



# Overstone Emerging Markets Equity Fund

## August 2017 Newsletter 106

Oldfield Partners

Performance (USD terms)								
	August	2017 to date	2016	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+1.9%	+17.2%	+30.6%	+17.0%	+3.5%	+7.8%	+149.0%	+10.9%
MSCI Emerging Markets**	+2.2%	+28.3%	+11.2%	+24.5%	+2.4%	+5.3%	+135.9%	+10.2%

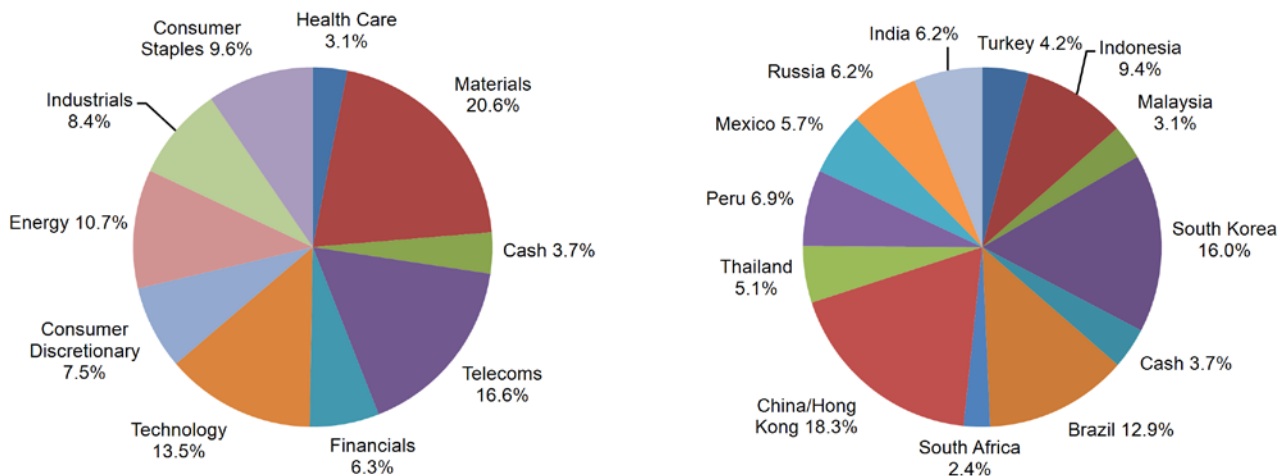
\*A shares commenced on 3rd November 2008. \*\*Net Dividends Reinvested. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust International Fund Administration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

### Performance of Five Largest Holdings\*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	8.4%	-4.0%	-4.2%
Embraer	8.4%	+12.0%	+12.0%
Lee & Man Paper	8.0%	+9.6%	+9.4%
SK Telecom	7.6%	-6.9%	-6.9%
Buenaventura	6.9%	+9.7%	+9.7%

\*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> August 2017



Source: Oldfield Partners.

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### Commentary

The year continues to see growth investing soundly beating value investing, and that is being driven by a handful of technology stocks on demanding valuations. The price to book ratio of the MSCI Emerging Markets Index is slightly below its longer term historic average. The weighted average of the price targets in the portfolio shows an attractive 39% upside.

The bottom performers by contribution were SK Telecom, Samsung Electronics, and Infosys. **SK Telecom** (South Korean mobile telecom provider) saw the regulator increase tariff discounts (from 20% to 25%) for new subscribers following a more aggressive stance taken by the new government. It is uncertain if the regulator has finished or just begun this round of negative measures for the industry. The stock trades on a price to book ratio of 1.2. **Samsung Electronics** (South Korean consumer electronics) saw co-vice chairman Lee sentenced to five years in prison, which had been expected. We still believe that the company is soundly managed by its divisional heads and the board. The stock trades on a price to book ratio of 1.7. Both our Korean stocks had a hit to sentiment from the increasingly provocative antics of North Korea. We see the likelihood of outright war as very low, but as tensions mount the possibility for error increases. The CEO of **Infosys** (Indian IT services) resigned as the dispute between the founders and the CEO reached its climax. The dispute revolved around management style, rather than strategic direction, but had become increasingly public and distracting. Whilst the search for a new CEO is on-going a former CEO and co-founder (and hugely respected by clients and the industry) will oversee the business. The stock trades towards the bottom end of its longer term historic valuation range.

The top performers by contribution for the month were Embraer, Lee & Man Paper, and Buenaventura. **Embraer** (Brazilian regional jet manufacturer) is in a transition period between generations of its regional jet offerings, which historically leads to a dip in business, but it is supported by a solid order book. The growth potential of the defence business is improving with the upcoming launch of a transporter plane (KC-390) that should garner international interest as well as domestic orders. The stock trades on a price to book ratio of 1.1. **Lee & Man Paper** (Chinese containerboard manufacturer) had strong first half results as industry consolidation due to environmental protection policies led to increased pricing power. Management remain upbeat on trading prospects heading into the second half. Despite the buoyant cycle there is limited new supply planned by the industry. **Buenaventura** (Peruvian miner) has benefited from the stronger gold and copper prices in the month. The stock trades on a price to book ratio of 1.2.

Total assets for the emerging markets strategy are now over US\$875m. Once the strategy reaches capacity at US\$1billion we will not accept additional capital, as was the case when we reached that level back in 2014. We are currently in the latter stages of due diligence with several large investors, so if you are interested in investing or adding to an existing holding, please contact us.

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### Fund & Performance Summary

31 <sup>st</sup> August 2017								
NAV of fund		US\$ 250.0m						
A shares unit price		US\$ 232.74						
I shares unit price		US\$ 146.73						
A USD hedged shares unit price		US\$ 107.57						
A GBP hedged shares unit price		£ 106.09						
Performance								
	August	2017 to date	2016	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+1.9%	+17.2%	+30.6%	+17.0%	+3.5%	+7.8%	+149.0%	+10.9%
MSCI EM**	+2.2%	+28.3%	+11.2%	+24.5%	+2.4%	+5.3%	+135.9%	+10.2%
I Shares*	+2.0%	+17.5%	+31.1%	+17.4%	+3.8%	+8.1%	+60.1%	+6.1%
MSCI EM**	+2.2%	+28.3%	+11.2%	+24.5%	+2.4%	+5.3%	+43.9%	+4.7%
A USD Hedged Shares*	+1.5%	+10.1%	-2.0%	-	-	-	+7.9%	-
MSCI EM Hedged**	+2.0%	+18.0%	-2.5%	-	-	-	+15.1%	-
A GBP Hedged Shares*	+1.4%	+9.3%	-2.7%	-	-	-	+6.4%	-
MSCI EM Hedged**	+1.9%	+17.3%	-2.6%	-	-	-	+14.2%	-

\*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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## August 2017 Newsletter 106

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### Fund and share class information as at 31<sup>st</sup> August 2017

Share class	Class Currency	Management Fees	TER	Sedol	Bloomberg Ticker	ISIN
A	USD	1.25%	1.48%	B3DDVH0	OVEMKEA	IE00B3DDVH01
I	USD	0.90%	1.13%	B4N0BT0	OVEMKEI	IE00B4N0BT09
A USD Hedged	USD	1.25%	1.53%	BZBVR05	OVEMAUH	IE00BZBVR050
A GBP Hedged	GBP	1.25%	1.53%	BD3WG94	OVEMAGH	IE00BD3WG942

<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) 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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