



# Overstone Emerging Markets Equity Fund

## July 2018 Newsletter 117

Oldfield Partners

Performance (USD terms)							
	July	2018 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	0.0%	-5.1%	+3.8%	+11.2%	+6.2%	+153.6%	+10.0%
MSCI Emerging Markets**	+2.2%	-4.6%	+4.4%	+8.9%	+5.2%	+140.8%	+9.4%

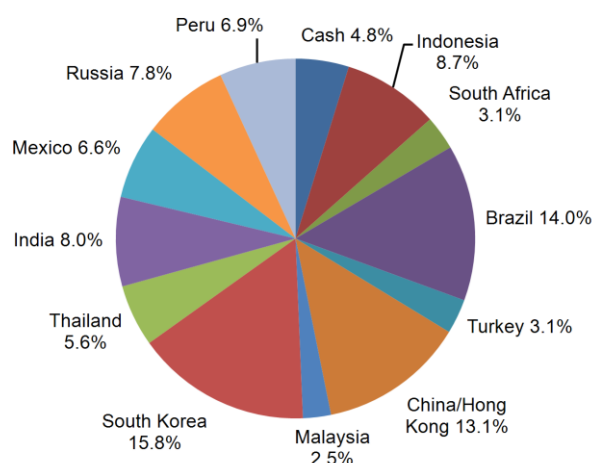
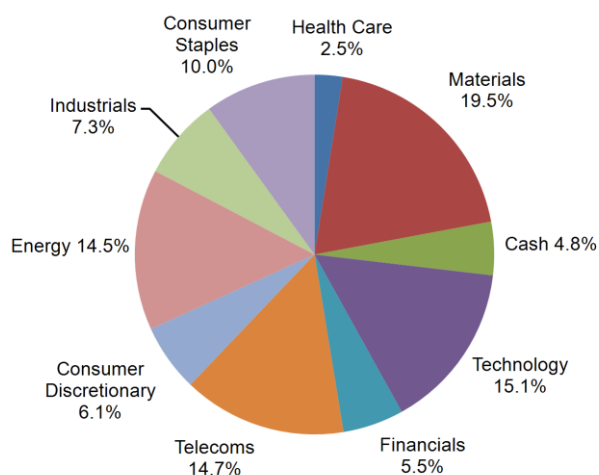
\*A shares commenced on 3rd November 2008. \*\*Net Dividends Reinvested. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust International Fund Administration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

### Performance of Five Largest Holdings\*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	8.5%	-0.2%	-0.1%
Lukoil	7.8%	+7.6%	+7.6%
Embraer	7.4%	-17.8%	-17.8%
SK Telecom	7.3%	+6.3%	+6.3%
Buenaventura	6.9%	+0.8%	+0.8%

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

### Sector and country breakdown as at 31<sup>st</sup> July 2018



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 necessarily a guide to future performance.



## Commentary

The valuation case for emerging market equities remains attractive, with the MSCI Emerging Markets Index trading comfortably below its longer term historic average valuation. The price to book ratio for the index is 1.6. The weighted average of the price targets in the portfolio is showing an attractive 46% upside.

The bottom performers by contribution in the month were Embraer and Top Glove. **Embraer** (Brazilian regional jet manufacturer) announced details of the joint venture proposal in regional jets with Boeing. The long running negotiations (also involving the Brazilian government) had seen much of the proposal already come to light, and so it was not a surprise to the market. Overall it is a positive for Embraer as it retains 20% of the joint venture and gains Boeing's scale benefits in marketing the new generation of regional jets and separately in launching its transporter plane. Concern for investors centre on the undisclosed plans for the cash proceeds, although management said there would be a shareholder return, and if the deal can be finalised before the next Brazilian government takes a view. **Top Glove** (Malaysian rubber glove manufacturer) ran into problems with its recent (and highly praised) acquisition of the surgical glove manufacturer Aspion. Management alleged that some inventory and production lines were defunct and have taken legal action. Although some write down by Top Glove looks likely the share price has already corrected by more than the entire acquisition price, and the long-term prospects for Aspion are attractive, as is the current background to the latex glove industry.

The top performers by contribution in the month were Petrobras and Lukoil. Our oil companies are enjoying the stronger oil price fundamentals. **Petrobras** (Brazilian oil) is recovering following the trucker strike episode in Brazil that put a question mark over its independence in setting refined product prices and led the government to agree to compensate Petrobras whilst prices are managed. The Brazilian election cycle is underway and this is often a volatile time for the share price. **Lukoil** (Russian oil) continue to show their commitment to shareholder return and corporate governance improvement. Management announced its shareholder return plans remain on track, with the cancellation of its treasury shares and a buyback; and the weak rouble and strong oil price is a positive backdrop.



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### Fund & Performance Summary

31 <sup>st</sup> July 2018							
NAV of fund		US\$ 241.4m					
A shares unit price		US\$ 234.47					
I shares unit price		US\$ 147.83					
A USD hedged shares unit price		US\$ 111.81					
A GBP hedged shares unit price		£ 108.61					
Performance							
	July	2018 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	0.0%	-5.1%	+3.8%	+11.2%	+6.2%	+153.6%	+10.0%
MSCI EM**	+2.2%	-4.6%	+4.4%	+8.9%	+5.2%	+140.8%	+9.4%
I Shares*	0.0%	-4.9%	+4.2%	+11.6%	+6.6%	+63.6%	+5.7%
MSCI EM**	+2.2%	-4.6%	+4.4%	+8.9%	+5.2%	+46.9%	+4.4%
A USD Hedged Shares*	-0.8%	-1.5%	+6.6%	-	-	+13.4%	+7.4%
MSCI EM USD Hedged**	+1.7%	-1.4%	+6.2%	-	-	+19.9%	+10.9%
A GBP Hedged Shares*	-0.9%	-2.4%	+4.9%	-	-	+10.1%	+5.6%
MSCI EM GBP Hedged**	+1.6%	-2.7%	+4.4%	-	-	+16.9%	+9.3%

\*A shares commenced on 3<sup>rd</sup> November 2008, I shares on 1<sup>st</sup> October 2009, A US\$ and GBP hedged shares commenced on 31<sup>st</sup> 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 31<sup>st</sup> July 2018

Share class	Class Currency	Management Fees	TER	Sedol	Bloomberg Ticker	ISIN
A	USD	1.25%	1.46%	B3DDVH0	OVEMKEA	IE00B3DDVH01
I	USD	0.90%	1.11%	B4N0BT0	OVEMKEI	IE00B4N0BT09
A USD Hedged	USD	1.25%	1.51%	BZBVR05	OVEMAUH	IE00BZBVR050
A GBP Hedged	GBP	1.25%	1.51%	BD3WG94	OVEMAGH	IE00BD3WG94 2

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

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