

OLDFIELD PARTNERS

OVERSTONE EMERGING MARKETS EQUITY FUND

JULY 2015 NEWSLETTER 81

Fund & Performance Summary

31 st July 2015							
NAV of fund	US\$ 195.0m						
A shares unit price	US\$ 176.69						
I shares unit price	US\$ 111.39						
Performance							
	July	2015 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-5.0%	-6.2%	-15.2%	+3.0%	-0.1%	+84.3%	+9.5%
Index**	-6.9%	-4.2%	-13.4%	+0.6%	+0.6%	+86.2%	+9.6%
I Shares*	-4.9%	-6.0%	-14.9%	+3.3%	+0.2%	+17.7%	+2.8%
Index**	-6.9%	-4.2%	-13.4%	+0.6%	+0.6%	+13.6%	+2.2%

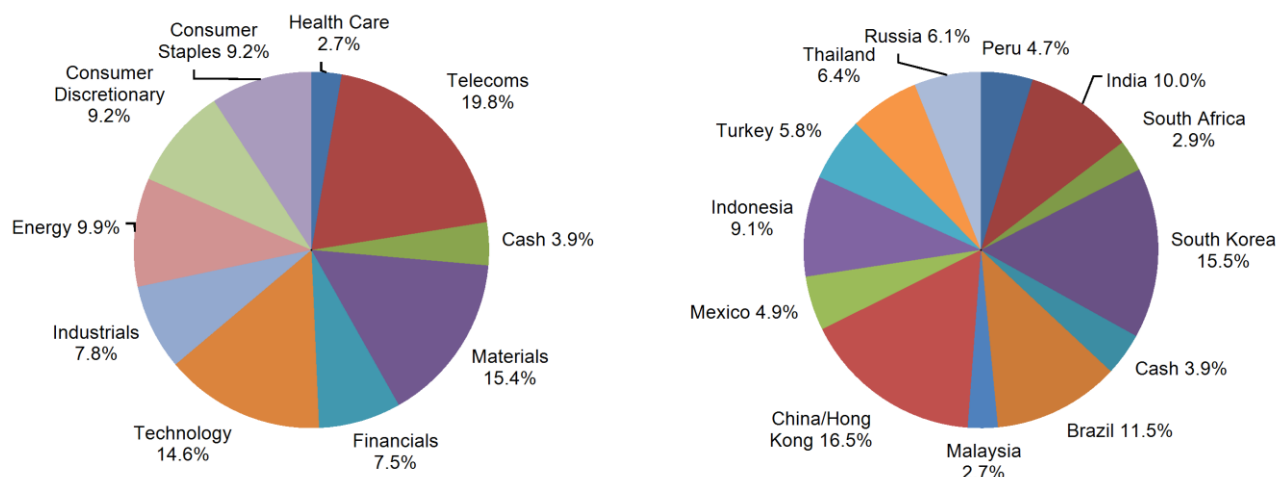
*A shares commenced on 3rd November 2008 and I shares on 1st October 2009. **MSCI Emerging Markets (Net Dividends Reinvested). Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg 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	8.0	-6.9%	-10.5%
Embraer	7.8	-7.8%	-7.8%
SK Telecom	7.5	-3.2%	-3.2%
Infosys	6.6	+6.6%	+6.6%
Telkom Indonesia	6.4	-0.9%	-0.9%

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

Sector and country breakdown as at 31st July 2015



Source: Oldfield Partners.

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Commentary

The MSCI Emerging Markets Index took a sharp tumble in the month, and the portfolio fell with it, but less so. The rally in the local Chinese equity market earlier in the year has all but unwound. Investors continue to worry foremost about the start of the US tightening cycle and the ongoing slowdown in the Chinese economy, and have pulled over \$20 billion from the asset class this year. The valuation of the MSCI Emerging Markets Index is well below its longer term historic average, and so attractive, but lacking a clear catalyst over the summer months. As an interesting comparison Russia is the best performing emerging market (of size) this year – despite facing the major headwinds of sanctions and lower oil prices – but it was, and still is, on the cheapest valuation of all.

The worst performers during the month by contribution were **Buenaventura** (Peruvian miner), **Petrobras** (Brazilian oil & gas), and **Samsung Electronics** (South Korean consumer electronics). The share price of Buenaventura has fallen with the gold price, and poor sentiment towards gold, as the European crisis fades and the US inches closer to a tightening cycle. Petrobras remains under pressure from the corruption scandal repercussions and the weaker oil price dents sentiment. Management have not adjusted domestic fuel prices to reflect the sharply lower international oil price, and so they are at a premium. Unfortunately in the month the company received an unexpected tax ruling, and although small, if the company needs to provision for similar cases it may impact profits. Samsung Electronics is showing good resilience in its mobile handset and semiconductor businesses, but the ongoing generational transition of the family and the wider Samsung group restructuring is likely to keep the share price under pressure until a definitive event occurs. It trades at book value, which has long been a good entry point for the patient investor.

The top performers during the month by contribution were **Eros International** (Indian Bollywood films) and **Infosys** (Indian IT services). We first invested in Eros in 2006 with a long term view to the management quality, market opportunity, and unrivalled content, and have seen many ups and downs along the way. The share price of Eros has performed very well recently as its film slate has met success and the possibility arose of selling a stake in its online media business, ErosNow. ErosNow was given little valuation by investors but could have a value approaching the entire company's market capitalisation as before the recent share price rally. Infosys has been another volatile, but successful, performer since our investment in 2012 as the business grappled with the recovery in IT services demand, its positioning in the industry, and internal management changes. Infosys had strong first quarter results in the month highlighting the success of the ongoing changes in the company to increase cross selling and stimulate new large client wins. Management were able to raise its US dollar full year revenue guidance.

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Fund Information as at 31 st July 2015			
Currency	USD	Investment Manager	Oldfield Partners LLP
Liquidity	Daily dealing	Administrator	Northern Trust International Fund Administration Services (Ireland) Ltd
Benchmark	MSCI Emerging Markets (Net Dividends Reinvested)	Custodian	Northern Trust Fiduciary Services (Ireland) Ltd
Management Fees	A shs = 1.25% I shs = 0.90%	Auditor	Deloitte
TER	A shs = 1.51% I shs = 1.16%	Legal Advisers	Arthur Cox
Minimum Investment	The equivalent of €100,000	Admin & Custody Fees	0.18% on the first US\$75m 0.155% on the next US\$75m 0.14% on the next US\$150m 0.11% thereafter
A shares ISIN	IE00B3DDVH01	I shares ISIN	IE00B4N0BT09
A shares sedol	B3DDVH0	I Shares sedol	B4N0BT0
A shares ticker	OVEMKEA	I shares ticker	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 1st June 2005, Overstone European Equity Fund was launched on 3rd October 2005, Overstone Opportunity Multi Fund was launched on 1st November 2005, Overstone Global ex US Equity Fund was launched on 1st June 2006, Overstone Japanese Equity Fund was launched on 1st October 2007, Overstone Smaller Companies Fund was launched on 1st October 2007.

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