



# Overstone Emerging Markets Equity Fund

## March 2018 Newsletter 113

Oldfield Partners

Performance <sup>1</sup> (USD terms)								
	March	2018 to date	2017	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-2.8%	+2.5%	+25.8%	+20.6%	+12.1%	+6.4%	+174.0%	+11.3%
MSCI Emerging Markets**	-1.9%	+1.4%	+37.3%	+24.9%	+8.8%	+5.0%	+156.0%	+10.5%

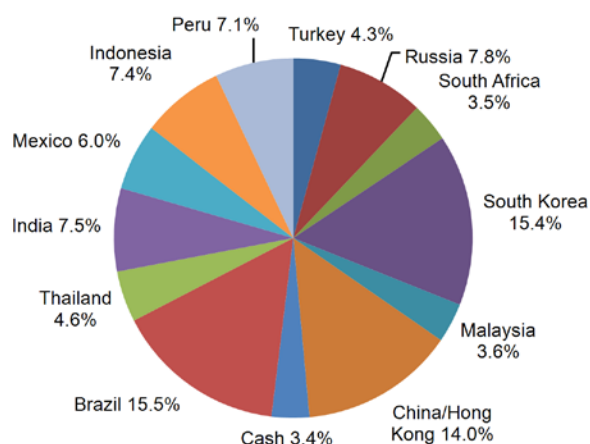
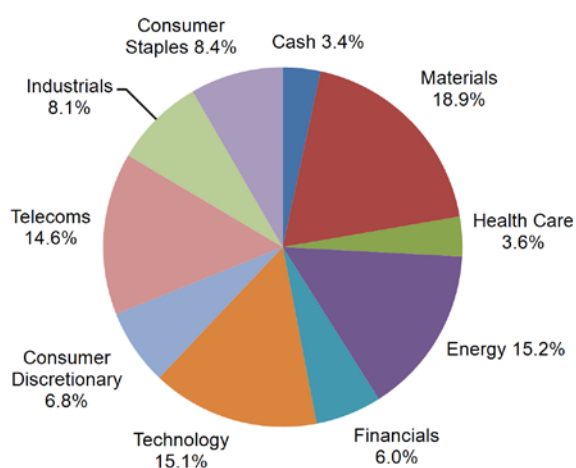
\*A shares commenced on 3rd November 2008. \*\*Net Dividends Reinvested. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust International Fund Administration Services (Ireland) Ltd.  
<sup>1</sup> Fund performance for March is calculated to 29<sup>th</sup> March 2018 due to an Irish bank holiday on 30<sup>th</sup> March 2018. Index performance is calculated to 30<sup>th</sup> March 2018.

### Performance of Five Largest Holdings\*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	8.8%	+4.6%	+6.7%
Embraer	8.1%	-2.6%	-2.6%
Lukoil	7.8%	+2.7%	+2.7%
Petrobras	7.3%	-0.8%	-0.8%
Buenaventura	7.1%	-2.1%	-2.1%

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

### Sector and country breakdown as at 30<sup>th</sup> March 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**

Emerging market equities continued to be volatile over the month. Recent concerns of a brewing trade war between the US and China threaten to spoil the global economic growth background. Overall the valuations in emerging market equities remain reasonable and the weighted average of the price targets in the portfolio shows an attractive 38% upside.

Among the bottom performers by contribution in the month were Yue Yuen and Ternium. **Yue Yuen** (Hong Kong listed manufacturer of athletic shoes) had been a strong performer earlier in the year as it sold its troubled retail division to its parent at a premium to the current share price and promised to distribute the proceeds as a special dividend. More recently sentiment towards the company has been dented because of the brewing trade war between the US and China. This looks unfair as Yue Yuen's Chinese production has fallen dramatically in recent years to only 15% of volumes, and the remainder is in Vietnam and Indonesia, so currently not at risk of increased US tariffs. **Ternium** (Latin American steel producer) is exposed to the ongoing renegotiation of NAFTA and further tariffs for steel imports to the US, although NAFTA countries are currently exempt. US trade frictions often hit investor sentiment in Ternium because its key production is in Mexico, but as US steel prices increase due to tariffs then simplistically in the near term Ternium will benefit as Mexican steel prices follow. We still believe that NAFTA will be successfully renegotiated without materially worse terms for Ternium.

Among the top performers by contribution in the month were Samsung Electronics and Lukoil. **Samsung Electronics** (South Korean consumer electronics) has thankfully reduced the length of the trading halt in its shares for the upcoming share split to only three days (ending 3rd May). Semiconductors are the mainstay for the company and the near term outlook remains favourable, especially in DRAM. **Lukoil** (Russian oil & gas producer) held its strategy day towards the end of the month. It announced buybacks will be a more permanent feature, over the ten-year planning horizon, subject to free cash flow post dividend payments. Management's priority of progressive dividends over alternative uses of cash flow remains in place. Free cash flow remains strong, whilst capex has peaked. High margin oilfields subject to tax benefits are showing solid production growth.

The top performers by contribution for the first quarter were **Petrobras** (Brazilian oil producer) and **Lukoil** (Russian oil producer), and the bottom performers were **SK Telecom** (South Korean mobile telecom operator) and **Telkom Indonesia** (Indonesian telecom provider).

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

29 <sup>th</sup> March 2018								
NAV of fund		US\$ 274.1m						
A shares unit price		US\$ 253.27						
I shares unit price		US\$ 159.49						
A USD hedged shares unit price		US\$ 115.45						
A GBP hedged shares unit price		£ 112.49						
Performance <sup>1</sup>								
	March	2018 to date	2017	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-2.8%	+2.5%	+25.8%	+20.6%	+12.1%	+6.4%	+174.0%	+11.3%
MSCI EM**	-1.9%	+1.4%	+37.3%	+24.9%	+8.8%	+5.0%	+156.0%	+10.5%
I Shares*	-2.8%	+2.6%	+26.2%	+21.0%	+12.4%	+6.7%	+76.5%	+6.9%
MSCI EM**	-1.9%	+1.4%	+37.3%	+24.9%	+8.8%	+5.0%	+56.2%	+5.4%
A USD Hedged Shares*	-3.0%	+1.7%	+17.4%	+16.6%	-	-	+17.1%	+11.7%
MSCI EM USD Hedged**	-1.9%	+0.6%	+24.7%	+18.6%	-	-	+22.3%	+15.2%
A GBP Hedged Shares*	-3.1%	+1.1%	+15.9%	+14.5%	-	-	+14.0%	+9.7%
MSCI EM GBP Hedged**	-2.0%	-0.2%	+23.4%	+16.7%	-	-	+20.0%	+13.7%

\*A shares commenced on 3<sup>rd</sup> November 2008, I shares on 1<sup>st</sup> October 2009, A US\$ and GBP hedged shares commenced on 31<sup>st</sup> 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.

<sup>1</sup> Fund performance for March is calculated to 29th March 2018 due to an Irish bank holiday on 30th March 2018. Index performance is calculated to 30th March 2018.

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### Fund and share class information as at 29<sup>th</sup> March 2018

Share class	Class Currency	Management Fees	TER	Sedol	Bloomberg Ticker	ISIN
A	USD	1.25%	1.45%	B3DDVH0	OVEMKEA	IE00B3DDVH01
I	USD	0.90%	1.10%	B4N0BT0	OVEMKEI	IE00B4N0BT09
A USD Hedged	USD	1.25%	1.50%	BZBVR05	OVEMAUH	IE00BZBVR050
A GBP Hedged	GBP	1.25%	1.50%	BD3WG94	OVEMAGH	IE00BD3WG942

<b>Fund Currency</b>	USD	<b>Administrator</b>	Northern Trust International Fund Administration Services (Ireland) Ltd
<b>Liquidity</b>	Daily dealing	<b>Custodian</b>	Northern Trust Fiduciary Services (Ireland) Ltd
<b>Benchmark</b>	MSCI Emerging Markets (Net Dividends Reinvested) and MSCI Emerging Markets (Net Dividends Reinvested) USD and GBP Hedged	<b>Auditor</b>	Deloitte
<b>Minimum Investment</b>	The equivalent of €100,000	<b>Legal Advisers</b>	Arthur Cox
<b>Investment Manager</b>	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 1<sup>st</sup> June 2005, Overstone Opportunity Multi Fund was launched on 1<sup>st</sup> November 2005 and Overstone Global ex US Equity Fund was launched on 1<sup>st</sup> June 2006.

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