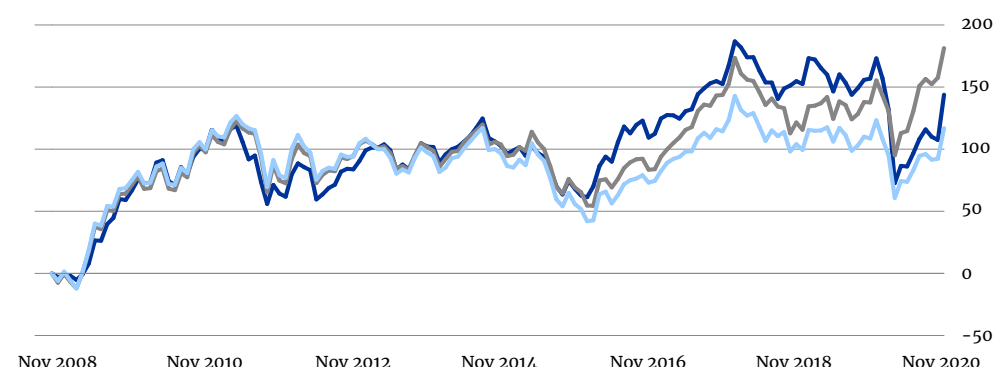
About Oldfield Partners

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	+17.6	-10.7	-5.1	+143.8	-1.1	+7.7	+7.7
■ MSCI Emerging Markets	+9.2	+10.2	+18.4	+181.4	+4.9	+10.7	+8.9
■ MSCI EM Value	+12.8	-2.8	+4.0	+116.9	+0.4	+6.8	+6.6

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

A host of positives – vaccine news, the US election, and stimulus hopes – led to a sharp rally for emerging market equities in the month. The differential in valuations between ‘growth’ and ‘value’ narrowed, as value substantially beat growth in the month, but remain very stretched – and we believe favours value as the global economy normalises into 2021. Any normalisation of economic life should lead to a redress between Covid winners and losers performance on a geographic and stock level, which we saw beginning this month.

The bottom performer by contribution for the month was **Buenaventura** (Peruvian miner). The company is known as a gold miner, with precious metals being the largest part of production, and as the gold price retreated in the month the stock was a laggard. We are favourable towards gold as supply growth remains limited globally and the industry continues to consolidate. Buenaventura has reduced its costs and is moving towards achieving pre-Covid production levels (after a prolonged lockdown in Peru shuttered all its operations). The copper price has recovered strongly from the Covid-lows (over 50% higher) and this is the second largest exposure for the company. Both the gold price and the copper price have increased over 20% this year in US\$ terms.

The top performers by contribution for the month were Ternium, Petrobras, and Thai Beverage. **Ternium** (Latin American steel producer) is enjoying a strong recovery in steel prices – over 50% higher since the Covid-lows – as inventories are rebuilt and automotive production and construction recover. Mexico is well placed as a manufacturing hub exporting into the US market and Mexico remains a net importer of steel, which over time should allow Ternium to expand its efficient operations. **Petrobras** (Brazilian oil producer) released its next five-year business plan focusing on reduced capital expenditure, continued non-core asset sales, debt reduction, and concentration on the newer lower-cost deep water production assets. The oil price rallied strongly in the month. **Thai Beverage** (leading alcoholic beverage producer in Thailand) has benefited in the Covid-period from consumers trading down to cheap spirits and demand from rural areas – both of which the company is strong in. It has a 90% market share in spirits in Thailand. The company has controlled costs well and marketing activities have been restrained.

The top performers for the year to date by contribution are Infosys, Ternium, and Samsung Electronics; 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	9.3	+17.8	+21.0
Ternium	8.2	+38.4	+38.4
SK Telecom	8.1	+11.6	+11.6
Petrobras	7.7	+39.9	+39.9
Thai Beverage	7.5	+27.6	+30.2
Buenaventura	7.1	-9.3	-9.3
Infosys	6.9	+7.6	+7.6
Lee & Man Paper	6.9	+7.7	+7.7
Lukoil	6.8	+27.1	+27.1
Telkom Indonesia	6.6	+31.4	+31.4

Total number of holdings 16

Active share (%)** 94.2

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	26.0	8.0***
Price-to-book ratio	1.8	1.8
Price-to-earnings ratio	12.5	19.9
Return on equity (%)	11.6	9.3

*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 November 2020.

Source: Oldfield Partners.

Sector breakdown (%)

Materials	22.2	
Communication Services	18.1	
Information Technology	16.3	
Energy	14.5	
Consumer Staples	13.6	
Consumer Discretionary	5.2	
Financials	4.3	
Industrials	4.1	
Cash	1.8	

Country breakdown (%)

South Korea	17.4	
China/Hong Kong	13.9	
Indonesia	12.7	
Brazil	11.7	
Mexico	8.2	
Thailand	7.5	
Peru	7.1	
India	6.9	
Russia	6.8	
Turkey	3.4	
South Africa	2.4	
Cash	1.8	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.52%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$219.20
I USD	0.90%	1.17%	B4N0BT0	OVEMKEI ID	IE00B4N0BT09	US\$138.35
A USD Hedged	1.25%	1.57%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$107.09
A GBP Hedged	1.25%	1.57%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£98.98

*AMC - Annual management charge
**TER - Total expense ratio

Performance summary of all share classes

USD shares	1 month	YTD	1 year	Since launch		Annualised		Since launch	
				03/11/08	01/10/09	3 years	5 years	03/11/08	01/10/09
A USD	+17.6	-10.7	-5.1	+143.8	-	-1.1	+7.7	+7.7	-
I USD	+17.6	-10.4	-4.7	-	+58.6	-0.8	+8.1	-	+4.2
MSCI Emerging Markets	+9.2	+10.2	+18.4	+181.4	+71.6	+4.9	+10.7	+8.9	+5.0
MSCI EM Value	+12.8	-2.8	+4.0	+116.9	+29.2	+0.4	+6.8	+6.6	+2.3

USD Hedged shares	1 month	YTD	1 year	Since launch		Annualised		Since launch	
				31/10/16		3 years	5 years	31/10/16	
A USD Hedged	+14.4	-7.1	-3.3	+11.6		+0.7	-	+2.7	

GBP Hedged shares	1 month	YTD	1 year	Since launch		Annualised		Since launch	
				31/10/16		3 years	5 years	31/10/16	
A GBP Hedged	+13.9	-8.8	-5.4	+3.2		-1.3	-	+0.8	

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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