



Overstone Emerging Markets Equity Fund

August 2018 Newsletter 118

Oldfield Partners

Performance (USD terms)							
	August	2018 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-5.2%	-10.0%	-3.4%	+12.2%	+5.5%	+140.4%	+9.3%
MSCI Emerging Markets**	-2.7%	-7.2%	-0.7%	+11.4%	+5.0%	+134.3%	+9.0%

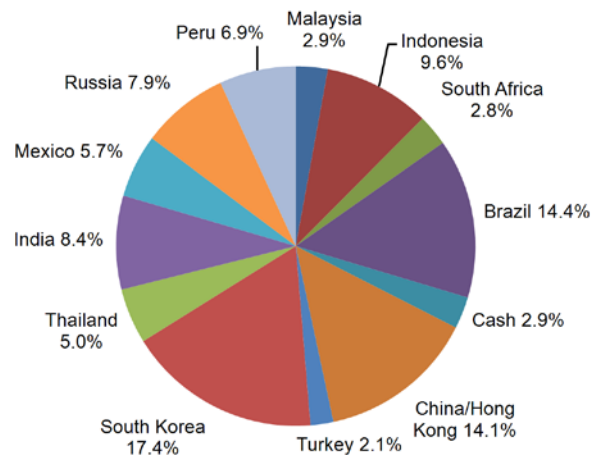
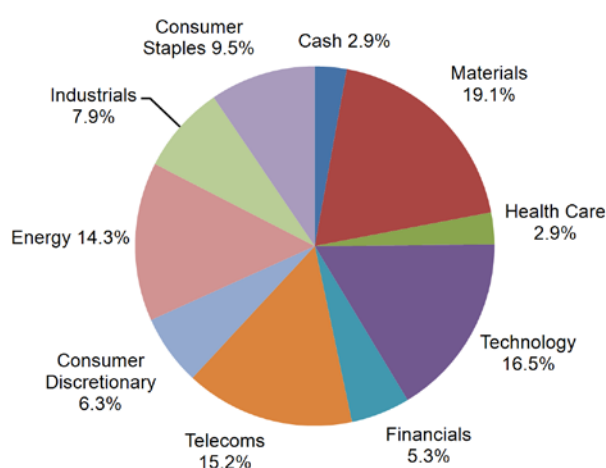
*A shares commenced on 3rd November 2008. **Net Dividends Reinvested. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust International Fund Administration Services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

Performance of Five Largest Holdings*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	9.3%	+4.7%	+4.2%
SK Telecom	8.1%	+5.2%	+5.2%
Embraer	7.9%	-6.0%	-6.0%
Lukoil	7.9%	-3.9%	-3.9%
Infosys	7.2%	+2.9%	+2.9%

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

Sector and country breakdown as at 31st August 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 54% upside.

The bottom performers by contribution in the month were Ternium and Turkcell. Both these stocks have been impacted by the broader macro-economic wobbles in their countries. **Ternium** (Latin American steel producer) has less than 20% exposure to Argentina but the already troubled economic situation there has taken a turn for the worse. The local currency has almost halved against the US dollar over the summer. Conversely, and more importantly, the issues in Mexico look to have been resolved with the Mexican and US authorities all but agreed on the NAFTA re-negotiations. **Turkcell** (Turkish mobile operator) is exposed to the unusual currency crisis in Turkey that has been greatly exacerbated by the unorthodox policy statements of the Turkish president tying the hands of the central bank. The local currency has almost halved against the US dollar over the last year. Turkcell is exposed to the dramatic fall in the local currency and loss of confidence in Turkish economic policy, but it is in a solid position regarding its own finances and able to price for inflation. We will continue to monitor the macro-economic and political volatility in Turkey.

The top performers by contribution in the month were Samsung Electronics and SK Telecom. **Samsung Electronics** (Korean consumer electronics) has been trading water for much of the year as investors judge the semiconductor cycle. We believe the share price already factors in a tough down cycle and so remain positive. A mild downturn in DRAM in 2019 would add confidence that the consolidated semiconductor industry is less cyclical than its past and focused on profit maximisation. **SK Telecom** (Korean mobile telecom operator) has seen a difficult period of regulatory activity for the sector as the new government sought to reduce tariffs. This is now passing as the telecom players have acceded to government demands and the industry can look forward to a calmer regulatory environment. SK Telecom has never been content just being a mobile telecom company and holds a 20% stake in **SK Hynix** (the second largest DRAM producer globally) that we believe can also benefit from the semiconductor cycle mentioned above.



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Fund & Performance Summary

31 st August 2018							
NAV of fund		US\$	212.2m				
A shares unit price		US\$	222.26				
I shares unit price		US\$	140.17				
A USD hedged shares unit price		US\$	109.70				
A GBP hedged shares unit price		£	106.15				
Performance							
	August	2018 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-5.2%	-10.0%	-3.4%	+12.2%	+5.5%	+140.4%	+9.3%
MSCI EM**	-2.7%	-7.2%	-0.7%	+11.4%	+5.0%	+134.3%	+9.0%
I Shares*	-5.2%	-9.8%	-3.1%	+12.6%	+5.9%	+55.1%	+5.0%
MSCI EM**	-2.7%	-7.2%	-0.7%	+11.4%	+5.0%	+42.9%	+4.1%
A USD Hedged Shares*	-1.9%	-3.4%	+3.1%	-	-	+11.2%	+6.0%
MSCI EM USD Hedged**	-0.6%	-2.0%	+3.5%	-	-	+19.1%	+10.0%
A GBP Hedged Shares*	-2.3%	-4.6%	+1.1%	-	-	+7.6%	+4.1%
MSCI EM GBP Hedged**	-0.7%	-3.5%	+1.6%	-	-	+16.0%	+8.4%

*A shares commenced on 3rd November 2008, I shares on 1st October 2009, A US\$ and GBP hedged shares commenced on 31st 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 31st August 2018

Share class	Class Currency	Management Fees	TER	Sedol	Bloomberg Ticker	ISIN
A	USD	1.25%	1.47%	B3DDVH0	OVEMKEA	IE00B3DDVH01
I	USD	0.90%	1.12%	B4N0BT0	OVEMKEI	IE00B4N0BT09
A USD Hedged	USD	1.25%	1.52%	BZBVR05	OVEMAUH	IE00BZBVR050
A GBP Hedged	GBP	1.25%	1.52%	BD3WG94	OVEMAGH	IE00BD3WG942

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

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