



Overstone Emerging Markets Equity Fund

May 2017 Newsletter 103

Oldfield Partners

Performance (USD terms)								
	May	2017 to date	2016	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+2.7%	+8.6%	+30.6%	+21.4%	+3.8%	+7.6%	+130.6%	+10.2%
MSCI Emerging Markets**	+3.0%	+17.3%	+11.2%	+27.4%	+1.6%	+4.5%	+115.6%	+9.4%

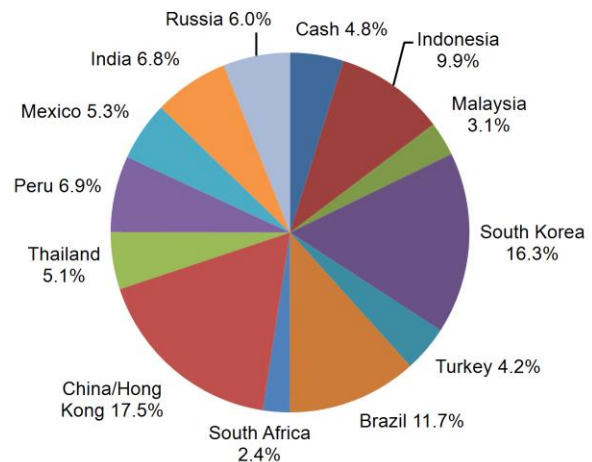
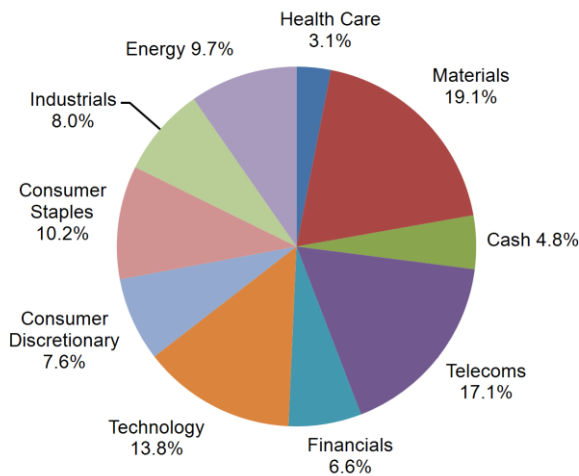
*A shares commenced on 3rd November 2008. **Net Dividends Reinvested. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust International Fund Administration Services (Ireland) Ltd.

Performance of Five Largest Holdings*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	8.3%	+0.1%	+1.6%
SK Telecom	8.1%	+6.5%	+6.5%
Embraer	8.0%	+3.0%	+3.0%
Lee & Man Paper	7.0%	+12.8%	+12.6%
Buenaventura	6.9%	+3.7%	+3.7%

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

Sector and country breakdown as at 31st May 2017



Source: Oldfield Partners.

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Commentary

Emerging Markets have attracted \$28 billion of inflows year to date and the vast majority has gone into index tracking financial products. Growth investing has clearly outpaced value investing this year – tightening in China and disappointments with the US administration's policy achievements have been unhelpful. A broadening of the cycle has favoured sectors such as media, services and information technology. We have lagged the index this year.

The information technology sector has four of the top five holdings in the MSCI Emerging Market Index, and the fifth is really a technology stock in disguise, and seven of the top ten holdings. The sector is now 25% of the index. These top five holdings in the index have significantly outperformed, and have increased by 35% year to date (in US\$ and equally weighted). The Chinese internet stocks have done tremendously well, but trade on fifty times earnings – billions of emerging market consumers armed with smartphones, downloading gaming apps, shopping online, and using social media makes a potent story. However, as a well-known value manager once told me, when faced with a similar scenario in the year 2000: 'Trees do not grow to the sky'.

In contrast holdings such as an aeroplane manufacturer, a steel company, and an athletic shoe producer could sound rather old fashioned, despite trading on rather attractive old fashioned valuation levels and doing just fine. We are comforted by the 43% upside to the weighted average of the price targets in the portfolio.

The laggards during the month by contribution were Petrobras and Lukoil. The two worst performing stocks are in the unloved oil sector. The oil price has been trading in a range between \$40 and \$55 since early last year, and we believe this lower oil price environment will continue. **Petrobras** (Brazilian oil producer) was also hurt by another wave of political scandal in Brazil, although the company is not directly implicated. The management team continue to execute well on the deleveraging strategy and corporate governance improvements. **Lukoil** (Russian oil producer) produced a good set of first quarter results, showing it can do well in a low oil price environment, but Russia remains out of favour. The company trades on a prospective price earnings ratio of five and a dividend yield of 6.5%.

The top performers for the month were Lee & Man Paper, SK Telecom, and Top Glove. **Lee & Man Paper** (Chinese containerboard manufacturer) has been able to increase prices even in the traditionally quiet period and has been helped by continuing capacity restraint in the industry. The government led consolidation drive favours the larger players such as Lee & Man Paper. **SK Telecom** (South Korean mobile telecom provider) has performed well after the presidential elections as investors assumed changes to industry regulations would be limited and that anti-chaebol policies would be a positive. **Top Glove** (Malaysian rubber glove manufacturer) has benefited from the weak local currency, weaker raw material prices, and a stable competitive environment.

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Fund & Performance Summary

31 st May 2017								
NAV of fund		US\$ 229.4m						
A shares unit price		US\$ 215.56						
I shares unit price		US\$ 135.77						
A USD hedged shares unit price		US\$ 101.11						
A GBP hedged shares unit price		£ 100.14						
Performance								
	May	2017 to date	2016	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+2.7%	+8.6%	+30.6%	+21.4%	+3.8%	+7.6%	+130.6%	+10.2%
MSCI EM**	+3.0%	+17.3%	+11.2%	+27.4%	+1.6%	+4.5%	+115.6%	+9.4%
I Shares*	+2.7%	+8.7%	+31.1%	+21.8%	+4.2%	+8.0%	+48.1%	+5.3%
MSCI EM**	+3.0%	+17.3%	+11.2%	+27.4%	+1.6%	+4.5%	+31.5%	+3.6%
A USD Hedged Shares*	+2.1%	+3.4%	-2.0%	-	-	-	+1.4%	-
MSCI EM Hedged**	+0.7%	+8.8%	-2.5%	-	-	-	+6.1%	-
A GBP Hedged Shares*	+2.0%	+3.2%	-2.7%	-	-	-	+0.4%	-
MSCI EM Hedged**	+0.7%	+8.5%	-2.6%	-	-	-	+5.6%	-

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

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Fund and share class information as at 31st May 2017

Share class	Class Currency	Management Fees	TER	Sedol	Bloomberg Ticker	ISIN
A	USD	1.25%	1.47%	B3DDVH0	OVEMKEA	IE00B3DDVH01
I	USD	0.90%	1.12%	B4N0BT0	OVEMKEI	IE00B4N0BT09
A USD Hedged	USD	1.25%	1.52%	BZBVR05	OVEMAUH	IE00BZBVR050
A GBP Hedged	GBP	1.25%	1.52%	BD3WG94	OVEMAGH	IE00BD3WG942

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

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