

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

31 July 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\$226.8m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

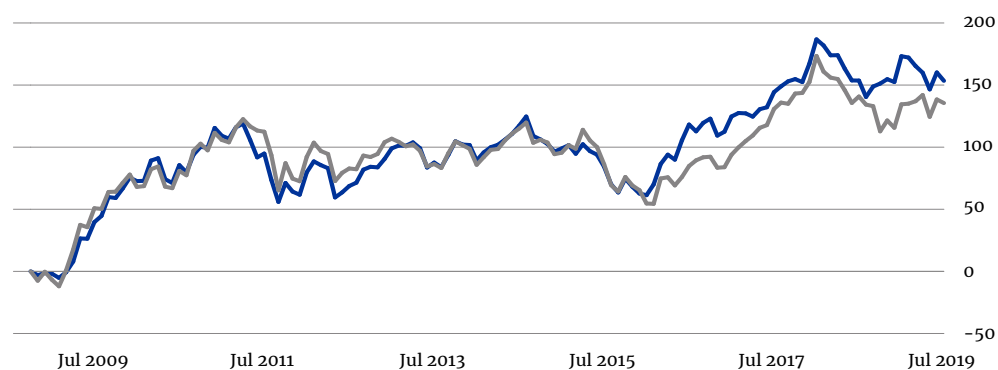
About Oldfield Partners

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	-2.6	+0.4	-0.1	+153.4	+5.1	+3.1	+9.0
■ MSCI Emerging Markets	-1.2	+9.2	-2.2	+135.5	+8.4	+1.8	+8.3

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

The valuation case for emerging market equities remains attractive, and the MSCI Emerging Markets Index continues to trade comfortably below its longer term historic average valuation. Value investing has had a tough year to date, and we are no exception. The backdrop for emerging markets is still dominated by the US-China trade negotiations and expectations for the US monetary policy cycle.

The bottom performers by contribution in the month were Buenaventura and SK Telecom. **Buenaventura** (Peruvian miner) had disappointing results at month end as it reduced production in several key mines to improve efficiency and implement cost saving initiatives. The recent increase in the gold price should come through in subsequent results. **SK Telecom** (Korean wireless mobile provider) is continuing to invest in the 5G network but only beginning to gain 5G subscribers, and its investment in SK Hynix (second largest DRAM producer) is lagging due to the weak semiconductor cycle. We see both these pressures starting to turn.

The top performers by contribution in the month were Infosys and Telkom Indonesia. **Infosys** (Indian IT services) is benefiting from the buoyant IT services demand in the US and has increased its focus on shareholder returns by upping the percentage of free cash flow returned to investors to 85% (from 70%) over a five-year period. **Telkom Indonesia** (Indonesian telecom provider) is benefiting from a stable competitive backdrop allowing increased prices and the continuing growth of data. The compulsory SIM card registration period was tough for the industry, but Telkom Indonesia looks to have emerged a winner from the process.

Total assets for the emerging markets strategy are now slightly over US\$1billion, which is our capacity limit. If you are interested in making a new investment or adding to an existing holding, we therefore request that you contact us to discuss this.

Fund analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.3	-2.9	-5.0
Embraer	9.1	+0.4	+0.4
Petrobras	8.4	-3.4	-3.4
Lukoil	8.0	0.0	0.0
SK Telecom	7.7	-7.4	-7.4
Buenaventura	7.4	-8.6	-8.6
Telkom Indonesia	6.9	+2.9	+2.9
Thai Beverage	6.8	+0.6	-0.5
Indofood	5.3	+0.7	+1.5
Yue Yuen Industrial	5.3	+2.6	+2.3

Total number of holdings 17

Active share (%)** 93.9

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio	29.7	14.0
Price-to-book ratio	1.7	1.6
Price-to-earnings ratio	10.1	13.2
Return on equity (%)	14.1	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 (%)

Communications Services	17.7	
Materials	16.6	
Energy	16.4	
Information Technology	13.6	
Consumer Staples	12.1	
Industrials	9.1	
Consumer Discretionary	5.4	
Financials	4.7	
Cash	4.4	

Country breakdown (%)

Brazil	17.5	
South Korea	16.9	
Indonesia	12.2	
China/Hong Kong	11.8	
Russia	8.0	
Peru	7.4	
Thailand	6.8	
Mexico	4.9	
India	4.5	
Turkey	3.1	
South Africa	2.4	
Cash	4.4	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.47%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$230.69
I USD	0.90%	1.12%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$145.42
A USD Hedged	1.25%	1.52%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$108.84
A GBP Hedged	1.25%	1.52%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£103.86

*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	-2.6	+0.4	-0.1	+153.4	-	+5.1	+3.1	+9.0	-	
I USD	-2.6	+0.6	+0.3	-	+64.0	+5.5	+3.5	-	+5.2	
MSCI Emerging Markets	-1.2	+9.2	-2.2	+135.5	+43.7	+8.4	+1.8	+8.3	+3.8	

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	-2.8	-1.9	-1.2	+12.0	-	-	+4.2	
MSCI Emerging Markets USD Hdgd	-1.1	+8.8	-1.0	+18.6	-	-	+6.4	

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	-2.7	-2.5	-2.9	+6.9	-	-	+2.5	
MSCI Emerging Markets GBP Hdgd	-1.2	+7.1	-3.5	+12.8	-	-	+4.5	

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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