

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

31 July 2020

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\$129.2m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets MSCI EM Value

“A concentrated portfolio concentrates the mind...”

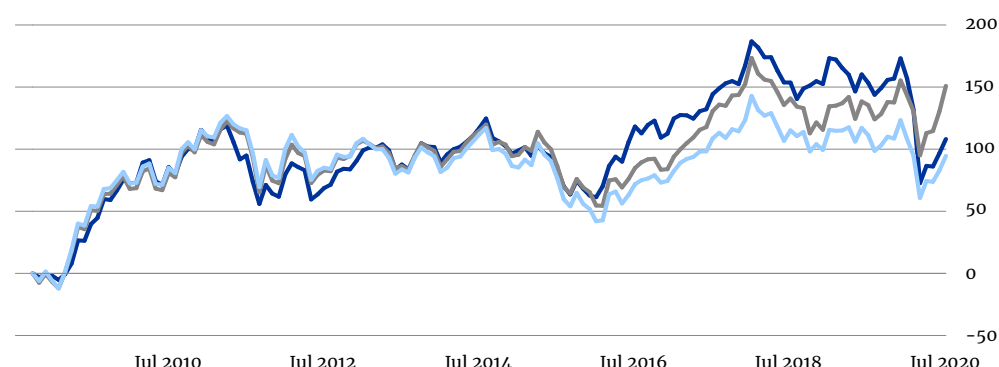
About Oldfield Partners

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	+5.8	-23.8	-17.9	+108.1	-5.2	+2.5	+6.4
■ MSCI Emerging Markets	+8.9	-1.7	+6.5	+150.9	+2.8	+6.1	+8.1
■ MSCI EM Value	+6.4	-12.8	-7.9	+94.6	-2.3	+2.0	+5.8

Preceding five calendar years performance

	2019	2018	2017	2016	2015
A USD	+8.2	-5.5	+25.8	+30.6	-17.2
MSCI Emerging Markets	+18.4	-14.6	+37.3	+11.2	-14.9
MSCI EM Value	+11.9	-10.7	+28.1	+14.9	-18.6

Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.

MSCI EM Value index is for comparison purposes only.

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 global economy is learning to live with the virus and some normality is being restored – peppered with ‘second wave’ and ‘vaccine’ news. We continue to favour holdings that can ‘tough it out’ – having characteristics such as a strong balance sheet, solid proven franchises, producing assets low down on the global cost curve, or access to government assistance. We believe all our holdings are survivors. Although growth for companies may be hard to come by, we still believe valuation is as important as ever.

The bottom performers by contribution for the month were Turkcell, Thai Beverage, and Ternium. **Turkcell** (Turkish mobile telecoms operator) has solved its long running shareholder dispute and simplified its shareholder structure (with the exit of Telia). This sets a positive tone for the long-term strategy of the company. We see Turkcell as well placed to grow data services as the leading mobile operator in Turkey. The negatives on the stock are from the economic and political side. **Thai Beverage** (leading producer of alcoholic beverages in Thailand) saw a strong bounce in consumption from the depressed levels of lockdown but growth has since been lacklustre weighing on the stock. There will be some inventory adjustments through the system, so it may be too early to tell for sure. Regardless, Thai Beverage has an outstanding franchise that generates significant free cash flow. **Ternium** (Latin American steel producer) is facing a difficult economic environment in Mexico and its other markets, as the region is still in the midst of the virus impact. We believe Mexico is an attractive manufacturing location, set to benefit as China is seen as a less reliable partner, and as an efficient low-cost operator Ternium should benefit from these long-term growth prospects.

The top performers by contribution for the month were Infosys, Buenaventura, and Samsung Electronics. **Infosys** (Indian IT services) is an enabler for the growth of the digital economy and benefitting from demand in the US and elsewhere to tilt operations online. The company has had little impact from the virus on its domestic operations and its move to set up US bases was well timed. Management were able to guide for revenue growth and margin stability ahead in the recent quarterly results. **Buenaventura** (Peruvian miner) is back in business after the national lockdown was lifted and all its operations were able to open. Precious metal prices have soared and the company is now benefitting.

Commentary - continued

Samsung Electronics (South Korean electronics manufacturer) was cautiously optimistic for semiconductor operations heading into the second half of 2020 and into 2021 with mobile handsets picking up and data centre memory demand based on the 'stay at home' economy shifting life online. We believe this further adds to the credibility that the semiconductor industry is experiencing gentler cycles (versus history) thanks to its supply discipline, favourable long-term demand, and industry consolidation.

Capacity and flows

AUM of the strategy is now below our US\$1bn capacity so we are accepting capital from investors, with priority given to existing investors and those on the waitlist, and then from new relationships. If you are interested in the strategy, please contact us.

Fund analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.6	+10.2	+10.7
Buenaventura	9.1	+29.8	+29.8
Infosys	8.9	+32.6	+32.6
SK Telecom	8.5	+5.0	+5.0
Thai Beverage	7.1	-5.2	-3.9
Lukoil	7.0	-3.0	-3.0
Petrobras	6.8	+7.0	+7.0
Telkom Indonesia	6.4	-2.4	-2.4
Indofood	6.3	+2.2	+0.5
Lee & Man Paper	5.9	+14.6	+14.6

Total number of holdings **16**

Active share (%)** **94.0**

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	24.0	8.0***
Price-to-book ratio	1.7	1.8
Price-to-earnings ratio	11.0	17.4
Return on equity (%)	12.5	10.1

*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.

***For the MSCI Emerging Markets the net debt to equity ratio excludes financials.

All data as at 31 July 2020.

Source: Oldfield Partners.

Sector breakdown (%)

Materials	19.8	
Communication Services	19.0	
Information Technology	18.5	
Energy	13.7	
Consumer Staples	13.4	
Consumer Discretionary	4.5	
Financials	3.9	
Industrials	3.6	
Cash	3.6	

Country breakdown (%)

South Korea	18.0	
Indonesia	12.7	
China/Hong Kong	11.9	
Brazil	10.3	
Peru	9.1	
India	8.9	
Thailand	7.1	
Russia	7.0	
Mexico	4.8	
Turkey	4.2	
South Africa	2.4	
Cash	3.6	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.53%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$187.10
I USD	0.90%	1.18%	B4N0BT0	OVEMKEI ID	IE00B4N0BT09	US\$117.95
A USD Hedged	1.25%	1.58%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$93.87
A GBP Hedged	1.25%	1.58%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£87.25

*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	+5.8	-23.8	-17.9	+108.1	-	-5.2	+2.5	+6.4	-	
I USD	+5.9	-23.6	-17.6	-	+35.2	-4.9	+2.8	-	+2.8	
MSCI Emerging Markets	+8.9	-1.7	+6.5	+150.9	+53.1	+2.8	+6.1	+8.1	+4.0	
MSCI EM Value	+6.4	-12.8	-7.9	+94.6	+15.8	-2.3	+2.0	+5.8	+1.4	

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	+4.9	-18.6	-12.7	-2.2		-2.7	-	-0.6	
MSCI Emerging Markets	+8.9	-1.7	+6.5	-		+2.8	-	-	

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	+4.3	-19.6	-14.9	-9.0		-4.7	-	-2.5	

Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.

MSCI EM Value index is for comparison purposes only.

Source: Oldfield Partners.

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