

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

31 March 2021

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\$168.2m
Domicile	Ireland
Structure	QJAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

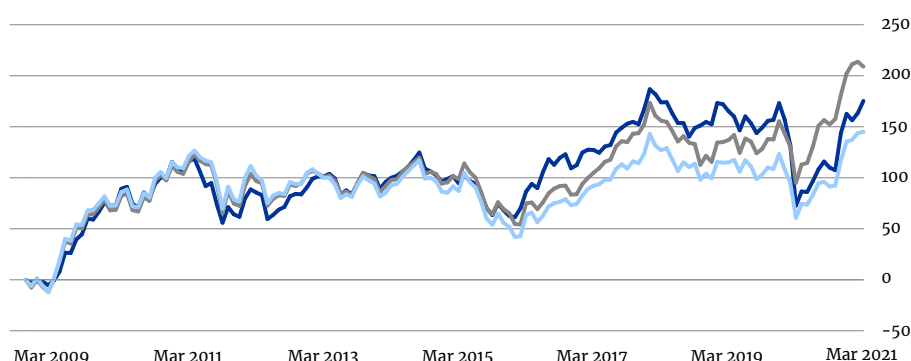
About Oldfield Partners

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 (%)



	Annualised						
	1 month	YTD	1 year	Launch	3 years	5 years	Launch
■ A USD	+4.6	+4.9	+59.5	+175.4	+0.2	+8.1	+8.5
■ MSCI Emerging Markets	-1.5	+2.3	+58.4	+209.0	+6.5	+12.1	+9.5
■ MSCI EM Value	+0.5	+4.1	+52.5	+145.2	+2.6	+8.4	+7.5

Preceding five calendar years performance		2020	2019	2018	2017	2016
A USD		-3.8	+8.2	-5.5	+25.8	+30.6
MSCI Emerging Markets		+18.3	+18.4	-14.6	+37.3	+11.2
MSCI EM Value		+5.5	+11.9	-10.7	+28.1	+14.9

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.

Fund manager commentary

Value investing roundly beat growth investing in the month but continues to be at a significant valuation discount to growth investing for emerging market equities, and we believe well placed to benefit from the ongoing normalisation trade. Unfortunately, vaccination rates in most emerging markets continue to be underwhelming compared to developed markets. China underperformed following tightening measures, intervention against leading Internet players, and angst over US frictions. The weighted average of the price targets in the portfolio shows 40% upside potential.

The bottom performers by contribution for the month were Buenaventura and Turkcell. **Buenaventura** (Peruvian miner) has precious metals as the largest part of production, and the gold price has trended downwards since the peak in early 2020. Bitcoin looks to have become the favoured alternative currency play for now. We remain favourable towards gold as supply growth remains limited globally and the industry continues to gradually consolidate. Buenaventura has reduced its costs and boosted production to pre-Covid levels following the sharp lock-down experienced in Peru in 2020. Copper is the second largest exposure for the company, and the copper price looks to have plateaued at multi-year highs. **Turkcell** (Turkish mobile telecom provider) was again impacted by the wider fallout from Turkish economic policy as the President intervened dramatically, rather than by anything company related. Turkcell continues to execute well. The company can price for inflation, has an active currency hedging policy, and is well used to the vagaries of Turkish policy in structuring its balance sheet.

The top performers by contribution for the month were Ternium and SK Telecom. **Ternium** (Latin American steel producer) is riding the strong rebound in US steel prices since the lows in early 2020, as demand recovery caught the industry off guard, and management cautiously predict that prices will remain stronger for longer. Mexico is well placed as a manufacturing hub exporting into the US market and Mexico remains a net importer of steel, which over time will allow Ternium to expand its efficient operations. **SK Telecom** (Korean mobile telecommunications provider) is benefiting from the growth of 5G in Korea and the commercialisation of 5G services. The investment it has in SK Hynix (a leading semiconductor manufacturer) gives exposure to the growth of this consolidating industry. Management have moved steadily towards improving shareholder friendliness, as evidenced by a share buyback and the possibility of its investment portfolio of 5G service subsidiaries being split off.

Commentary - continued

The top performers for the quarter by contribution are **Ternium** and **Embraer** (Brazilian aircraft manufacturer); and the bottom performers are **Petrobras** (Brazilian oil producer) and **Buenaventura**.

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.

Fund analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.6	+0.3	+0.4
SK Telecom	8.3	+13.1	+13.1
Ternium	6.8	+26.5	+26.5
Infosys	6.8	+9.3	+9.3
Lukoil	6.6	+9.0	+9.0
Thai Beverage	6.5	+0.7	-0.2
Embraer	6.1	+13.8	+13.8
Telkom Indonesia	6.1	-1.4	-1.4
Lee & Man Paper	6.0	-0.6	-0.8
Petrobras	5.9	+8.1	+8.1

Total number of holdings **17**

Active share (%)** **92.5**

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	20.0	5.0***
Price-to-book ratio	1.9	2.1
Price-to-earnings ratio	13.7	36.4
Return on equity (%)	10.7	9.7

*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 March 2021.

Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	20.2	
Materials	18.5	
Communication Services	17.3	
Energy	12.5	
Consumer Staples	11.5	
Industrials	6.1	
Consumer Discretionary	5.6	
Financials	3.8	
Cash	4.6	

Country breakdown (%)

South Korea	21.7	
China/Hong Kong	13.3	
Brazil	12.0	
Indonesia	11.1	
Mexico	6.8	
India	6.8	
Russia	6.6	
Thailand	6.5	
Peru	5.6	
Turkey	2.9	
South Africa	2.1	
Cash	4.6	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.49%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$245.54
I USD	0.90%	1.14%	B4N0BT0	OVEMKEI ID	IE00B4N0BT09	US\$154.69

*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	+4.6	+4.9	+59.5	+175.4	-	+0.2	+8.1	+8.5	-
I USD	+4.6	+4.9	+60.1	-	+79.3	+0.5	+8.5	-	+5.2
MSCI Emerging Markets	-1.5	+2.3	+58.4	+209.0	+88.5	+6.5	+12.1	+9.5	+5.7
MSCI EM Value	+0.5	+4.1	+52.5	+145.2	+46.0	+2.6	+8.4	+7.5	+3.3

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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