

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

30 November 2021

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\$142.8m
Domicile	Ireland
Structure	QJAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

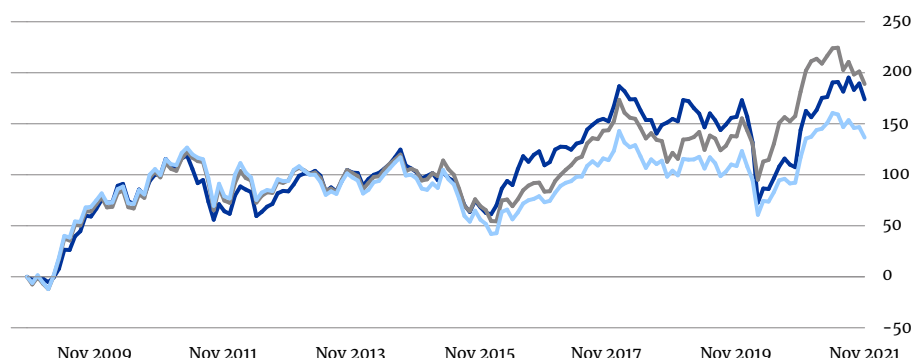
About Oldfield Partners

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 (%)



	Annualised						
	1 month	YTD	1 year	Launch	3 years	5 years	Launch
■ A USD	-5.4	+4.3	+12.3	+173.9	+2.4	+5.5	+8.0
■ MSCI Emerging Markets	-4.1	-4.3	+2.7	+189.0	+9.3	+9.5	+8.4
■ MSCI EM Value	-4.1	+0.4	+9.0	+136.5	+5.0	+6.4	+6.8

Preceding five calendar years performance		2020	2019	2018	2017	2016
A USD		-3.8	+8.2	-5.5	+25.8	+30.6
MSCI Emerging Markets		+18.3	+18.4	-14.6	+37.3	+11.2
MSCI EM Value		+5.5	+11.9	-10.7	+28.1	+14.9

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

The headwinds for emerging market equities remain the gradual tightening of monetary policy by major countries and the slowdown of economic growth in China - with the added risk of a potential policy misstep in the property sector. The rise of the omicron variant of the Covid virus is a sober reminder that the world is not yet past the global medical crisis. Valuations for emerging market equities remain reasonable, and the upside potential for the portfolio is 60% as measured by the weighted average of the company price targets.

The bottom performers by contribution for the month were Alibaba, Ternium, and Embraer. **Alibaba** (Chinese e-commerce & cloud provider) had disappointing results during the month with revenue guidance revised downwards as it grapples with stricter regulation imposed by the government. We believe the new regulations around data and monopoly power as sensible. We see e-commerce continuing to grow in China over the long term and Alibaba remaining a leading player. The valuation provided a highly attractive entry point. **Ternium** (Latin American steel producer) continues to enjoy buoyant US steel prices, a solid demand outlook, and good strategic positioning in Mexico. Mexico remains a growing manufacturing location and Ternium should benefit as an efficient low-cost operator. **Embraer** (Brazilian aircraft manufacturer) will benefit from the ongoing recovery in the domestic and short-haul aviation market. It is the near sole remaining manufacturer of regional jets for the key US market and a solid player in the business jet market. The icing on the cake is the prospect for its short-range electric flight vehicle (called EVE) as this market opens globally and orders prove its potential.

The top performers by contribution for the month were SK Hynix, Telkom Indonesia, and Petrobras. **SK Hynix** (Korean semiconductor manufacturer) had been impacted by expectations of weaker DRAM prices into year-end. We believe this is a customer inventory correction, rather than a down-cycle, and prices should recover into next year - with demand remaining solid and industry supply discipline still intact. DRAM producer inventory, at record lows, should help support prices. **Telkom Indonesia** (Indonesian telecom provider) is a beneficiary of industry consolidation that should help reduce periods of competitive pricing. Competition is rational currently and the regulatory backdrop is benign. Broadband growth remains strong with the company in a solid long-term strategic position.

Commentary - continued

SK Telecom (Korean mobile telecom provider) has completed its split into the telecom provider, SK Telecom, and **SK Square**, a technology holding company. The telecom company will continue to benefit from the growth of 5G and broadband in South Korea with a dependable dividend yield. SK Square holds a stake in SK Hynix, that accounts for the bulk of its assets, but also an active portfolio of internet service companies in Korea that over time will be sold opportunistically.

As we head towards the end of the year the top performer for the year to date is Embraer and the bottom is Buenaventura. **Embraer** has been a strong performer this year as demand for aircraft recovered and it bounced back from an unprecedentedly low valuation. **Buenaventura** (Peruvian mining company) continues to reflect that gold has lost some of its historic safe-haven shine and the political uncertainties for the mining sector in Peru following the recent close-run elections. We believe that politics will moderate to reflect economic realities and the importance of the mining sector to the country.

Capacity and flows

We are pleased to announce that we are now offering an EM ex China strategy. Alongside this we have increased capacity across both EM and EM ex China to US\$1.5bn. If you would like to know more or arrange a meeting please contact clientrelations@oldfieldpartners.com.

Robert White (1952-2021)

We are sad to report the death of Robert White. Robert joined S.G. Warburg (and later Mercury Asset Management) in 1976. Having studied Japanese and Economics at Sheffield University, he specialised in matters Japanese for the rest of his career, living in Tokyo for several years and making many Japanese friends. After periods at Invesco, Jefferies, and Dalton with Andrew Dalton, he joined OP as a partner in 2007. Robert had a great curiosity, a wide breadth of knowledge and a deep knowledge of Japan and Myanmar especially – in his fifties he learned Burmese and became involved in a variety of Myanmar charitable and other ventures. He was always amusing and amused. In any mildly awkward situation one could be sure to look up to find Robert suppressing, or not suppressing, a giggle. He was kind and without any malice, though plenty of mischief. He was a friend to all at OP and a close friend to some. He had confounded the doctors for four years and, supported indomitably by Catherine and their family, faced his terminal illness with a mixture of optimism and realism, never self-pity, actively writing, arranging, and looking at things – only a few weeks before his death, he and Catherine got to the Hokusai exhibition at the British Museum. We miss him.

Fund analysis

Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.6	+2.1	+1.4
SK Hynix	7.0	+10.7	+9.8
Embraer	6.9	-11.4	-11.4
Telkom Indonesia	6.7	+6.8	+6.8
Thai Beverage	6.3	-5.6	-6.9
Ternium	5.6	-15.8	-15.8
Infosys	5.3	+2.1	+2.1
Petrobras	5.2	+7.7	+7.7
Lukoil	5.1	-14.7	-14.7
Alibaba	4.9	-21.7	-21.9

Total number of holdings 20

Active share (%)** 90.0

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	23.0	12.0***
Price-to-book ratio	1.9	1.8
Price-to-earnings ratio	13.8	13.9
Return on equity (%)	9.9	13.2

*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 2021.

Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	28.2	
Materials	15.2	
Communication Services	12.7	
Consumer Staples	11.1	
Energy	10.3	
Consumer Discretionary	8.8	
Industrials	6.9	
Financials	3.7	
Cash	3.1	

Country breakdown (%)

South Korea	22.5	
China/Hong Kong	15.5	
Brazil	12.1	
Indonesia	11.4	
Thailand	6.3	
Mexico	5.6	
India	5.3	
Russia	5.1	
Peru	4.8	
Taiwan	4.2	
Turkey	2.2	
South Africa	1.8	
Cash	3.1	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.49%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$244.28
I USD	0.90%	1.14%	B4N0BT0	OVEMKEI ID	IE00B4N0BT09	US\$154.25

*AMC - Annual management charge

**TER - Total expense ratio

Performance summary of all share classes

USD shares	1 month	YTD	1 year	Since launch		Annualised			
				03/11/08	01/10/09	3 years	5 years	Since launch 03/11/08	Since launch 01/10/09
A USD	-5.4	+4.3	+12.3	+173.9	-	+2.4	+5.5	+8.0	-
I USD	-5.3	+4.6	+12.7	-	+78.8	+2.8	+5.9	-	+4.9
MSCI Emerging Markets	-4.1	-4.3	+2.7	+189.0	+76.3	+9.3	+9.5	+8.4	+4.8
MSCI EM Value	-4.1	+0.4	+9.0	+136.5	-	+5.0	+6.4	+6.8	-

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.

Oldfield Partners

11 Grosvenor Place
London, SW1X 7HH
United Kingdom

Telephone: +44 (0) 20 7259 1000
Email: info@oldfieldpartners.com
www.oldfieldpartners.com

Dealing and administrator details

Northern Trust International Fund
Administration Services (Ireland) Ltd.

Telephone: +353 (0) 1 434 5054

Oldfield Partners LLP is authorised and regulated by the Financial Conduct Authority. 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. Oldfield Partners LLP (OP) has approved and issued this communication for private circulation to Professional Clients only; it must not be distributed to Retail Clients (as defined by the Financial Conduct Authority). Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This is not an invitation to subscribe for any of the Funds mentioned herein. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. OP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. By acquiring an interest in the fund, an investor acknowledges and agrees that any information provided by OP is not a recommendation to invest in the fund and that OP is not undertaking to provide any investment advice to the investor (impartial or otherwise). © 2021 Partnership No. OC309959.