

OLDFIELD PARTNERS

OVERSTONE EMERGING MARKETS EQUITY FUND

MARCH 2015 NEWSLETTER 77

Fund & Performance Summary

31 st March 2015								
NAV of fund	US\$ 392.2m							
A shares unit price	US\$ 186.61							
I shares unit price	US\$ 117.51							
Performance								
	March	2015 to date	2014	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-3.4%	-0.9%	-2.6%	-2.7%	+1.6%	+0.6%	+94.7%	+10.9%
Index**	-1.4%	+2.2%	-2.2%	+0.4%	+0.3%	+1.7%	+98.7%	+11.3%
I Shares*	-3.4%	-0.8%	-2.3%	-2.3%	+2.0%	+0.9%	+24.1%	+4.0%
Index**	-1.4%	+2.2%	-2.2%	+0.4%	+0.3%	+1.7%	+21.2%	+3.6%

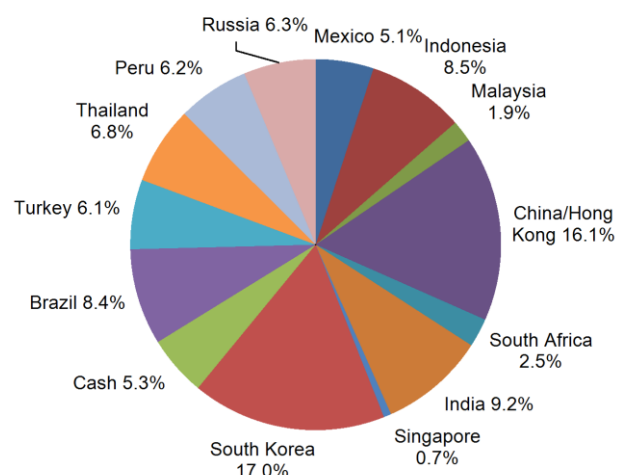
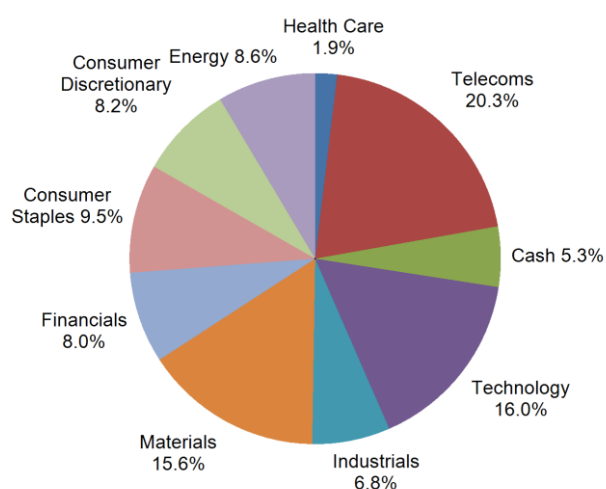
*A shares commenced on 3rd November 2008 and I shares on 1st October 2009. **MSCI Emerging Markets (Net Dividends Reinvested). Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg 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	8.8	+6.1%	+5.4%
SK Telecom	8.2	-6.4%	-6.4%
Infosys	7.2	-4.4%	-4.4%
Thai Beverage	6.8	+9.3%	+8.4%
Embraer	6.8	-12.0%	-12.0%

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

Sector and country breakdown as at 31st March 2015



Source: Oldfield Partners.

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Commentary

The worst performers during the month by contribution were Embraer and Buenaventura. **Embraer** (Brazilian regional jet manufacturer) has been negatively influenced by the poor macro-economic situation in Brazil. The defence business is about 20% of revenues, and continues to grow, increasing exposure to the weak local currency. Unfortunately the Brazilian government is being slow to pay, impacting free cash flow, and some contracts may be delayed as the budget is cut. Overall Embraer is doing well with the majority of revenues in US dollars and with sustained orders in the regional jet market highlighting its strong product offering. Embraer trades on a price earnings ratio of 14, a price to book ratio of 1.5, has a three and a half year order book, and has a strong balance sheet. **Buenaventura** (Peruvian miner) often reflects moves in its most important commodity exposure, the gold price, which was volatile in the month. In addition the mining sector remains out of favour with investors. At its investor day the management focused on the growth coming from its direct mining operations and continued emphasis on cost reduction initiatives. The Cerro Verde copper mine should see output double in the next few years. The stock trades on a prospective price earnings ratio of 10, a price to book ratio of 0.8, and has little debt.

The top performers during the month by contribution were Thai Beverage and Samsung Electronics. **Thai Beverage** (leading Thai alcoholic beverage producer) continued its share price rally on the solid set of fourth quarter results and dividend increase that we wrote about last month. **Samsung Electronics** (Korean consumer electronics) was another stock we covered last month. Investors have increased confidence in the turnaround strategy for the mobile handset division, which had a poor 2014 on the larger iPhone and Chinese competition at the low end, and have been increasing unit sales forecasts for the upcoming Galaxy S6 flagship handset. The stock trades on a price earnings ratio of 11 and has net cash at 23% of its market capitalisation - allowing the potential for share buybacks and an increasing dividend.

Other news of note in the portfolio came from **Turkcell** (Turkish mobile operator). Turkcell has paid the dividends it had omitted from 2010 to 2014 due to a shareholder dispute. The dispute dates back to 2005 when Alfa Group (Russian) lent money to Cukurova Group (Turkish), which pledged Turkcell shares in return. This is a one-off dividend yield of 14%, and still leaves the company in a net cash position, and with the ability to pay annual dividends (shareholders permitting). Unfortunately this is likely to be a brief respite in the dispute and was pressed on the two disputing shareholders by manoeuvrings of the Turkish government. Alfa Group has also offered to buy out the Turkish shareholder at an implied 90% premium to the current market capitalisation, but the Turkish government is unlikely to approve a deal allowing Turkcell, the leading mobile operator, to fall into foreign hands, which is something that Alfa Group would certainly know.

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Fund Information as at 31 st March 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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