

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

31 May 2019

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\$221.0m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

"A concentrated portfolio concentrates the mind..."

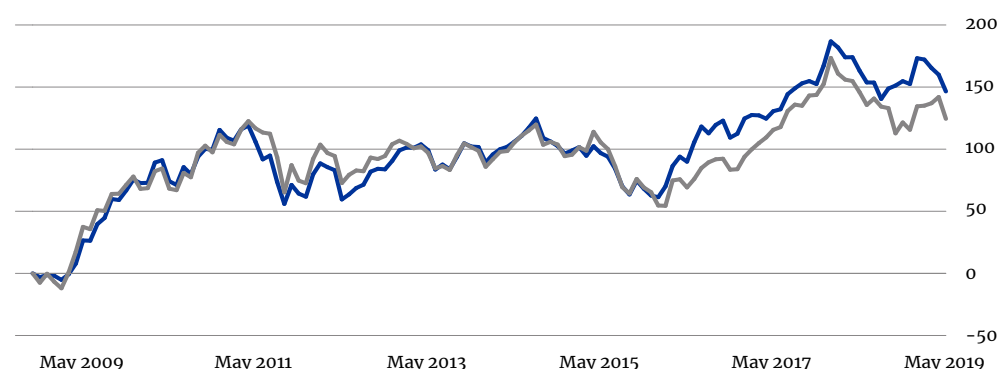
About Oldfield Partners

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 (%)



	1 month	YTD	1 year	Launch	Annualised		
					3 years	5 years	Launch
■ A USD	-5.2	-2.4	-6.3	+146.5	+9.1	+3.6	+8.9
■ MSCI Emerging Markets	-7.3	+4.1	-8.7	+124.4	+9.9	+1.8	+7.9

Preceding five calendar years performance	2018	2017	2016	2015	2014
A USD	-5.5	+25.8	+30.6	-17.2	-2.6
MSCI Emerging Markets	-14.6	+37.3	+11.2	-14.9	-2.2

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.

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

During the month investors came to realise the US-China trade dispute may be a very long lasted affair with the knock-on effect to global economic growth prospects. The China equity market rally went into reverse gear, and the MSCI Emerging Markets Index fell sharply in the month. The valuation case for emerging market equities remains attractive, with the MSCI Emerging Markets Index trading below its longer term historic average valuation. The weighted average of the price targets in the portfolio is showing 44% upside.

The bottom performers by contribution in the month were Lee & Man Paper and Samsung Electronics. **Lee & Man Paper** (Chinese containerboard manufacturer) has suffered as the Chinese government has reduced the quantities of imported waste recycled paper allowed due to trade frictions and for environmental reasons. This forces the containerboard industry to source increasing amounts domestically and is more expensive as the collection of waste recycled paper in China is less developed. In addition, any slowdown in the Chinese economy would impact this cyclical industry. **Samsung Electronics** (Korean electronics manufacturer) continues to trade at a lowly valuation awaiting investor confidence in an upturn for the semiconductor cycle. Samsung will have a positive impact from the Huawei ban (its smartphone & networks businesses could gain) and in general is reasonably well placed in the US-China tariff dispute.

The top performers by contribution in the month were Ternium and JSE. **Ternium** (Latin American steel producer) had a brief respite in the month as the trade frictions between the US and Mexico looked to have calmed as USMCA was in theory agreed and Section 232 was dropped – but at month-end the US threatened new tariffs on Mexican goods over immigration issues. It is uncertain how this new situation will develop and the effect on the Mexican supply chain and exports. In the short term Ternium prices in US dollars and has costs in a depreciating local currency, but any longer-term impact on the local economy and its export industries would be painful. **JSE** (the South African stock exchange) was a solid and safe performer in a difficult local market buffeted by the wider emerging market themes and the general election returning the incumbent to power albeit with a reduced majority.

Fund analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Embraer	8.9	-3.8	-3.8
Samsung Electronics	8.9	-7.2	-9.2
Petrobras	8.2	-5.7	-5.7
Lukoil	8.1	-5.0	-5.0
SK Telecom	8.0	-1.6	-1.6
Buenaventura	7.6	-6.3	-6.3
Thai Beverage	6.8	-2.9	-3.9
Telkom Indonesia	6.4	+0.8	+0.8
Ternium	5.4	+2.1	+2.1
Yue Yuen Industrial	5.4	-13.4	-13.4

Total number of holdings 17

Active share (%)** 94.3

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio	29.1	14.3
Price-to-book ratio	1.6	1.6
Price-to-earnings ratio	11.2	13.0
Return on equity (%)	13.4	12.0

*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.

Sector breakdown (%)

Materials	17.6	
Communication Services	17.3	
Energy	16.3	
Information Technology	13.0	
Consumer Staples	11.7	
Industrials	8.9	
Consumer Discretionary	6.2	
Financials	4.8	
Cash	4.2	

Country breakdown (%)

Brazil	17.1	
South Korea	16.9	
China/Hong Kong	12.3	
Indonesia	11.3	
Russia	8.1	
Peru	7.6	
Thailand	6.8	
Mexico	5.4	
India	4.9	
Turkey	2.9	
South Africa	2.5	
Cash	4.2	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.47%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$224.39
I USD	0.90%	1.12%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$141.37
A USD Hedged	1.25%	1.52%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$108.18
A GBP Hedged	1.25%	1.52%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£103.21

*AMC - Annual management charge

**TER - Total expense ratio

Performance summary of all share classes

USD shares	Annualised									
	1 month	YTD	1 year	Since launch		3 years	5 years	Since launch		
				03/11/08	01/10/09			03/11/08	01/10/09	
A USD	-5.2	-2.4	-6.3	+146.5	-	+9.1	+3.6	+8.9	-	
I USD	-5.2	-2.2	-6.0	-	+59.5	+9.5	+4.0	-	+4.9	
MSCI Emerging Markets	-7.3	+4.1	-8.7	+124.4	+36.9	+9.9	+1.8	+7.9	+3.3	

USD Hedged shares	Annualised							
	1 month	YTD	1 year	Since launch		3 years	5 years	Since launch
				31/10/16	31/10/16			
A USD Hedged	-5.0	-2.5	-4.7	+11.3	-	-	-	+4.2
MSCI Emerging Markets USD Hdgd	-6.6	+5.1	-5.2	+14.6	-	-	-	+5.4

GBP Hedged shares	Annualised							
	1 month	YTD	1 year	Since launch		3 years	5 years	Since launch
				31/10/16	31/10/16			
A GBP Hedged	-4.9	-3.1	-6.6	+6.3	-	-	-	+2.4
MSCI Emerging Markets GBP Hdgd	-7.0	+3.8	-7.5	+9.4	-	-	-	+3.5

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.

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