

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 January 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\$219.5m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

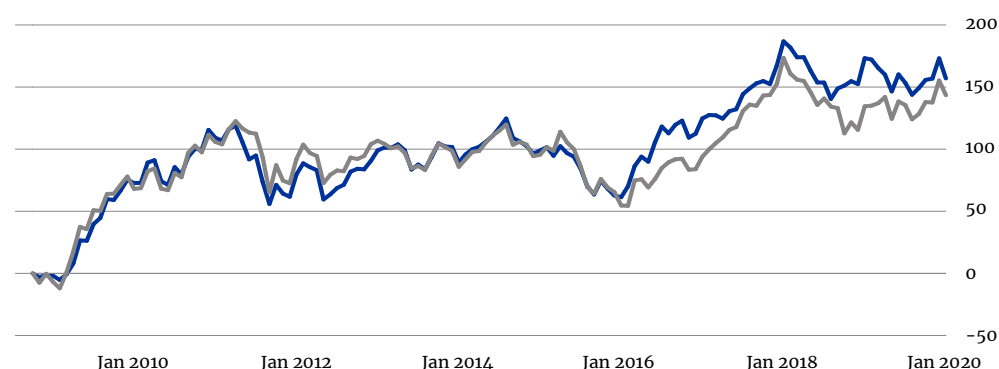
About Oldfield Partners

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	-5.9	-5.9	-6.0	+157.0	+4.6	+5.3	+8.7
■ MSCI Emerging Markets	-4.7	-4.7	+3.8	+143.4	+7.9	+4.5	+8.2

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

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

The coronavirus spreading out of Wuhan in China has eclipsed all else near term as the shock impact on Chinese economic growth, global supply chains, and commodity prices is realised; and the world waits to see if a similar result occurs as the virus spreads further. We have cautiously reduced cash. The valuation case for emerging market equities remains attractive, and the MSCI Emerging Markets Index trades below its longer term historic average valuation.

The bottom performers by contribution in the month were Embraer and Buenaventura. **Embraer** (Brazilian aircraft manufacturer) is waiting for a decision by the European Union (EU) on its deal with Boeing, which is being delayed as the EU considers the competitive market impact. An earlier deal between Airbus and Bombardier's regional jet business did not merit investigation and all other global regulators have signed off on the deal, so we believe an approval is coming by early summer. **Buenaventura** (Peruvian miner) has been undergoing a 'debottlenecking' exercise in some of its key mines to right-size operations and reduce costs, which will yield positive long-term results. Precious metal prices have held up well this year, and this is the bulk of the business. The copper price has been weak this year on China fears.

The top performers by contribution in the month were Infosys and Lukoil. **Infosys** (Indian IT services) received a clean bill of health from a lengthy internal and external investigation into various whistle-blower complaints late last year. Infosys has historically had a strong ethical culture ingrained so we believe the correct verdict has been reached. We added to the position following the significant fall in the share price, and it has recovered subsequently. **Lukoil** (Russian oil producer) is being rewarded by investors for its strong commitment to shareholder returns despite the recent fall in the oil price on China fears. It is emphasising dividends over share buy-backs and will pay out at least 100% of free cash flow to shareholders affording a dividend yield in excess of 10%.

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.

Fund analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.0	+1.0	-2.5
Lukoil	8.5	+2.7	+2.7
Embraer	7.8	-13.6	-13.6
Petrobras	7.6	-11.0	-11.0
SK Telecom	7.5	-8.2	-8.2
Thai Beverage	6.9	-10.6	-12.0
Buenaventura	6.8	-14.4	-14.4
Telkom Indonesia	6.4	-3.3	-3.3
Indofood	6.0	-1.3	-0.8
Yue Yuen Industrial	5.3	-5.9	-5.6

Total number of holdings 17

Active share (%)** 93.4

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	28.1	12.3***
Price-to-book ratio	1.6	1.7
Price-to-earnings ratio	9.7	12.2
Return on equity (%)	14.2	11.3

*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 31 January 2020.

Source: Oldfield Partners.

Sector breakdown (%)

Communication Services	17.4	
Materials	16.8	
Energy	16.1	
Information Technology	13.8	
Consumer Staples	12.9	
Industrials	7.8	
Consumer Discretionary	5.5	
Financials	3.7	
Cash	5.8	

Country breakdown (%)

South Korea	16.5	
Brazil	15.5	
Indonesia	12.3	
China/Hong Kong	12.0	
Russia	8.5	
Thailand	6.9	
Peru	6.8	
India	5.1	
Mexico	5.1	
Turkey	3.6	
South Africa	2.0	
Cash	5.8	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.51%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$230.99
I USD	0.90%	1.16%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$145.36
A USD Hedged	1.25%	1.56%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$110.41
A GBP Hedged	1.25%	1.56%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£103.87

*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	-5.9	-5.9	-6.0	+157.0	-	+4.6	+5.3	+8.7	-	
I USD	-5.9	-5.9	-5.6	-	+66.6	+4.9	+5.6	-	+5.1	
MSCI Emerging Markets	-4.7	-4.7	+3.8	+143.4	+48.5	+7.9	+4.5	+8.2	+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	-4.2	-4.2	-4.4	+15.0		+4.1	-	+4.4

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	-4.2	-4.2	-6.2	+8.3		+2.3	-	+2.5

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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