

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

31 August 2021

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\$154.1m |
| Domicile | Ireland |
| Structure | QJAIF |
| Base currency | USD |
| Dealing | Daily |
| Min. investment | €100,000 |
| Benchmark | MSCI Emerging Markets |

“A concentrated portfolio concentrates the mind...”

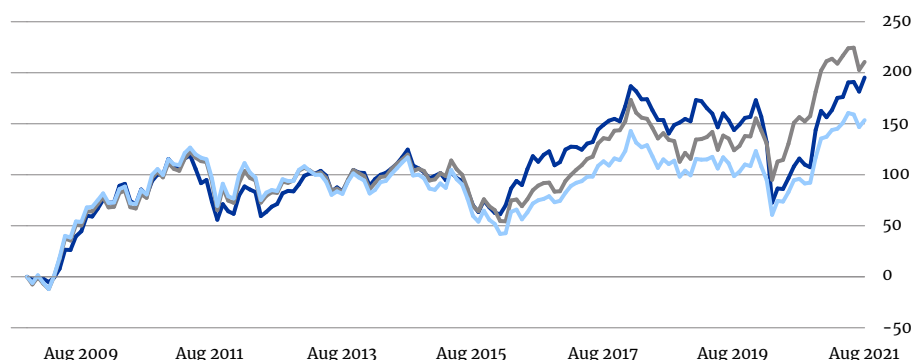
About Oldfield Partners

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 (%)



| | Annualised | | | | | | |
|-------------------------|------------|-------|--------|--------|---------|---------|--------|
| | 1 month | YTD | 1 year | Launch | 3 years | 5 years | Launch |
| ■ A USD | +4.9 | +12.4 | +36.8 | +195.3 | +7.1 | +6.8 | +8.8 |
| ■ MSCI Emerging Markets | +2.6 | +2.8 | +21.1 | +210.6 | +9.9 | +10.4 | +9.2 |
| ■ MSCI EM Value | +2.8 | +7.7 | +29.3 | +153.6 | +6.4 | +7.7 | +7.5 |

| Preceding five calendar years performance | | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--|-------|-------|-------|-------|-------|
| A USD | | -3.8 | +8.2 | -5.5 | +25.8 | +30.6 |
| MSCI Emerging Markets | | +18.3 | +18.4 | -14.6 | +37.3 | +11.2 |
| MSCI EM Value | | +5.5 | +11.9 | -10.7 | +28.1 | +14.9 |

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

Concerns over the spread of the Delta variant of the Covid virus, supply disruptions, and policy changes in China carried over from last month. The Chinese government continued to impose its authority on the private sector and require that communist party ideals be respected in society. The upcoming meeting of the communist party elite will determine if the policy is ratcheted up or has met its immediate goals. The weighted average of the price targets in the portfolio shows around 40% upside potential.

The bottom performers by contribution for the month were Buenaventura and SK Hynix. **Buenaventura** (Peruvian miner) continues to reflect the political uncertainties for the mining sector in Peru following the recent elections. We believe that politics will calm (or see a favourable change for investors) to reflect economic realities and importance of the mining sector to the country. We will continue to monitor the situation being mindful that political changes can be notoriously tricky to foresee. The key metal prices for the company are gold, silver and copper – all have been lacklustre over the summer months. The Korean semiconductor stocks – **SK Hynix** and **Samsung Electronics** – were impacted by expectations of weaker DRAM prices into year-end. We believe this would be a temporary setback as customer inventory adjusts and prices should recover in the spring – with demand remaining solid and industry supply discipline still intact. DRAM producer inventory, at record lows, could further support prices. The next generation of DRAM chips consume more wafer material per unit, absorbing some of the wafer capacity additions that prompted question marks in the market.

The top performers by contribution for the month were Embraer and Lee & Man Paper. **Embraer** (Brazilian aircraft manufacturer) is well placed to benefit from the recovery in the domestic and short-haul aviation market. It is the near sole manufacturer of regional jets and a solid player in the business jet market. Evidence of its cost-cutting measures emerged in the quarterly results reported during the month. Management provided guidance for margins and free cash flow that exceeded previous consensus numbers. The icing on the cake is the prospects for its short-range electric flight vehicle (called EVE) as this market opens globally and orders prove its potential. **Lee & Man Paper** (Chinese containerboard producer) is heading into the more favourable season for containerboard pricing. Government policy still favours the larger players on environmental grounds. Local recycled cardboard prices (key input) have been stubbornly high, but this impacts the smaller players more than Lee & Man Paper (the second largest player in China).

Commentary - continued

Capacity and flows

We are pleased to announce that we are now offering an EM ex China strategy. Alongside this we have increased capacity across both EM and EM ex China to US\$1.5bn. If you would like to know more or arrange a meeting please contact clientrelations@oldfieldpartners.com.

Fund analysis

Top 10 holdings (%)

| | Weighting | 1 month total return (%)* | |
|---------------------|-----------|---------------------------|-------|
| | | Local terms | USD |
| Embraer | 8.9 | +25.3 | +25.3 |
| Samsung Electronics | 8.4 | -2.3 | -2.7 |
| Infosys | 7.6 | +7.6 | +7.6 |
| Ternium | 7.4 | +11.7 | +11.7 |
| SK Telecom | 7.2 | -0.3 | -0.3 |
| Thai Beverage | 6.0 | +4.5 | +5.3 |
| Petrobras | 5.7 | +7.3 | +7.3 |
| Telkom Indonesia | 5.7 | +6.4 | +6.4 |
| SK Hynix | 5.7 | -5.4 | -5.8 |
| Lukoil | 5.5 | -1.1 | -1.1 |

Total number of holdings **17**

Active share (%)** **93.1**

Fund characteristics

| | Fund | Benchmark |
|------------------------------|------|-----------|
| Net debt to equity ratio (%) | 23.0 | 12.0*** |
| Price-to-book ratio | 2.0 | 2.0 |
| Price-to-earnings ratio | 14.2 | 16.0 |
| Return on equity (%) | 9.9 | 12.5 |

*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 August 2021.

Source: Oldfield Partners.

Sector breakdown (%)

| | | |
|------------------------|------|--|
| Information Technology | 21.7 | |
| Materials | 17.2 | |
| Communication Services | 15.8 | |
| Energy | 11.2 | |
| Consumer Staples | 10.4 | |
| Industrials | 8.9 | |
| Consumer Discretionary | 4.2 | |
| Financials | 3.7 | |
| Cash | 6.9 | |

Country breakdown (%)

| | | |
|-----------------|------|--|
| South Korea | 21.4 | |
| Brazil | 14.7 | |
| China/Hong Kong | 11.4 | |
| Indonesia | 10.1 | |
| India | 7.6 | |
| Mexico | 7.4 | |
| Thailand | 6.0 | |
| Russia | 5.5 | |
| Peru | 4.4 | |
| Turkey | 2.8 | |
| South Africa | 1.9 | |
| Cash | 6.9 | |

Share class details

| Share class | AMC* | TER** | SEDOL | Bloomberg | ISIN | Price |
|-------------|-------|-------|---------|------------|--------------|------------|
| A USD | 1.25% | 1.49% | B3DDVH0 | OVEMKEA ID | IE00B3DDVH01 | US\$263.31 |
| I USD | 0.90% | 1.14% | B4NoBT0 | OVEMKEI ID | IE00B4NoBT09 | US\$166.12 |

*AMC - Annual management charge

**TER - Total expense ratio

Performance summary of all share classes

| USD shares | 1 month | YTD | 1 year | Since launch | | Annualised | | Since launch | |
|-----------------------|---------|-------|--------|--------------|----------|------------|---------|--------------|----------|
| | | | | 03/11/08 | 01/10/09 | 3 years | 5 years | 03/11/08 | 01/10/09 |
| A USD | +4.9 | +12.4 | +36.8 | +195.3 | - | +7.1 | +6.8 | +8.8 | - |
| I USD | +4.9 | +12.7 | +37.3 | - | +92.5 | +7.5 | +7.1 | - | +5.6 |
| MSCI Emerging Markets | +2.6 | +2.8 | +21.1 | +210.6 | +89.5 | +9.9 | +10.4 | +9.2 | +5.5 |
| MSCI EM Value | +2.8 | +7.7 | +29.3 | +153.6 | +51.0 | +6.4 | +7.7 | +7.5 | +3.5 |

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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