

# Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

# OP

Oldfield Partners

31 March 2022

## Monthly fund review

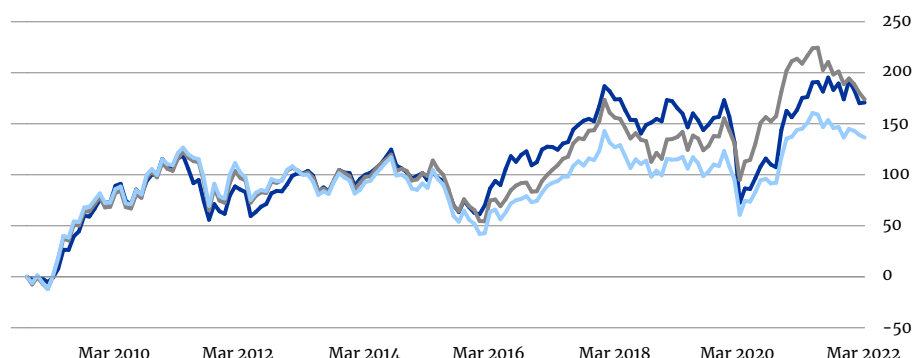
### Investment objective

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\$120.8m
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	+0.3	-7.3	-1.6	+170.8	+0.7	+3.6	+7.7
■ MSCI Emerging Markets	-2.3	-7.0	-11.4	+173.9	+4.9	+6.0	+7.8
■ MSCI EM Value	-1.1	-3.4	-3.5	+136.5	+3.2	+4.2	+6.6

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

It was a volatile month for emerging market equities. The Ukrainian crisis, US monetary policy, and Covid outbreaks in China were the main issues. Inflationary pressures and supply chain disruptions are continuing and are hard to predict. Russia and Ukraine are significant commodity suppliers in energy, metals, fertilizer, and foods. China's 'Whac-A-Mole' Covid strategy has seen two of its major cities in lockdown so far. The global economic backdrop is challenged by slowing growth, geo-political risk, and rising inflationary pressures. Volatility in equity markets is likely to continue and to throw out some attractive opportunities. The upside potential for the portfolio is 65% as measured by the weighted average of the company price targets.

The Russian linkages for the portfolio look to be minimal. Russia is not a significant trade partner in the world economy. **Lukoil** is by far the most exposed stock. **Turkcell** (Turkish mobile telecom operator) owns a mobile network operator in Ukraine and in Belarus that continue to operate. This is approximately 7% of group sales. **Infosys** has a small office in Moscow to service international (non-Russian) clients and is looking to close this. Other holdings may have some sales exposure to Russia. Indirect exposure has also not been of concern to date – mostly energy, metals, and foods; with inventories on hand and substitute supply sources available.

The bottom performers by contribution for the month were **Lukoil** and **Lee & Man Paper**. We hold **Lukoil** (Russian oil producer) at a nil price and zero weight in the portfolio as the London listed ADR remains suspended. The local listing has restarted trading, and has recovered substantially, but foreigners are excluded from participating at this time. **Lee & Man Paper** (Chinese packaging materials) is reacting to the slowdown in Chinese economic growth due to Covid lockdowns and weaker consumer demand impacting packaging materials. Cost pressures in the slow season have a negative effect on margins with industry inventories higher and less scope for price increases.

The top performers by contribution for the month were **Ternium**, **Infosys**, and **Thai Beverage**. **Ternium** (Latin American steel producer) is a beneficiary of a 'stronger for longer' US steel price. The Ukrainian crisis has curtailed steel exports from Russia and Ukraine, and in addition China is producing less steel for export. Mexico is an increasingly attractive manufacturing location boosting demand for flat steel. **Infosys** (Indian IT services) is in a sweet spot of strong demand for IT services from the US and a weaker local

## Commentary - continued

currency. **Thai Beverage** (leading alcoholic beverage producer in Thailand) is benefiting from the recovery as Covid restrictions are lifted in Thailand and Vietnam and normal life returns. Alcohol consumption is roughly on par with pre-Covid times.

The top performers for the first quarter were **Buenaventura**, **Petrobras**, and **Telkom Indonesia**; and the bottom performers were **Lukoil**, **Embraer**, and **Lee & Man Paper**.

## Russian holdings

Please note that as of 3rd March 2022 the holding of Lukoil ADR will have a fair value price (FVP) of zero. This has been determined by our Valuation Committee. Lukoil ADR listed on the London Stock Exchange (LSE) was suspended from trading by the exchange on the morning 3rd March 2022. We will continue to monitor the situation daily and update accordingly.

## Fund analysis

## Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	7.5	-3.5	-4.4
Thai Beverage	7.0	+7.5	+7.6
Embraer	6.9	-8.6	-8.6
Ternium	6.9	+16.2	+16.2
SK Hynix	6.8	-4.4	-5.3
Telkom Indonesia	6.3	+7.5	+7.5
Alibaba	5.5	+6.5	+6.2
Petrobras	5.4	+7.0	+7.0
Buenaventura	5.3	+1.9	+1.9
Infosys	5.0	+10.7	+10.7

Total number of holdings 20

Active share (%)\*\* 90.4

## Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	23.0	13.0***
Price-to-book ratio	2.0	1.8
Price-to-earnings ratio	12.8	14.0
Return on equity (%)	10.1	13.0

\*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 2022.

Source: Oldfield Partners.

## Sector breakdown (%)

Information Technology	27.2	
Materials	16.0	
Communication Services	12.7	
Consumer Staples	11.6	
Consumer Discretionary	9.2	
Industrials	6.9	
Energy	5.4	
Financials	4.3	
Cash	6.7	

## Country breakdown (%)

South Korea	21.9	
China/Hong Kong	15.1	
Brazil	12.3	
Indonesia	10.9	
Thailand	7.0	
Mexico	6.9	
Peru	5.3	
India	5.0	
Taiwan	4.3	
Turkey	2.4	
South Africa	2.1	
Cash	6.7	

## Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.46%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$236.13
I USD	0.90%	1.11%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$148.77

\*AMC - Annual management charge

\*\*TER - Total expense ratio

## Performance summary of all share classes

USD shares	1 month	YTD	1 year	Since launch		Annualised		Since launch	
				03/11/08	01/10/09	3 years	5 years	03/11/08	01/10/09
A USD	+0.3	-7.3	-1.6	+170.8	-	+0.7	+3.6	+7.7	-
I USD	+0.3	-7.2	-1.3	-	+77.0	+1.0	+3.9	-	+4.7
MSCI Emerging Markets	-2.3	-7.0	-11.4	+173.9	+67.1	+4.9	+6.0	+7.8	+4.2
MSCI EM Value	-1.1	-3.4	-3.5	+136.5	+40.8	+3.2	+4.2	+6.6	+2.8

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Source: Oldfield Partners.

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