

# Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

# OP

Oldfield Partners

31 January 2022

## Monthly fund review

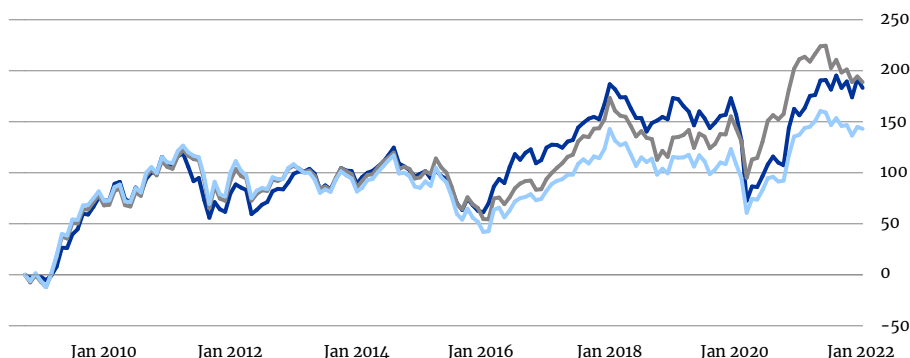
### Investment objective

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\$126.2m
Domicile	Ireland
Structure	QJAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

## Fund performance (%)



	Annualised						
	1 month	YTD	1 year	Launch	3 years	5 years	Launch
■ A USD	-3.1	-3.1	+10.5	+183.2	+1.2	+4.7	+8.2
■ MSCI Emerging Markets	-1.9	-1.9	-7.2	+188.8	+7.2	+8.3	+8.3
■ MSCI EM Value	-0.7	-0.7	+2.5	+143.1	+4.1	+5.9	+6.9

Preceding five calendar years performance		2021	2020	2019	2018	2017
A USD		+11.3	-3.8	+8.2	-5.5	+25.8
MSCI Emerging Markets		-2.5	+18.3	+18.4	-14.6	+37.3
MSCI EM Value		+4.0	+5.5	+11.9	-10.7	+28.1

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.**

*“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 manager commentary

A tough start to the year for emerging market equities. Growth stocks took the brunt of the pull-back. A difficult backdrop with US monetary policy announcements and geo-political risks heightening over Ukraine that pushed up energy prices. China has loosened monetary policy on weaker economic growth prospects, but the spread of Covid restrictions and worries over the property sector have dampened investor enthusiasm. Valuations for emerging market equities remain reasonable, and slightly below their long-term historic averages. 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 Embraer, SK Hynix, and Samsung Electronics. This is an about-face for the outperformers of the prior month. **Embraer** (Brazilian aircraft manufacturer) continues to benefit from the ongoing aviation recovery in the US and is the near sole remaining manufacturer of regional jets for the key US market, and a solid player in the business jet market to boot. Embraer has an increasing order book of \$18 billion, which is well over three years' worth of production, and now exceeds that of the pre-pandemic level. Its short-range electric flight vehicle (called EVE) continues to look promising with a working vehicle, a roadmap to certification, and a significant and growing order book. The Korean semiconductor stocks - **SK Hynix** and **Samsung Electronics** are moving through a customer inventory scare in DRAM, which we believe is a temporary setback. Importantly DRAM producer inventory is at record lows allowing producers to push back on customer price demands by building inventory themselves if needed. Technology stocks were hit hard in the month, and this dented sentiment to the semiconductor sector.

The top performers by contribution for the month were Petrobras and Buenaventura. Latin America was a strong performer in the month. **Petrobras** (Brazilian oil producer) has benefited from the increase in the global oil price and its commitment to match international fuel price parity remains solid. The company continues to target asset sales. The cloud on the horizon is the Brazilian election later this year. **Buenaventura** (Peruvian miner) has benefited from buoyant precious metal and copper prices. Gold may have lost some of its shine to digital alternatives through the pandemic, but prices remain near historic highs. Buenaventura has grappled with production issues over recent years and its production outlook release was again a little disappointing. A new socialist government is less favourable to the mining lobby and Peruvian politics remains active as ever - with another cabinet reshuffle to start the new month.

## Commentary - continued

## 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](mailto:clientrelations@oldfieldpartners.com).

After 17 years as Chair of Oldfield & Co. since the firm's foundation in 2004, Richard Oldfield will step down from this role on 31st March 2022. Beatrice Hollond, currently a non-executive director, will then become Chair. Richard will remain on the Board and retains a significant holding in the firm. (Oldfield & Co. is the principal designated member of Oldfield Partners LLP.)

Richard commented "Having handed over the main investment responsibilities five years ago, I think it makes sense now, for the firm and for me, to take this further step back, and I am delighted that Beatrice Hollond is ready to succeed me, fully supported by our colleagues on the board and all the partners. We are lucky to have the non-exec directors that we have, and very lucky indeed to have Beatrice as incoming Chair."

## Fund analysis

## Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.5	-6.0	-7.3
Embraer	7.6	-13.5	-13.5
SK Hynix	7.1	-7.0	-8.3
Thai Beverage	6.1	-0.8	-1.0
Telkom Indonesia	6.0	+2.6	+2.6
Ternium	5.7	-7.4	-7.4
Lukoil	5.4	-0.9	-0.9
Petrobras	5.3	+19.9	+19.9
Alibaba	4.9	-4.1	-4.1
Infosys	4.8	-6.9	-6.9

Total number of holdings

20

Active share (%)\*\*

90.3

## Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	22.0	15.0***
Price-to-book ratio	1.9	1.8
Price-to-earnings ratio	14.1	13.7
Return on equity (%)	9.7	13.5

\*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 2022.

Source: Oldfield Partners.

## Sector breakdown (%)

Information Technology	27.2	
Materials	15.1	
Communication Services	11.8	
Consumer Staples	10.7	
Energy	10.6	
Consumer Discretionary	8.6	
Industrials	7.6	
Financials	4.0	
Cash	4.3	

## Country breakdown (%)

South Korea	22.2	
China/Hong Kong	15.2	
Brazil	12.9	
Indonesia	10.6	
Thailand	6.1	
Mexico	5.7	
Russia	5.4	
India	4.8	
Peru	4.7	
Taiwan	4.0	
Turkey	2.1	
South Africa	2.0	
Cash	4.3	

## Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.52%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$246.92
I USD	0.90%	1.17%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$155.48

\*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
A USD	-3.1	-3.1	+10.5	+183.2	-	+1.2	+4.7	+8.2	-
I USD	-3.0	-3.0	+10.8	-	+85.0	+1.6	+5.1	-	+5.1
MSCI Emerging Markets	-1.9	-1.9	-7.2	+188.8	+76.2	+7.2	+8.3	+8.3	+4.7
MSCI EM Value	-0.7	-0.7	+2.5	+143.1	+44.7	+4.1	+5.9	+6.9	+3.0

Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.

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Source: Oldfield Partners.

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