



Overstone Emerging Markets Equity Fund

October 2015 Newsletter 84

Oldfield Partners

Fund & Performance Summary

30 th October 2015							
NAV of fund	US\$ 206.3m						
A shares unit price	US\$ 167.45						
I shares unit price	US\$ 105.66						
Performance							
	October	2015 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+6.8%	-11.1%	-15.3%	-1.8%	-2.7%	+74.7%	+8.3%
Index**	+7.1%	-9.4%	-14.5%	-2.9%	-2.8%	+76.0%	+8.4%
I Shares*	+6.9%	-10.8%	-15.0%	-1.4%	-2.4%	+11.6%	+1.8%
Index**	+7.1%	-9.4%	-14.5%	-2.9%	-2.8%	+7.4%	+1.2%

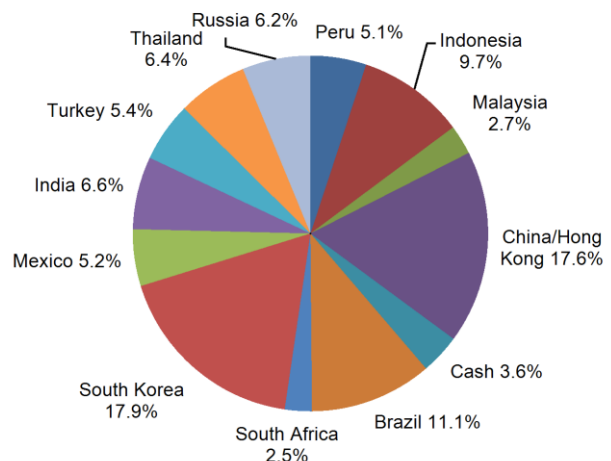
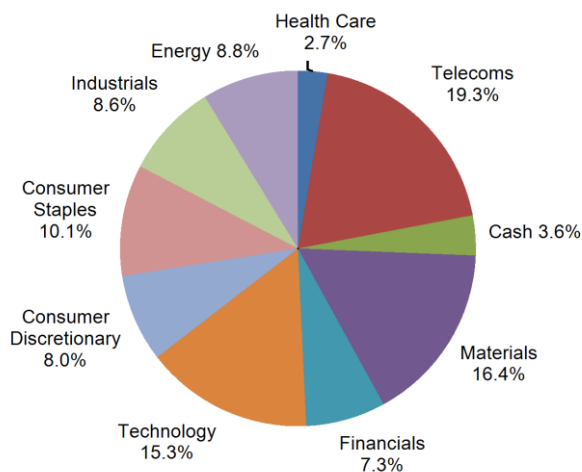
*A shares commenced on 3rd November 2008 and I shares on 1st October 2009. **MSCI Emerging Markets (Net Dividends Reinvested). Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd.

Performance of Five Largest Holdings*

Stock	Portfolio Weighting (%)*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	10.2	+20.9%	+25.6%
Embraer	8.6	+14.8%	+14.8%
SK Telecom	7.7	-3.4%	-3.4%
Yue Yuen Industrial	6.5	-1.1%	-1.0%
Thai Beverage	6.4	-1.5%	+0.1%

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

Sector and country breakdown as at 30th October 2015



Source: Oldfield Partners.

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Commentary

October was a positive month for performance with Emerging Market equities bouncing back sharply after the summer sell off. The low valuation of the asset class is cause for optimism, although the twin macro-economic factors of the potential change in US monetary policy and the slowing growth rate of the Chinese economy still cast a cloud over sentiment. The upside potential from the weighted average of our price targets in the portfolio is 63%.

The poor performers during the month by contribution were Eros International and Infosys. **Eros** (Indian Bollywood film producer) had been a strong performer this year as investors placed a high valuation on its new digital media platform ErosNow following a rumoured bid for a stake in this business. This division, in its early growth stage contributes no profit, and we do not assign any value to it as yet. We had been selling down the position in Eros ahead of its investor day due to valuation (being driven by the internet style valuation of ErosNow). The company's investor day was a disappointment with no new news and no bid news on ErosNow, and some muddled answers to investor questions led to short selling. The key criticisms being whether the company is fabricating the ErosNow subscriber numbers and whether the sales growth in the United Arab Emirates (UAE) is correct; all of which the management have publicly refuted. The UAE is an attractive location for media-related clients and Eros is obliged to account for them as UAE even if they are ultimately from another part of the world. A key takeaway, and a point management must adhere to, is that the company will end 2016 free cash flow positive. With the sharp fall in the share price, to a level below the pre-ErosNow rally, and with confidence in the management's actions to date we have turned buyers again. **Infosys** (Indian IT services) has been a strong performer this year, and we have reduced the position substantially partly on valuation and partly on the uncertainty of increased automation in the IT services industry. It is unclear if automation is a threat or an opportunity for Indian IT services, as it will reduce pricing and substantially reduce headcount (and Infosys alone has 185,000 employees), but it is difficult to know if the company or the customer will take any benefit in a competitive industry.

The top performers during the month by contribution were Samsung Electronics, Lee & Man Paper, and Embraer. **Samsung Electronics** (Korean consumer electronics) announced a substantial shareholder return policy that was well ahead of investor expectations. Samsung will pay out 30-50% of its annual free cash flow to shareholders over the next three years in dividends and share buybacks, and announced a \$10 billion share buyback with cancellation of the shares bought (about 6% of the total). This was everything and more that investors could have hoped for. **Lee & Man Paper** (Chinese containerboard manufacturer) is benefiting from the reduced supply in the containerboard industry as smaller players are shut down; and helpfully the company's key province has seen more supply reduction as the provincial government offered financial incentives to close operations. **Embraer** (Brazilian regional jet manufacturer) has continued to perform well in its core regional jet business and overall is a beneficiary of the weaker Brazilian currency. Its main competitor in regional jets, Bombardier in Canada, has run into financial troubles that will make gaining orders for its new and delayed generation of aircraft much tougher. The regional jet industry has been for some time near enough a duopoly, and smaller entrants have had trouble gaining any traction outside their niche markets.

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Fund Information as at 30 th October 2015			
Currency	USD	Investment Manager	Oldfield Partners LLP
Liquidity	Daily dealing	Administrator	Northern Trust International Fund Administration Services (Ireland) Ltd
Benchmark	MSCI Emerging Markets (Net Dividends Reinvested)	Custodian	Northern Trust Fiduciary Services (Ireland) Ltd
Management Fees	A shs = 1.25% I shs = 0.90%	Auditor	Deloitte
TER	A shs = 1.49% I shs = 1.14%	Legal Advisers	Arthur Cox
Minimum Investment	The equivalent of €100,000	Admin & Custody Fees	0.18% on the first US\$75m 0.155% on the next US\$75m 0.14% on the next US\$150m 0.11% thereafter
A shares ISIN	IE00B3DDVH01	I shares ISIN	IE00B4N0BT09
A shares sedol	B3DDVH0	I Shares sedol	B4N0BT0
A shares ticker	OVEMKEA	I shares ticker	OVEMKEI

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. Six other sub-funds exist under the Overstone Fund plc umbrella; Overstone Global Equity Fund was launched on 1st June 2005, Overstone European Equity Fund was launched on 3rd October 2005, Overstone Opportunity Multi Fund was launched on 1st November 2005, Overstone Global ex US Equity Fund was launched on 1st June 2006, Overstone Japanese Equity Fund was launched on 1st October 2007, Overstone Smaller Companies Fund was launched on 1st October 2007.

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