



Overstone Emerging Markets Equity Fund

January 2018 Newsletter 111

Oldfield Partners

Performance (USD terms)								
	January	2017	2016	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+7.4%	+25.8%	+30.6%	+27.6%	+13.0%	+7.6%	+186.8%	+12.1%
MSCI Emerging Markets**	+8.3%	+37.3%	+11.2%	+41.0%	+11.8%	+5.7%	+173.4%	+11.5%

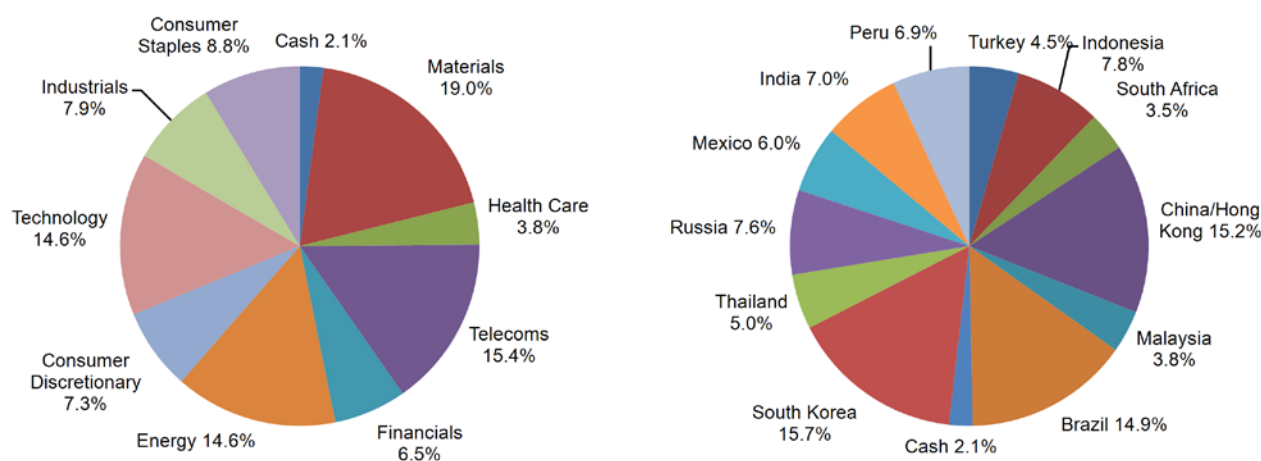
*A shares commenced on 3rd November 2008. **Net Dividends Reinvested. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust International Fund Administration Services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

Performance of Five Largest Holdings*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	8.7%	-1.5%	-1.7%
Embraer	7.9%	+5.5%	+5.5%
Lukoil	7.6%	+15.1%	+15.1%
Petrobras	7.0%	+26.0%	+26.0%
Buenaventura	6.9%	+9.6%	+9.6%

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

Sector and country breakdown as at 31st January 2018



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 necessarily a guide to future performance.



Commentary

This has been a strong start to the year for emerging market equities and the portfolio. The performance of growth and value stocks was roughly neck and neck in the month, but with value just nudging ahead. We continue to see the valuation differential between growth stocks and value stocks in emerging market equities as stretched against history. 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 33% upside.

The bottom performers by contribution in the month were Telkom Indonesia and Samsung Electronics. **Telkom Indonesia** (leading telecommunication company in Indonesia) has seen aggressive competition ahead of the compulsory SIM registration regulation by end of the first quarter, as the telecom players try to get customers to be using their SIMs at the registration date, with the view that registering a new one thereafter would be a chore. This should be short term, and Telkom's two main competitors do not have the appetite or the balance sheet strength for prolonged aggression. **Samsung Electronics** (South Korean consumer electronics) announced a stock split (50-for-1) to improve liquidity and a significantly increasing dividend in its year end results. It indicated that the stock would be suspended for three weeks to implement the stock split, which has spooked many investors concerned with the liquidity impact in such a significant index stock. This seems to be such an unnecessarily long suspension period that the hope is the Korean authorities must be able to do this in a speedier manner before the May 2018 implementation date.

The top performers by contribution in the month were Petrobras and Lukoil. The oil price has performed strongly from its low in early 2016, with a short pull-back last summer, to reach a price not seen since 2014. Having been a neglected and unloved part of the market for so long there is renewed enthusiasm, and the two top performers in January are oil names. **Petrobras** (Brazilian oil & gas producer), and the Brazilian equity market in general, was helped by the upholding of former president Lula's corruption conviction by the courts, which makes his running in the upcoming election difficult and so simplifies the political outlook. **Lukoil** (Russian oil & gas producer) announced that it would cancel treasury shares (12% of the total) and initiate a share buyback program, which has been viewed as a major improvement for Russian corporate governance. The company has a strong balance sheet, significant free cash flow, and has clearly prioritised dividends over capital expenditure. It trades on a price to earnings ratio of seven, a price to book ratio of 0.8, and a dividend yield of 5.5%.

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.



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Fund & Performance Summary

31 st January 2018								
NAV of fund	US\$ 288.7m							
A shares unit price	US\$ 265.14							
I shares unit price	US\$ 166.87							
A USD hedged shares unit price	US\$ 119.75							
A GBP hedged shares unit price	£ 116.93							
Performance								
	January	2017	2016	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+7.4%	+25.8%	+30.6%	+27.6%	+13.0%	+7.6%	+186.8%	+12.1%
MSCI EM**	+8.3%	+37.3%	+11.2%	+41.0%	+11.8%	+5.7%	+173.4%	+11.5%
I Shares*	+7.4%	+26.2%	+31.1%	+28.1%	+13.4%	+8.0%	+84.7%	+7.6%
MSCI EM**	+8.3%	+37.3%	+11.2%	+41.0%	+11.8%	+5.7%	+66.8%	+6.3%
A USD Hedged Shares*	+5.5%	+17.4%	-2.0%	+19.2%	-	-	+21.4%	+16.6%
MSCI EM Hedged**	+6.8%	+24.7%	-2.5%	+28.2%	-	-	+29.8%	+23.0%
A GBP Hedged Shares*	+5.1%	+15.9%	-2.7%	+17.1%	-	-	+18.5%	+14.4%
MSCI EM Hedged**	+6.3%	+23.4%	-2.6%	+26.5%	-	-	+27.7%	+21.4%

*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 31st January 2018

Share class	Class Currency	Management Fees	TER	Sedol	Bloomberg Ticker	ISIN
A	USD	1.25%	1.48%	B3DDVH0	OVEMKEA	IE00B3DDVH01
I	USD	0.90%	1.13%	B4N0BT0	OVEMKEI	IE00B4N0BT09
A USD Hedged	USD	1.25%	1.53%	BZBVR05	OVEMAUH	IE00BZBVR050
A GBP Hedged	GBP	1.25%	1.53%	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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