

OLDFIELD PARTNERS

OVERSTONE EMERGING MARKETS EQUITY FUND

JANUARY 2015 NEWSLETTER 75

Fund & Performance Summary

30 th January 2015								
NAV of fund	US\$ 400.7m							
A shares unit price	US\$ 190.69							
I shares unit price	US\$ 120.01							
Performance								
	January	2015 to date	2014	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+1.3%	+1.3%	-2.6%	+5.1%	+3.4%	+2.9%	+98.9%	+11.6%
Index**	+0.6%	+0.6%	-2.2%	+5.2%	+0.6%	+3.1%	+95.5%	+11.3%
I Shares*	+1.3%	+1.3%	-2.3%	+5.5%	+3.8%	+3.2%	+26.8%	+4.5%
Index**	+0.6%	+0.6%	-2.2%	+5.2%	+0.6%	+3.1%	+19.3%	+3.4%

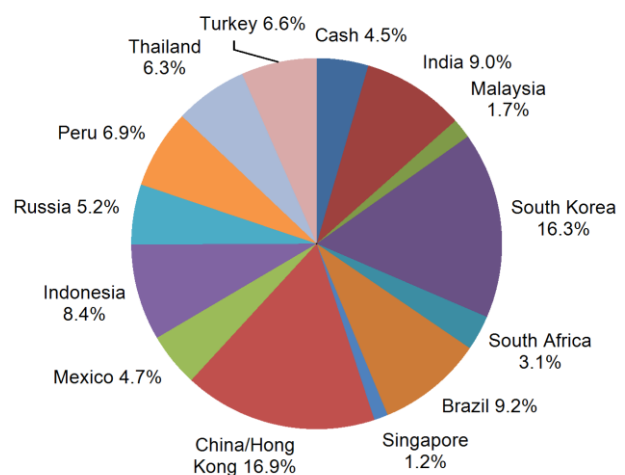
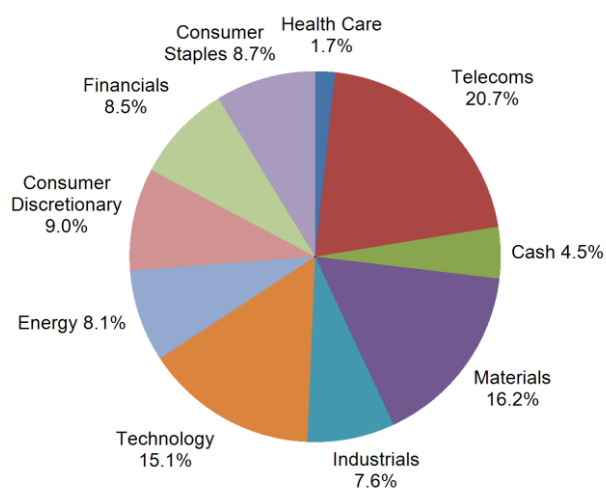
*A shares commenced on 3rd November 2008 and I shares on 1st October 2009. **MSCI Emerging Markets (Net Dividends Reinvested). Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd.

Performance of Five Largest Holdings*

Stock	Portfolio Weighting (%)*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	8.2	+2.9%	+1.8%
SK Telecom	8.1	+6.5%	+6.5%
Embraer	7.6	-4.1%	-4.1%
Buenaventura	6.9	+19.5%	+19.5%
Infosys	6.9	+8.3%	+8.3%

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

Sector and country breakdown as at 30th January 2015



Source: Oldfield Partners.

[Oldfield Partners](http://www.oldfieldpartners.com)
 130 Buckingham Palace Road, London, SW1W 9SA.
 Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
www.oldfieldpartners.com

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Commentary

Over the last six months two of the most notable investment drivers have been the sharp fall in the oil price and the strength of the US dollar. The portfolio fared reasonably well, but it should have done better. A number of the top holdings benefit directly from the strength of the US dollar, such as **Embraer** and **Infosys**, and many others to a lesser extent. The consumer names benefit indirectly from the fall in global oil prices. However, our oil stocks, **Lukoil** and **Petrobras**, not only had the oil price to contend with, but were beset by their own problems. For Lukoil the fall in the oil price has been offset by the fall in the rouble, which is the majority of its cost base, leaving it operationally in a comfortable position, but the Ukrainian crisis sanctions on Russia have kept a dampener on Lukoil's share price. Petrobras continues to charge domestic fuel prices from before the oil price fall, now at a 60% premium to international parity, but the company became embroiled in a corruption scandal where its largest contractors had over-charged on projects and offered kick-backs to politicians. Defeat was snatched from the jaws of victory.

The polarisation of valuations between the defensive sectors and cyclical sectors has been an investment theme for many years now. The higher valuations attached to more certain income streams has been a winning formula in an uncertain world. Just because something becomes consensus does not make it wrong, but neither does it mean it will be correct forever. We have found opportunities to invest in defensive holdings, such as **Thai Beverage**, **KT&G**, and **Top Glove**, and these have been strong performers. The portfolio has the telecom sector as its largest sector weight (enjoying the global adoption of smartphones and increasing data usage). The portfolio has also favoured quality cyclicals with decent balance sheets and/or good quality assets, such as **Embraer** and **Ternium**, and cyclicals still make the largest part of the portfolio.

Among the worst performers during the month by contribution were **Petrobras** (Brazilian oil & gas) and **Lee & Man Paper** (Hong Kong packaging materials). The top performers during the month by contribution were **Buenaventura** (Peruvian miner), **Infosys** (Indian IT services), and **SK Telecom** (Korean mobile operator). We initiated a new position in **Indofood** (Indonesian snack foods), which we know well and have held in the past. It trades on a forward price to earnings ratio of 16 and has solid double digit earnings growth in coming years.

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Fund Information as at 30 th January 2015			
Currency	USD	Investment Manager	Oldfield Partners LLP
Liquidity	Daily dealing	Administrator	Northern Trust International Fund Administration Services (Ireland) Ltd
Benchmark	MSCI Emerging Markets (Net Dividends Reinvested)	Custodian	Northern Trust Fiduciary Services (Ireland) Ltd
Management Fees	A shs = 1.25% I shs = 0.90%	Auditor	Deloitte
TER	A shs = 1.45% I shs = 1.10%	Legal Advisers	Arthur Cox
Minimum Investment	The equivalent of €100,000	Admin & Custody Fees	0.18% on the first US\$75m 0.155% on the next US\$75m 0.14% on the next US\$150m 0.11% thereafter
A shares ISIN	IE00B3DDVH01	I shares ISIN	IE00B4N0BT09
A shares sedol	B3DDVH0	I Shares sedol	B4N0BT0
A shares ticker	OVEMKEA	I shares ticker	OVEMKEI

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. Six other sub-funds exist under the Overstone Fund plc umbrella; Overstone Global Equity Fund was launched on 1st June 2005, Overstone European Equity Fund was launched on 3rd October 2005, Overstone Opportunity Multi Fund was launched on 1st November 2005, Overstone Global ex US Equity Fund was launched on 1st June 2006, Overstone Japanese Equity Fund was launched on 1st October 2007, Overstone Smaller Companies Fund was launched on 1st October 2007.

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