

# OLDFIELD PARTNERS

## OVERSTONE EMERGING MARKETS EQUITY FUND

### MAY 2015 NEWSLETTER 79

#### Fund & Performance Summary

29 <sup>th</sup> May 2015							
NAV of fund	US\$ 394.3m						
A shares unit price	US\$ 188.67						
I shares unit price	US\$ 118.88						
Performance							
	May	2015 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-2.7%	+0.2%	-4.5%	+7.3%	+2.5%	+96.8%	+10.8%
Index**	-4.0%	+5.7%	0.0%	+6.0%	+4.1%	+105.4%	+11.6%
I Shares*	-2.7%	+0.3%	-4.1%	+7.6%	+2.8%	+25.6%	+4.1%
Index**	-4.0%	+5.7%	0.0%	+6.0%	+4.1%	+25.3%	+4.1%

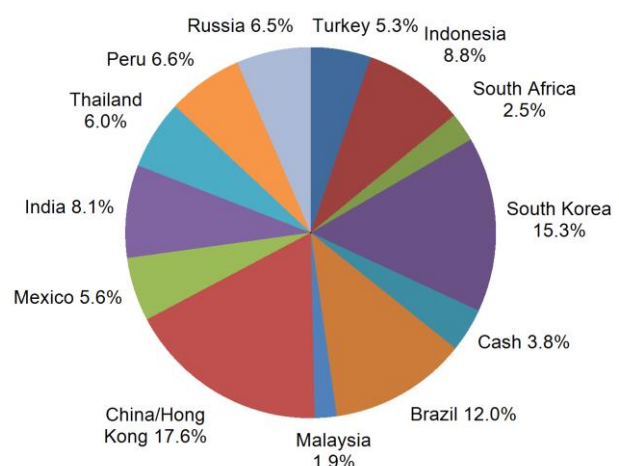
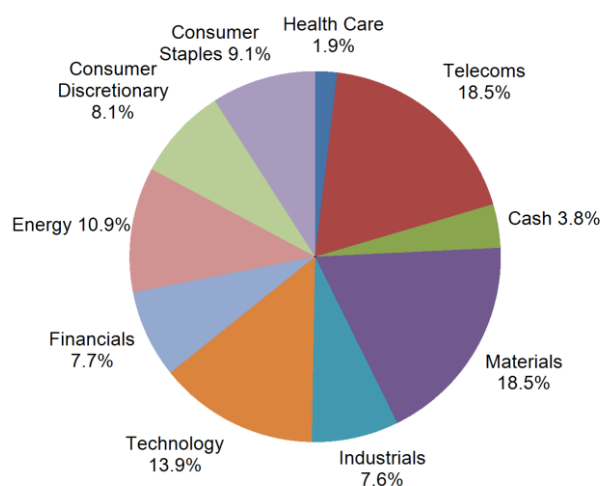
\*A shares commenced on 3rd November 2008 and I shares on 1st October 2009. \*\*MSCI Emerging Markets (Net Dividends Reinvested). Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg 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	8.1	-7.3%	-10.3%
Embraer	7.6	-3.4%	-3.4%
SK Telecom	7.2	-17.4%	-17.4%
Buenaventura	6.6	+0.1%	+0.1%
Lukoil	6.5	-6.3%	-6.3%

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

#### Sector and country breakdown as at 29<sup>th</sup> May 2015



Source: Oldfield Partners.

[Oldfield Partners](http://www.oldfieldpartners.com)  
 130 Buckingham Palace Road, London, SW1W 9SA.  
 Telephone: +44 (0)20 7259 1000 Email: [info@oldfieldpartners.com](mailto:info@oldfieldpartners.com)  
[www.oldfieldpartners.com](http://www.oldfieldpartners.com)

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#### Commentary

It has been a difficult year to date for emerging market equities with a large net outflow from the asset class. The two notable areas of good performance for emerging markets have been Chinese equities and the energy sector (and so Russia). We have over 50% upside to the weighted average of the price targets in the portfolio, and believe that emerging markets are attractively valued.

The worst performers during the month by contribution were our two Korean companies, SK Telecom and Samsung Electronics. **SK Telecom** (leading Korean mobile operator) has been weak as investors fret about mobile competition heating up and the possibility of another player entering the market (unlikely in our opinion). Although there will be episodes of competition from time to time it is less likely that Korea will revert to its bad old ways of cut-throat competition. The market is mature and the regulator (and government) is in favour of restrained competition. SK Telecom continues to promote a more shareholder friendly agenda with share buy backs and potential dividend increases. The company trades on a price earnings ratio of 11. **Samsung Electronics** (Korean consumer electronics) continues to do well in its two key divisions, semiconductors and mobile handsets, and we have written on these recently. It also has a more shareholder friendly agenda than in the past with share buy backs and dividend increases. Samsung Electronics trades on a price earnings ratio (excluding cash) of 6.

The top performers during the month by contribution were Lee & Man Paper and Telkom Indonesia. **Lee & Man Paper** (Chinese containerboard producer) has belatedly joined the Chinese equity rally. The recent strong move in its share price coincides with the product price increases it made rather than just Chinese liquidity, and so we are hopeful it is based on fundamentals. As capacity additions are restrained in the Chinese containerboard industry Lee & Man Paper should be a key beneficiary. The government is keen to reduce smaller less environmentally efficient players, and recently the Guangdong provincial government was even offering cash incentives to them to close. Fears of a large share overhang have receded as the family bought the shares Nippon Paper wanted to sell as it exits the relationship with the company. The stock trades on a price earnings ratio of 12.5. **Telkom Indonesia** (leading Indonesian mobile operator) is benefiting from the growth in mobile, moving from 2G to 3G, and now broadband in an underpenetrated market. Broadband penetration in Indonesia is around 10%, and Telkom has the added benefit of being the operator that can offer bundled packages and has superior networks. With a rock solid balance sheet and growth in free cash flow there is scope, if the government approves, for more generous dividends.

The emerging market equity funds we manage have collectively fallen below the capacity limit for the strategy of US\$1 billion. We want to highlight to existing and potential investors that the funds have capacity available and we would be delighted to discuss the emerging market opportunity with interested investors.

Oldfield Partners

130 Buckingham Palace Road, London, SW1W 9SA.

Telephone: +44 (0)20 7259 1000 Email: [info@oldfieldpartners.com](mailto:info@oldfieldpartners.com)

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Fund Information as at 29 <sup>th</sup> May 2015			
<b>Currency</b>	USD	<b>Investment Manager</b>	Oldfield Partners LLP
<b>Liquidity</b>	Daily dealing	<b>Administrator</b>	Northern Trust International Fund Administration Services (Ireland) Ltd
<b>Benchmark</b>	MSCI Emerging Markets (Net Dividends Reinvested)	<b>Custodian</b>	Northern Trust Fiduciary Services (Ireland) Ltd
<b>Management Fees</b>	A shs = 1.25% I shs = 0.90%	<b>Auditor</b>	Deloitte
<b>TER</b>	A shs = 1.45% I shs = 1.10%	<b>Legal Advisers</b>	Arthur Cox
<b>Minimum Investment</b>	The equivalent of €100,000	<b>Admin &amp; Custody Fees</b>	0.18% on the first US\$75m 0.155% on the next US\$75m 0.14% on the next US\$150m 0.11% thereafter
<b>A shares ISIN</b>	IE00B3DDVH01	<b>I shares ISIN</b>	IE00B4N0BT09
<b>A shares sedol</b>	B3DDVH0	<b>I Shares sedol</b>	B4N0BT0
<b>A shares ticker</b>	OVEMKEA	<b>I shares ticker</b>	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 1<sup>st</sup> June 2005, Overstone European Equity Fund was launched on 3<sup>rd</sup> October 2005, Overstone Opportunity Multi Fund was launched on 1<sup>st</sup> November 2005, Overstone Global ex US Equity Fund was launched on 1<sup>st</sup> June 2006, Overstone Japanese Equity Fund was launched on 1<sup>st</sup> October 2007, Overstone Smaller Companies Fund was launched on 1<sup>st</sup> October 2007.

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