

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

31 January 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\$241.4m

Domicile Ireland

Structure QIAIF

Base currency USD

Dealing Daily

Min. investment €100,000

Benchmark MSCI Emerging Markets

"A concentrated portfolio concentrates the mind..."

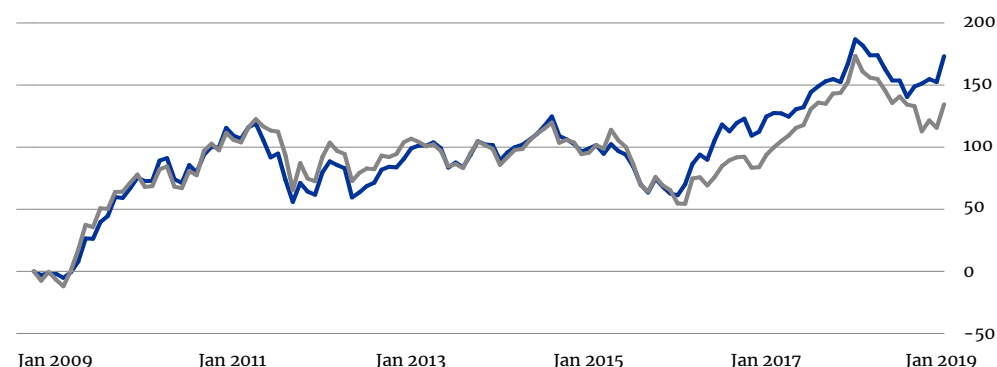
About Oldfield Partners

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	+8.2	+8.2	-4.7	+173.2	+19.2	+7.6	+10.3
■ MSCI Emerging Markets	+8.8	+8.8	-14.2	+134.5	+14.9	+4.8	+8.7

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

This has been a strong start to the year, and it is pleasing to see the portfolio perform well after a strong relative performance last year. The valuation case for emerging market equities remains attractive, with the MSCI Emerging Markets Index trading comfortably below its longer term historic average valuation. The weighted average of the price targets in the portfolio is showing 44% upside.

The bottom performers by contribution in the month were SK Telecom and Embraer. **SK Telecom** (Korean mobile telecom provider) is in the period before the launch of 5G services gaining traction but facing higher capital expenditure and making acquisitions that it feels will benefit from 5G services. At this moment 5G looks to be a slower burn than prior generations. It also has a 20% stake in **SK Hynix** (Korean semiconductor manufacturer) that we believe is approaching the trough of the latest DRAM cycle. It trades on a price to earnings ratio of 7 and at book value. **Embraer** (Brazilian aircraft manufacturer) gave an update at its investor day and a view of how the business would look post the proposed Boeing deal. Management painted a conservative picture for the remaining business jet and defence businesses, and to which the market is currently giving no value as it waits to see if these can stand by themselves without the regional jet division.

The top performers by contribution in the month were Samsung Electronics, Petrobras, and Thai Beverage. **Samsung Electronics** (South Korean electronics manufacturer) continues to trade around expectations for the semiconductor cycle. We believe the share price already factors in a tough down cycle for 2019, and we remain positive for a recovery in the second half of the year in line with management expectations. The consolidated DRAM industry has proactively cut capital expenditure which is in keeping with profit maximising behaviour (and in stark contrast to past cycles). It trades on a historic price to earnings ratio of 6.5 and a price to book ratio of 1.2. **Petrobras** (Brazilian oil & gas producer) has the wind in its sails as the new pro-market Brazilian government remains favourable to its corporate strategy, it develops its deep-water oil assets, and steady deleveraging through non-core asset sales continues to be a management priority. It trades on a price to earnings ratio of 10 and a price to book ratio of 1.1. **Thai Beverage** (Thailand's leading alcoholic beverage company) had a difficult 2018 as consumers remain subdued following the death of the King of Thailand and it integrated acquisitions. Recent data on beverage consumption in Thailand has turned markedly more positive as support was given to those on lower incomes and agricultural prices recovered.

Fund Analysis

Top 10 Holdings (%)	Weighting	1 Month Total Return (%)*	
		Local terms	USD
Samsung Electronics	9.3	+19.9	+19.9
Embraer	8.1	-3.8	-3.8
Petrobras	7.9	+21.4	+21.4
SK Telecom	7.7	-5.3	-5.3
Lukoil	7.4	+12.0	+12.0
Buenaventura	7.2	-3.5	-3.5
Telkom Indonesia	5.8	+6.7	+6.7
Yue Yuen Industrial	5.8	+7.0	+6.8
Ternium	5.8	+12.3	+12.3
Lee & Man Paper	5.6	+5.0	+4.8

Total Number of Holdings 17

Active Share (%)** 93.6










Fund Characteristics

	Fund	Benchmark
Net Debt to Equity Ratio	20.9	12.0
Price-to-Book Ratio	1.8	1.6
Price-to-Earnings Ratio	12.5	12.8
Return on Equity (%)	14.0	12.6













*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.

Sector Breakdown (%)

Materials	18.6	
Telecoms	17.3	
Energy	15.2	
Information Technology	14.5	
Consumer Staples	10.8	
Industrials	8.1	
Consumer Discretionary	6.8	
Financials	4.9	
Cash	3.7	

Country Breakdown (%)

South Korea	17.0	
Brazil	16.0	
China/Hong Kong	13.6	
Indonesia	11.0	
Russia	7.4	
Peru	7.2	
India	6.1	
Mexico	5.8	
Thailand	5.6	
Turkey	3.8	
South Africa	2.8	
Cash	3.7	

Share Class Details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.45%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$248.73
I USD	0.90%	1.10%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$156.53
A USD Hedged	1.25%	1.50%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$116.96
A GBP Hedged	1.25%	1.50%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£112.15

*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	+8.2	+8.2	-4.7	+173.2	-	+19.2	+7.6	+10.3	-	
I USD	+8.3	+8.3	-4.4	-	+76.6	+19.6	+8.0	-	+6.3	
MSCI Emerging Markets	+8.8	+8.8	-14.2	+134.5	+43.0	+14.9	+4.8	+8.7	+3.9	

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	+5.5	+5.5	-0.9	+20.4	-	-	+8.5	
MSCI Emerging Markets USD Hdgd	+7.3	+7.3	-9.9	+16.9	-	-	+7.2	

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	+5.2	+5.2	-2.6	+15.5	-	-	+6.6	
MSCI Emerging Markets GBP Hdgd	+6.9	+6.9	-11.9	+12.6	-	-	+5.4	

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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