

# Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

# OP

Oldfield Partners

31 October 2018

## 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\$221.7m

Domicile Ireland

Structure QIAIF

Base currency USD

Dealing Daily

Min. investment €100,000

Benchmark MSCI Emerging Markets

*"A concentrated portfolio concentrates the mind..."*

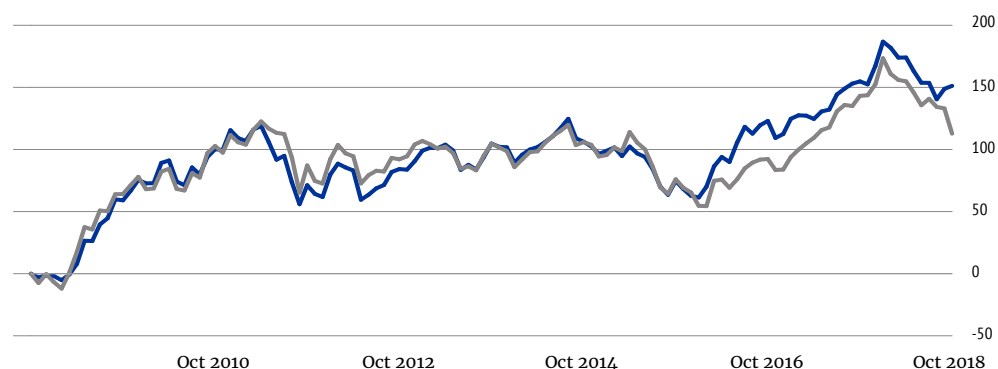
### About Oldfield Partners

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 (%)



	1 month	YTD	1 year	Launch	Annualised		
					3 years	5 years	Launch
■ A USD	+1.0	-6.0	-1.4	+151.2	+12.9	+4.2	+9.6
■ Benchmark	-8.7	-15.7	-12.5	+112.7	+6.5	+0.8	+7.8

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.

**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

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 1.5. The index has fallen over 20% in US dollar terms since its 2018 high in January. The weighted average of the price targets in the portfolio is showing an attractive 46% upside.

The bottom performers by contribution in the month were Samsung Electronics and SK Telecom. **Samsung Electronics** (Korean consumer electronics) continues to trade around expectations for the semiconductor cycle. We believe the share price already factors in a tough down cycle for 2019 and so we 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. It trades on a price to earnings ratio of 6 and a price to book ratio of 1.2. **SK Telecom** (Korean mobile telecom provider) has moved through the difficult period of regulatory pressure for the industry and has 5G adoption ahead of it. Industry competition is sensible. Its stake in **SK Hynix** (second largest DRAM producer globally) faces the same issue as Samsung Electronics above. SK Telecom trades on a price to earnings ratio of 7 and at book value.

The top performers by contribution in the month were Petrobras and Embraer. Brazilian equities have rallied significantly following a market friendly candidate winning the presidential elections. **Petrobras** (Brazilian oil & gas) is benefiting from a period of stronger oil prices and with ongoing divestments strengthening its balance sheet. It trades on a price to earnings ratio of 11 and a price to book ratio of 1.1. **Embraer** (Brazilian regional jet manufacturer) has accepted a joint venture offer from Boeing for its regional jet division and awaits regulatory approval in its key markets. Overall it is a positive for Embraer as it retains 20% of the joint venture and gains Boeing's scale benefits in marketing the new generation of regional jets. The remaining business jet and defence businesses also look to be improving and will be the key focus for management. It trades on a price to earnings ratio of 16 and at book value.

## Fund Analysis

### Top 10 Holdings (%)

	Weighting	Total Return (%)*	
		Local terms	USD
Embraer	8.3	+13.7	+13.7
Samsung Electronics	8.1	-8.2	-10.8
Petrobras	8.0	+41.7	+41.7
SK Telecom	7.7	-7.1	-7.1
Buenaventura	7.2	+3.2	+3.2
Lukoil	7.2	-2.6	-2.6
Ternium	6.3	+5.1	+5.1
Lee & Man Paper	5.6	-7.6	-7.8
Telkom Indonesia	5.4	+2.9	+2.9
Thai Beverage	5.0	-8.1	-9.4

Total Number of Holdings **18**

Active Share (%)\*\* **93.48**

### Fund Characteristics

	Fund	Benchmark
Net debt to equity ratio	20.8	12.4
Price-to-book ratio	1.6	1.5
Price-to-earnings ratio	11.8	12.3
Return on equity (%)	13.4	12.4

\*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 benchmark index, divided by two.

### Sector Breakdown (%)

Materials	19.2	
Telecoms	16.2	
Energy	15.2	
Information Technology	13.0	
Consumer Staples	9.0	
Industrials	8.3	
Consumer Discretionary	5.9	
Financials	5.1	
Health Care	1.2	
Cash	6.9	

### Country Breakdown (%)

Brazil	16.3	
South Korea	15.9	
China/Hong Kong	12.9	
Indonesia	9.4	
Peru	7.2	
Russia	7.2	
Mexico	6.3	
India	6.0	
Thailand	5.0	
Turkey	3.1	
South Africa	2.7	
Malaysia	1.2	
Cash	6.9	

## Share Class Details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.47%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	232.24
I USD	0.90%	1.12%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	146.55
A USD Hedged	1.25%	1.52%	BZBVR05	OVEMAUH ID	IE00BZBVR050	113.19
A GBP Hedged	1.25%	1.52%	BD3WG94	OVEMAGH ID	IE00BD3WG942	109.36

\*AMC - Annual Management Charge

\*\*TER - Total Expense Ratio

## Performance Summary of All Share Classes

USD shares	Annualised									
	1 month	YTD	1 year	Since launch		3 years	5 years	Since launch		
				03/11/08	01/10/09			03/11/08	01/10/09	
A USD	+1.0	-6.0	-1.4	+151.2	-	+12.9	+4.2	+9.6	-	
I USD	+1.0	-5.7	-1.1	-	+62.2	+13.3	+4.5	-	+5.5	
MSCI Emerging	-8.7	-15.7	-12.5	+112.7	+29.8	+6.5	+0.8	+7.8	+2.9	

USD Hedged shares	Annualised								
	1 month	YTD	1 year	Since launch		3 years	5 years	Since launch	
				31/10/16	31/10/16				
A USD Hedged	+1.0	-0.3	+3.0	+14.8	-	-	+7.1		
MSCI Emerging Markets USD Hdgd	-7.7	-10.7	-9.4	+8.6	-	-	+4.2		

GBP Hedged shares	Annualised								
	1 month	YTD	1 year	Since launch		3 years	5 years	Since launch	
				31/10/16	31/10/16				
A GBP Hedged	+1.1	-1.7	+1.1	+10.9	-	-	+5.3		
MSCI Emerging Markets GBP Hdgd	-8.0	-12.4	-11.3	+5.3	-	-	+2.6		

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.

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