

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

31 October 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\$150.8m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

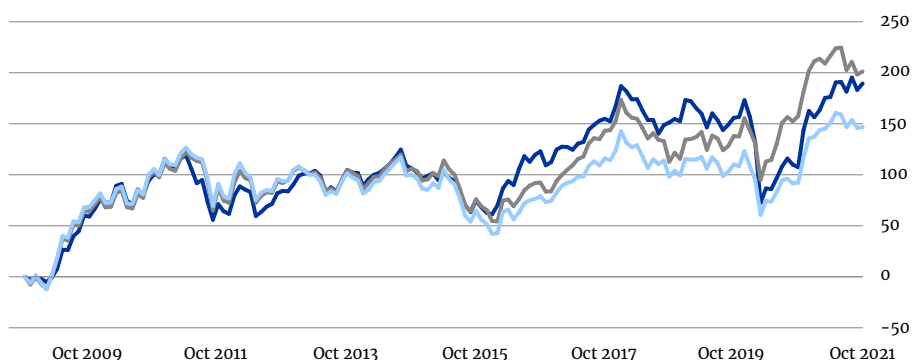
About Oldfield Partners

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 (%)



	Annualised						
	1 month	YTD	1 year	Launch	3 years	5 years	Launch
■ A USD	+2.2	+10.2	+39.6	+189.5	+4.8	+5.4	+8.5
■ MSCI Emerging Markets	+1.0	-0.3	+17.0	+201.2	+12.3	+9.4	+8.8
■ MSCI EM Value	+0.3	+4.8	+28.3	+146.7	+7.6	+6.6	+7.2

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

The major emerging market economies have begun to tighten financial conditions. With inflationary pressures increasing (near-term) and economic growth (perhaps) moderating it looks uncertain how next year plays out for the global economy. One positive is that vaccination rates in emerging markets are improving allowing more countries to re-open to business - meaning the cyclical recovery in emerging economies is often one step behind those in the developed world.

The bottom performers by contribution for the month were Embraer, Samsung Electronics, and SK Telecom. **Embraer** (Brazilian aircraft manufacturer) was held back by Brazilian political noise in the month but showed strong new order momentum pushing the order backlog to almost \$17 billion. The third quarter deliveries were slightly disappointing. Regional and business jets continue to be a bright spot in global aviation with Embraer having a near-monopoly position in the US market for regional jets. **Samsung Electronics** (Korean electronics manufacturer) remains in the doldrums over the semiconductor cycle which is experiencing a near-term correction in prices as customer inventory adjusts. **SK Telecom** (Korean mobile telecom provider) is splitting itself into a telecom provider (SK Telecom) and a technology holding company (SK Square). The telecom company will continue to benefit from the growth of 5G and broadband in South Korea. SK Square holds a 20% stake in SK Hynix, a leading semiconductor manufacturer, that accounts for the bulk of its assets, but also stakes in various internet service companies in Korea that over time will be IPO'd.

The top performers by contribution for the month were Buenaventura and Alibaba. **Buenaventura** (Peruvian mining company) recovered substantially in the month as the political situation in Peru moderated somewhat. The new president replaced the outspoken prime minister that had been calling for nationalisation of key assets. This suggests the government will continue to push its agenda while trying to keep investors outside. **Alibaba** (Chinese e-commerce & cloud provider) is a new position and the leading player in e-commerce and cloud services in China. The Chinese government has sought to reduce the strong market positions of the 'super platforms' and have greater access to the data being produced by the internet service companies. Many of the regulatory reforms on the sector are sensible long-term to prevent unwelcome monopolies developing. Despite this we see e-commerce continuing to grow in China and Alibaba remaining a leading player. The sharp correction in the share price since late-2020 provided a compelling opportunity to access the Chinese consumer.

Commentary - continued

We initiated a new position in **ASE Technology** (Taiwanese semiconductor packaging & testing provider). The company is the world's largest semiconductor assembly and testing provider. Based in Taiwan it benefits from proximity to some of the world's largest semiconductor foundries. Advanced integrated chip packaging techniques play an increasingly important role in optimising systems of semiconductor performance in areas such as processing speed, scale reduction, energy efficiency and heat management. It is well positioned to benefit from both the broader trend of semiconductor demand growth and technological advancement in packaging techniques.

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
Samsung Electronics	8.1	-5.4	-4.6
Embraer	7.1	-8.6	-8.6
SK Telecom	6.8	+3.7	+3.6
Ternium	6.4	+9.5	+9.5
Thai Beverage	6.4	+8.4	+9.2
SK Hynix	6.1	+0.2	+1.0
Telkom Indonesia	5.9	+3.5	+3.5
Lukoil	5.3	+6.3	+6.3
Alibaba	5.1	+19.9	+20.0
Lee & Man Paper	5.0	+1.7	+1.8

Total number of holdings **19**

Active share (%)** **89.6**

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	23.0	12.0***
Price-to-book ratio	1.9	1.9
Price-to-earnings ratio	12.3	15.1
Return on equity (%)	9.6	12.8

*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 2021.

Source: Oldfield Partners.

Sector breakdown (%)

Information Technology	23.1	
Materials	16.4	
Communication Services	15.0	
Consumer Staples	11.0	
Energy	9.9	
Consumer Discretionary	9.6	
Industrials	7.1	
Financials	3.8	
Cash	4.2	

Country breakdown (%)

South Korea	21.0	
China/Hong Kong	16.6	
Brazil	11.7	
Indonesia	10.5	
Mexico	6.4	
Thailand	6.4	
Russia	5.3	
India	4.9	
Peru	4.9	
Taiwan	3.9	
Turkey	2.3	
South Africa	1.8	
Cash	4.2	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.49%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$258.14
I USD	0.90%	1.14%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$162.96

*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	+2.2	+10.2	+39.6	+189.5	-	+4.8	+5.4	+8.5	-
I USD	+2.2	+10.6	+40.1	-	+88.9	+5.2	+5.7	-	+5.4
MSCI Emerging Markets	+1.0	-0.3	+17.0	+201.2	+83.8	+12.3	+9.4	+8.8	+5.2
MSCI EM Value	+0.3	+4.8	+28.3	+146.7	-	+7.6	+6.6	+7.2	-

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Source: Oldfield Partners.

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