



Overstone Emerging Markets Equity Fund

October 2017 Newsletter 108

Oldfield Partners

Performance (USD terms)								
	October	2017 to date	2016	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+0.7%	+20.0%	+30.6%	+14.3%	+7.3%	+6.7%	+154.8%	+10.9%
MSCI Emerging Markets**	+3.5%	+32.3%	+11.2%	+26.5%	+5.7%	+4.8%	+143.2%	+10.4%

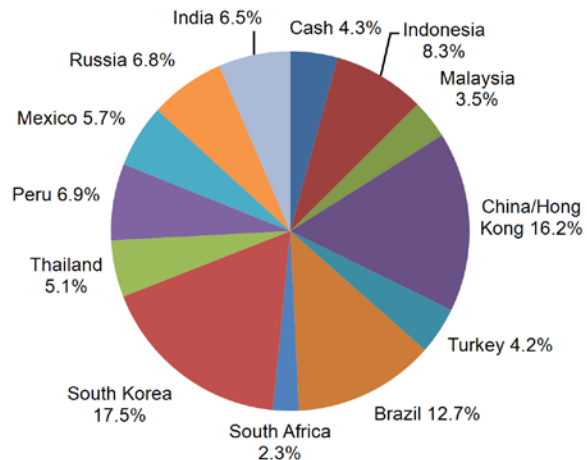
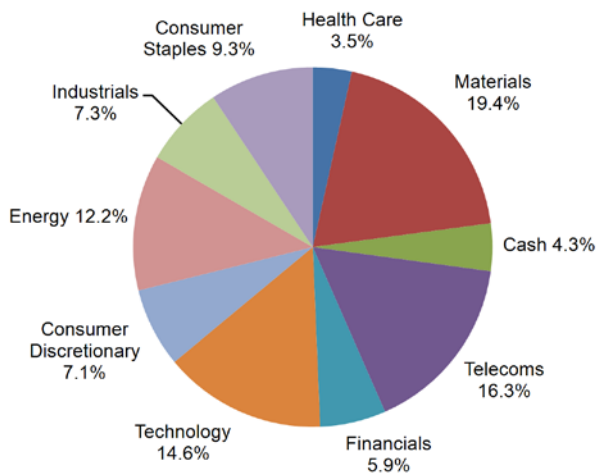
*A shares commenced on 3rd November 2008. **Net Dividends Reinvested. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg and Northern Trust International Fund Administration Services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

Performance of Five Largest Holdings*

Stock	Portfolio Weighting*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	9.5%	+7.6%	+10.1%
SK Telecom	8.0%	+6.3%	+6.3%
Embraer	7.3%	-15.4%	-15.4%
Buenaventura	6.9%	+7.8%	+7.8%
Lee & Man Paper	6.8%	-4.8%	-4.7%

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

Sector and country breakdown as at 31st October 2017



Source: Oldfield Partners.

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Commentary

The portfolio performed poorly in the month as a number of stock specific concerns during quarterly earnings weighed on the performance. It is comforting to see that valuations remain reasonable and that the weighted average of the price targets in the portfolio shows an attractive 38% upside.

The bottom performers by contribution in the month were Embraer, Telkom Indonesia, and Lee & Man Paper. **Embraer** (Brazilian regional jet manufacturer) is in a transition period as its new generation of regional jets launches in 2018. In order to get traction in the market the early jets are offered at lower margins. The impact of this will be felt over the coming year and was reflected in the guidance given by management in the quarterly earnings release. In addition, the new Airbus/Bombardier venture is a mild negative as it will reinvigorate competition in the regional jet market, although competition should be rational. With a solid order backlog, strong financial position, and an attractive product offering Embraer is well placed over the longer term. **Telkom Indonesia** (Indonesian telecom provider) continues to grow strongly, but there was some concern from investors around the quarterly results about increased competition and data cannibalisation. Telkom is in a stronger financial position and with a superior network than its competitors, and has shown it will respond to deter irrational competition. The growth of data will see a reduction in legacy services, but by bundling services Telkom can mitigate the impact. **Lee & Man Paper** (Chinese containerboard manufacturer) has been one of the best performing stocks in the portfolio this year. The company has benefited from increased enforcement of environmental protection policies by the government leading to consolidation in the industry and increased pricing power for the larger players. Despite the buoyant cycle there is limited new supply planned by the industry suggesting a prolonged up-cycle.

The top performers by contribution for the month were Samsung Electronics and Buenaventura. **Samsung Electronics** (Korean consumer electronics) had strong quarterly results, and guided towards a strong final quarter as the semiconductor and display divisions continue to perform well. The company has been improving its corporate governance and its shareholder return policy, which is backed by strong free cash flow generation and a net cash balance sheet. **Buenaventura** (Peruvian miner) had solid and undramatic quarterly results. The management team continues to execute well in developing its attractive resource base, whilst maintaining solid financials, and should see increased free cash flow in coming years.

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Fund & Performance Summary

31 st October 2017								
NAV of fund								
A shares unit price								
I shares unit price								
A USD hedged shares unit price								
A GBP hedged shares unit price								
Performance								
	October	2017 to date	2016	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+0.7%	+20.0%	+30.6%	+14.3%	+7.3%	+6.7%	+154.8%	+10.9%
MSCI EM**	+3.5%	+32.3%	+11.2%	+26.5%	+5.7%	+4.8%	+143.2%	+10.4%
I Shares*	+0.7%	+20.3%	+31.1%	+14.7%	+7.7%	+7.1%	+63.9%	+6.3%
MSCI EM**	+3.5%	+32.3%	+11.2%	+26.5%	+5.7%	+4.8%	+48.3%	+5.0%
A USD Hedged Shares*	+1.1%	+13.7%	-2.0%	+9.9%	-	-	+11.5%	+11.4%
MSCI EM Hedged**	+3.8%	+22.9%	-2.5%	+19.9%	-	-	+19.8%	+19.6%
A GBP Hedged Shares*	+1.0%	+12.7%	-2.7%	+8.6%	-	-	+9.6%	+9.6%
MSCI EM Hedged**	+3.7%	+21.9%	-2.6%	+18.8%	-	-	+18.7%	+18.5%

*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 October 2017

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) 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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