

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

31 December 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\$223.9m

Domicile Ireland

Structure QIAIF

Base currency USD

Dealing Daily

Min. investment €100,000

Benchmark MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

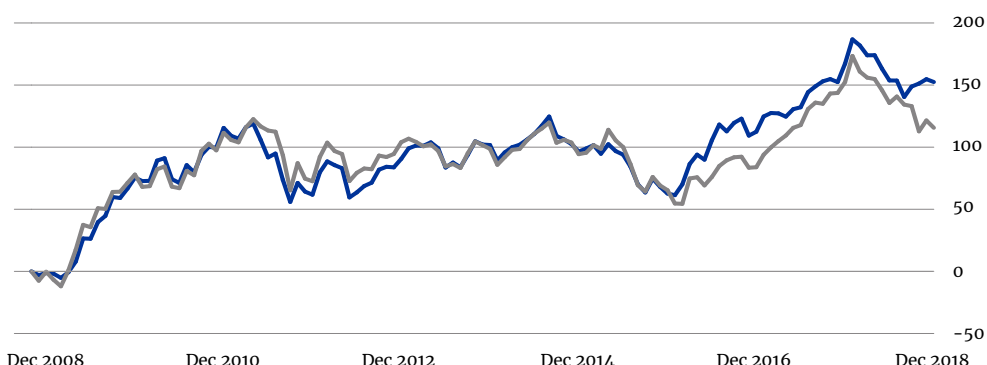
About Oldfield Partners

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	-0.9	-5.5	-5.5	+152.5	+15.8	+4.6	+9.5
■ MSCI Emerging Markets	-2.7	-14.6	-14.6	+115.6	+9.2	+1.6	+7.8

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, with the MSCI Emerging Markets Index trading comfortably below its longer term historic average valuation. The price to book ratio for the index is 1.45. The weighted average of the price targets in the portfolio is showing 50% upside as the new year begins.

The bottom performers by contribution in the month were Petrobras and Samsung Electronics. **Petrobras** (Brazilian oil & gas producer) was a strong performer in 2018, but the dramatic fall in the oil price over the fourth quarter caused a pull back. We remain positive as the new Brazilian government remains favourable to its corporate strategy, it develops its deep-water oil assets, and steady deleveraging continues to be a management priority. It trades on a price to earnings ratio of 8.5 and at book value. **Samsung Electronics** (South Korean electronics manufacturer) continues to trade around expectations for the semiconductor cycle. Semiconductors are by far the most important division. We believe the share price already factors in a tough down cycle for 2019 and so we remain positive. A milder downturn than expected 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 1.1.

The top performers by contribution in the month were Buenaventura and Indofood. **Buenaventura** (Peruvian miner) benefited from the strength in the gold price in the month as safe havens were sought out by investors. Precious metals remain the largest share of the business despite it increasing base metal exposure in recent years. **Indofood** (Indonesian snack foods producer) rallied strongly into the year end (following a dismal year prior) as the local currency regained some composure, its agri-business stabilised, and investors favoured the stability of its key and dominant noodle division. It trades on a price to earnings multiple of 15.

For the fourth quarter the top performers by contribution were **Buenaventura**, **Petrobras**, and **Indofood**; and the bottom performers were **Samsung Electronics**, **Ternium** (Latin American steel producer), and **First Pacific** (Hong Kong listed holding company).

The portfolio ended the year with seventeen holdings - following the sale of **Top Glove** (Malaysian rubber glove producer) in the fourth quarter - maintaining its concentrated focus. Turnover was again reassuringly low for the year. Valuations are offering attractive upside potential for the patient investor.

Fund Analysis

Top 10 Holdings (%)	Weighting	1 Month Total Return (%)*	
		Local terms	USD
Samsung Electronics	8.7	-7.7	-7.1
Embraer	8.2	-1.4	-1.4
SK Telecom	8.2	-5.5	-5.5
Buenaventura	8.0	+14.9	+14.9
Lukoil	7.1	-1.1	-1.1
Petrobras	7.0	-9.5	-9.5
Telkom Indonesia	5.9	+1.2	+1.2
Yue Yuen Industrial	5.9	+10.1	+10.0
Lee & Man Paper	5.8	-6.4	-6.4
Ternium	5.6	-6.6	-6.6

Total Number of Holdings 17

Active Share (%)** 94.9










Fund Characteristics

	Fund	Benchmark
Net Debt to Equity Ratio	20.2	12.4
Price-to-Book Ratio	1.6	1.5
Price-to-Earnings Ratio	11.7	12.0
Return on Equity (%)	13.7	12.6


*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.

Sector Breakdown (%)

Materials	19.4	
Telecoms	17.4	
Energy	14.0	
Information Technology	13.6	
Consumer Staples	10.2	
Industrials	8.2	
Consumer Discretionary	6.8	
Financials	4.8	
Cash	5.5	

Country Breakdown (%)

South Korea	16.9	
Brazil	15.2	
China/Hong Kong	13.7	
Indonesia	11.1	
Peru	8.0	
Russia	7.1	
India	5.8	
Mexico	5.6	
Thailand	4.9	
Turkey	3.3	
South Africa	2.8	
Cash	5.5	

Share Class Details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.47%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$233.39
I USD	0.90%	1.12%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$147.36
A USD Hedged	1.25%	1.52%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$112.56
A GBP Hedged	1.25%	1.52%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£108.23

*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	-0.9	-5.5	-5.5	+152.5	-	+15.8	+4.6	+9.5	-	
I USD	-0.9	-5.2	-5.2	-	+63.1	+16.2	+5.0	-	+5.4	
MSCI Emerging Markets	-2.7	-14.6	-14.6	+115.6	+31.5	+9.2	+1.6	+7.8	+3.0	

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	-0.8	-0.8	+14.1	-	-	-	+6.3
MSCI Emerging Markets USD Hdgd	-2.5	-10.3	-10.3	+9.0	-	-	-	+4.0

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	-1.2	-2.7	-2.7	+9.7	-	-	-	+4.4
MSCI Emerging Markets GBP Hdgd	-2.7	-12.3	-12.3	+5.3	-	-	-	+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

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