

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

31 October 2019

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\$218.9m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

"A concentrated portfolio concentrates the mind..."

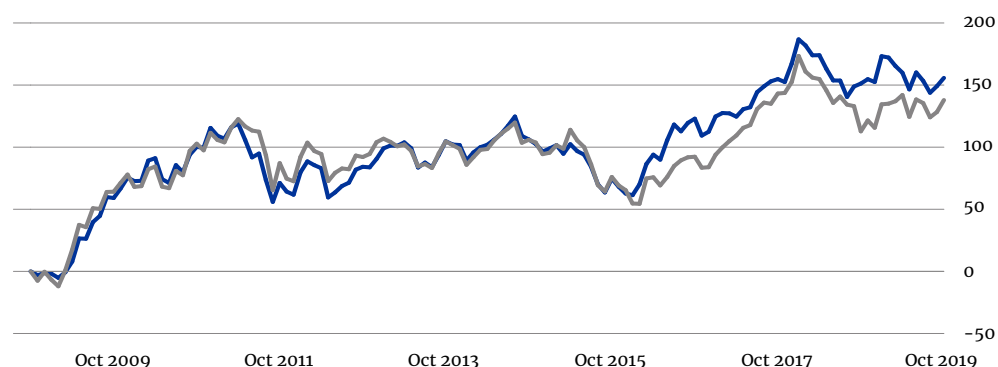
About Oldfield Partners

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	+2.6	+1.3	+1.8	+155.8	+4.7	+4.4	+8.9
■ MSCI Emerging Markets	+4.2	+10.4	+11.8	+137.9	+7.4	+2.9	+8.2

Preceding five calendar years performance		2018	2017	2016	2015	2014
A USD		-5.5	+25.8	+30.6	-17.2	-2.6
MSCI Emerging Markets		-14.6	+37.3	+11.2	-14.9	-2.2

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, and the MSCI Emerging Markets Index continues to trade comfortably below its longer term historic average valuation. Value investing in emerging market equities continues to struggle year to date. The backdrop for emerging markets is still dominated by global monetary policy actions and ongoing trade disputes leading to fallout across the global economy.

The bottom performers by contribution in the month were Infosys and Telkom Indonesia. **Infosys** (Indian IT services provider) had a shock in the month as a whistle-blower complaint alleged aggressive treatment of recent large deals and pressure on the finance department to boost short term profits by the CEO and CFO. Infosys is treating the complaint in line with its policy and it has been referred to the Audit Committee and to an independent full investigation. It is clear that significant management turnover over recent years has caused internal tensions. Infosys has historically had an ethical culture ingrained, and the whistle-blower complaint could be doing exactly what it is supposed to do (warn before something worse happens). We have added to the position in the month following a significant fall in the share price. **Telkom Indonesia** (Indonesian telecom operator) is the leading telecom provider in one of Asia's fastest growing telecom markets. It is well placed in wireless, as 4G penetration still has a long way to go, and fixed telecom, as the growth in broadband takes off. Its superior network and strong balance sheet help protect its dominant position.

The top performers by contribution in the month were Petrobras and Lukoil. **Petrobras** (Brazilian oil producer) continues its successful deleveraging programme as it sells assets and generates sustainable free cash flow. The third quarter results showed good production growth and a notable fall in lifting costs, especially in the pre-salt deep water operations. We look forward to hearing any incremental strategy points from the new business plan to be announced in early December. **Lukoil** (Russian oil producer) announced a stronger than expected upgrade to its shareholder return policy. It is emphasising dividends over share buy-backs and will pay out at least 100% of free cash flow to shareholders (and any acquisitions will be debt financed from its very strong balance sheet). This once again shows management's strong ongoing commitment to shareholder returns.

Total assets for the emerging markets strategy are now slightly over US\$1billion, which is our capacity limit. If you are interested in making a new investment or adding to an existing holding, we therefore request that you contact us to discuss this.

Fund analysis

Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.8	+3.3	+5.8
Petrobras	8.6	+14.8	+14.8
Embraer	7.9	+0.7	+0.7
SK Telecom	7.7	+3.8	+3.8
Buenaventura	7.6	+1.1	+1.1
Lukoil	7.5	+11.2	+11.2
Thai Beverage	7.4	+3.4	+5.1
Telkom Indonesia	6.6	-4.1	-4.1
Indofood	5.7	0.0	+0.7
Yue Yuen Industrial	5.2	+3.1	+3.1

Total number of holdings 17

Active share (%)** 93.6

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	30.3	13.5***
Price-to-book ratio	1.6	1.6
Price-to-earnings ratio	10.0	13.5
Return on equity (%)	13.7	11.9

*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 October 2019.

Source: Oldfield Partners.

Sector breakdown (%)

Communications Services	17.5	
Energy	16.1	
Materials	16.0	
Consumer Staples	13.1	
Information Technology	12.9	
Industrials	7.9	
Consumer Discretionary	5.5	
Financials	4.4	
Cash	6.6	

Country breakdown (%)

Brazil	16.5	
South Korea	16.4	
Indonesia	12.2	
China/Hong Kong	11.1	
Peru	7.6	
Russia	7.5	
Thailand	7.4	
Mexico	4.6	
India	4.4	
Turkey	3.2	
South Africa	2.3	
Cash	6.6	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.51%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$232.83
I USD	0.90%	1.16%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$146.90
A USD Hedged	1.25%	1.56%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$110.52
A GBP Hedged	1.25%	1.56%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£104.45

*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	+2.6	+1.3	+1.8	+155.8	-	+4.7	+4.4	+8.9	-	
I USD	+2.7	+1.6	+2.2	-	+65.7	+5.0	+4.8	-	+5.1	
MSCI Emerging Markets	+4.2	+10.4	+11.8	+137.9	+45.1	+7.4	+2.9	+8.2	+3.8	

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	+0.9	-0.4	-0.9	+13.7		+4.4	-	+4.4

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	+0.3	-2.0	-3.0	+7.5		+2.4	-	+2.4

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.

Oldfield Partners

11 Grosvenor Place
London, SW1X 7HH
United Kingdom

Telephone: +44 (0) 20 7259 1000
Email: info@oldfieldpartners.com
www.oldfieldpartners.com

Dealing and administrator details

Northern Trust International Fund
Administration Services (Ireland) Ltd.
Telephone: +353 (0) 1 434 5054

Oldfield Partners LLP is authorised and regulated by the Financial Conduct Authority. 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. Oldfield Partners LLP (OP) has approved and issued this communication for private circulation to Professional Clients only; it must not be distributed to Retail Clients (as defined by the Financial Conduct Authority). Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This is not an invitation to subscribe for any of the Funds mentioned herein. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. OP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. By acquiring an interest in the fund, an investor acknowledges and agrees that any information provided by OP is not a recommendation to invest in the fund and that OP is not undertaking to provide any investment advice to the investor (impartial or otherwise). © 2019 Partnership No. OC309959.