

OLDFIELD PARTNERS

OVERSTONE EMERGING MARKETS EQUITY FUND

DECEMBER 2014 NEWSLETTER 74

Fund & Performance Summary

31 st December 2014							
NAV of fund	US\$ 396.0m						
A shares unit price	US\$ 189.90						
I shares unit price	US\$ 120.03						
Performance							
	December	2014	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-3.0%	-2.6%	-2.6%	+6.7%	+2.3%	+96.4%	+11.6%
Index**	-4.6%	-2.2%	-2.2%	+4.0%	+1.8%	+94.3%	+11.4%
I Shares*	-3.0%	-2.3%	-2.3%	+7.1%	+2.6%	+25.1%	+4.4%
Index**	-4.6%	-2.2%	-2.2%	+4.0%	+1.8%	+18.5%	+3.3%

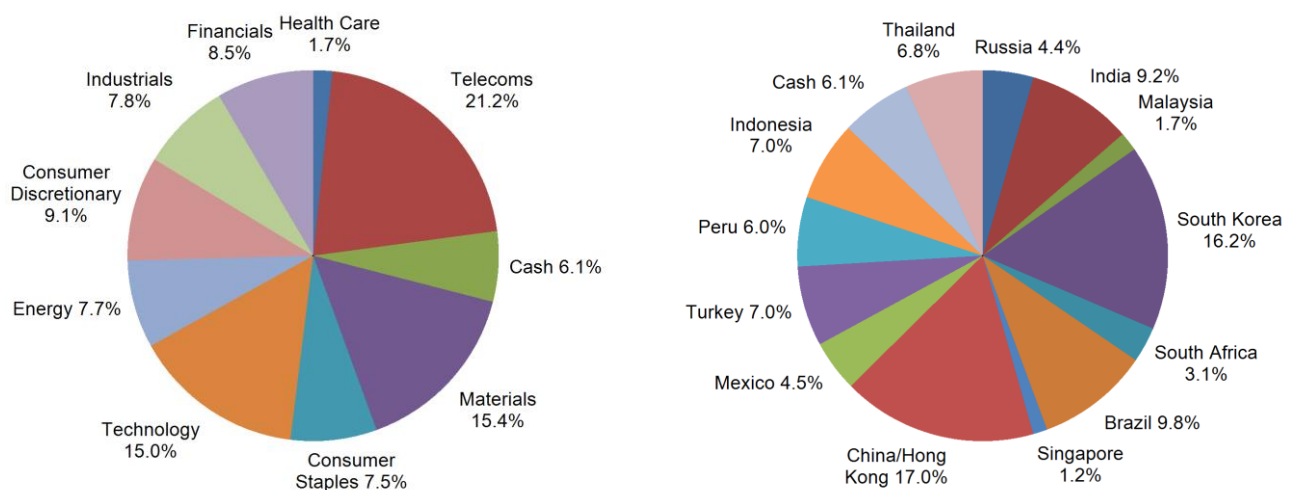
*A shares commenced on 3rd November 2008 and I shares on 1st October 2009. **MSCI Emerging Markets (Net Dividends Reinvested). Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners, MSCI ©, Bloomberg 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	8.2	+3.1%	+5.0%
SK Telecom	8.0	-4.7%	-4.7%
Embraer	7.8	+0.2%	+0.2%
Turkcell	7.0	-4.7%	-4.7%
Infosys	6.8	-9.9%	-9.9%

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

Sector and country breakdown as at 31st December 2014



Source: Oldfield Partners.

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Commentary

The MSCI Emerging Markets Index is on a price to book ratio of 1.5 and a price to earnings ratio of 12.5. The index looks to be towards the bottom end of a trading range that has been in place since 2011. Despite the negatives of a slowing Chinese economy, US monetary policy tightening, and a difficult geo-political backdrop, there are positives with a sharp fall in the oil price, positive reform agendas in some countries, and a growing US economy. Overall the outlook is perhaps even murkier than last year, but with the comfort that there are some undemanding valuations on offer.

Valuations remain polarised with the most defensive sectors, consumer staples and healthcare, on price to earnings ratios of over 25, and with the more cyclical sectors on multiples half of that, and energy on the lowest price to earnings of all at 6 times. The portfolio has a skew towards cyclical stocks, and overall towards those with good assets and/or solid balance sheets.

The worst performers during the month by contribution were **Lukoil** (Russian oil & gas), **Infosys** (Indian IT services), and **Petrobras** (Brazilian oil & gas). Our oil stocks have been impacted not only by the dramatic fall in the oil price, but also increased Russian risk for Lukoil with the fallout from Russian involvement in the Ukraine and the ongoing corruption scandal in Brazil for Petrobras. A bounce back in the oil price could be as sharp and unexpected as the fall was, as much depends on the supply-side decisions of the key OPEC countries. We have added to Lukoil after its share price fall as the falling rouble has a beneficial impact on its cost base, taxation becomes less onerous at lower oil prices, and management remain committed to dividend increases. Lukoil trades on a price to earnings ratio of 4. We have reduced Petrobras as its upstream oil assets are less attractive in a lower oil price environment and given the uncertainty over the outcome of the ongoing corruption scandal. With the government as its largest shareholder any comment by the administration affirming implied state financial guarantees (with no strings, which is possibly a big ask) would aid the share price.

The top performers during the month by contribution were **Samsung Electronics** (Korean consumer electronics) and **Thai Beverage** (leading alcoholic beverage producer in Thailand). Samsung Electronics continued its share price rally to the year-end as investors weighed prospects for increased shareholder returns at the end-January quarterly results and its lowly valuation of 5 times earnings (excluding cash).

The worst performers by contribution during the quarter were Petrobras, **Ternium** (Latin American steel producer), and Lukoil. These are all cyclical stocks. The best performers were **Yue Yuen** (Hong Kong shoe manufacturer) and **Turkcell** (Turkish mobile telecom operator).

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Fund Information as at 31 st December 2014			
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 = 1.48% I shs = 1.13%	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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