



Overstone Emerging Markets Equity Fund

December 2015 Newsletter 86

Oldfield Partners

Fund & Performance Summary

31 st December 2015						
NAV of fund	US\$ 164.5m					
A shares unit price	US\$ 155.91					
I shares unit price	US\$ 98.43					
Performance						
	December	2015	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	-3.2%	-17.2%	-5.1%	-5.5%	+62.6%	+7.0%
Index**	-2.2%	-14.9%	-6.8%	-4.8%	+65.4%	+7.3%
I Shares*	-3.2%	-16.9%	-4.8%	-5.1%	+4.0%	+0.6%
Index**	-2.2%	-14.9%	-6.8%	-4.8%	+0.9%	+0.1%

*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	9.1	-2.0%	-3.4%
Embraer	8.6	-5.5%	-5.5%
Telkom Indonesia	7.5	+4.4%	+4.4%
SK Telecom	7.4	-9.6%	-9.6%
Thai Beverage	6.9	+0.7%	+0.2%

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

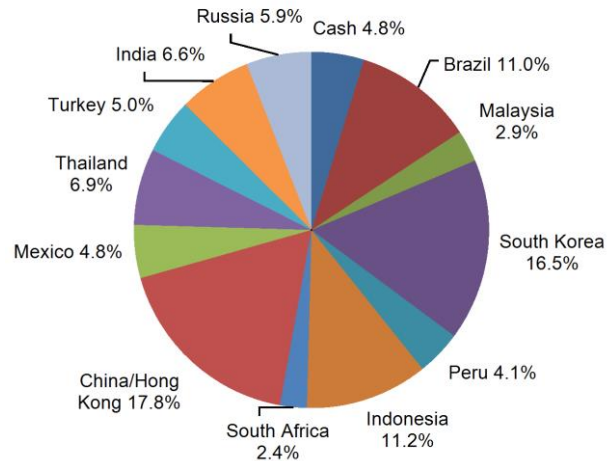
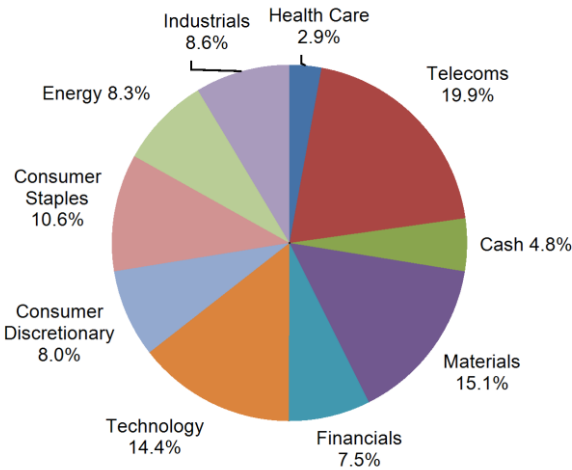
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Sector and country breakdown as at 31st December 2015



Source: Oldfield Partners.

Commentary

Concerns over the slowing Chinese economy and the US interest rate cycle continue to weigh on emerging market equity markets, emerging market currencies, and commodities. The beginning of 2016 has seen no change in the negative sentiment towards emerging market equities. The transition of the Chinese economy towards services and the consumer was never going to be a smooth process, and the slowdown in the 'old economy growth model' is now likely beginning to impact the consumer, as wage growth moderates substantially. There is open talk in government of an 'L shaped' economic growth path. The strength of the US economy looks to be insufficient to take anything but the most moderate increase in interest rates.

Among the poor performers during the month by contribution were Lukoil, SK Telecom, and Ternium. **Lukoil** (Russian oil) fell with the weak oil price in the month, and found some comfort from the weaker Russian currency. **SK Telecom** (South Korean mobile provider) went ex-dividend during the month. **Ternium** (South American steel producer) along with the global steel industry has been impacted by exports from China and Eastern Europe, but Mexican steel demand is buoyant and the threat has been met by tariff responses across South America. The top performers during the month by contribution were Top Glove and Telkom Indonesia. **Top Glove** (Malaysian rubber glove manufacturer) continues to benefit from the weak local currency, solid demand, and weak latex prices. **Telkom Indonesia** (leading Indonesian telecom provider) is benefiting from a stable competitive environment, with the three main players all increasing prices, and from the growth of data and smartphone adoption.

Among the poor performers during the fourth quarter of 2015 by contribution were Eros, Buenaventura, and SK Telecom. The top performers during the fourth quarter of 2015 by contribution were Top Glove, Telkom Indonesia, and Embraer.

The valuation of emerging market equities continues to be attractive when judged against its longer term valuation history, but with the ongoing slowdown in the Chinese economy, and concerns growing over the strength of the US economy, there seem to be few positive catalysts at this point to lift investor

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sentiment. That said the duration and amount of outflows experienced by the asset class suggest that valuation alone offers a decent entry point. The upside potential from the weighted average of our price targets in the portfolio is 80%.

Fund Information as at 31 st December 2015			
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 = 1.50% I shs = 1.15%	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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