

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 December 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\$233.9m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

"A concentrated portfolio concentrates the mind..."

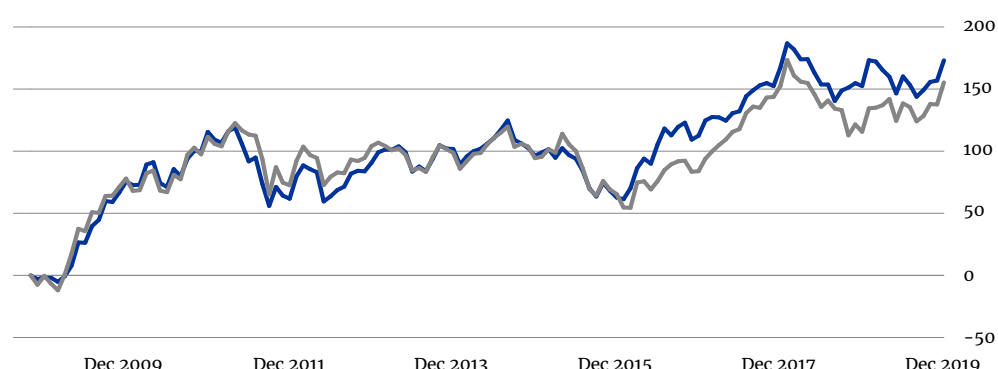
About Oldfield Partners

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	+6.3	+8.2	+8.2	+173.1	+8.7	+6.8	+9.4
■ MSCI Emerging Markets	+7.5	+18.4	+18.4	+155.3	+11.6	+5.6	+8.8

Preceding five calendar years performance

	2019	2018	2017	2016	2015
A USD	+8.2	-5.5	+25.8	+30.6	-17.2
MSCI Emerging Markets	+18.4	-14.6	+37.3	+11.2	-14.9

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 below its longer term historic average valuation. Value investing in emerging market equities had a tough year and we underperformed the benchmark by a wide margin. The backdrop for emerging markets remains unsettled and is dominated by global monetary policy actions, numerous political issues, and ongoing trade disputes leading to fallout across the global economy and equity markets.

The bottom performers by contribution in the month were First Pacific and Buenaventura. **First Pacific** (Hong Kong listed diversified holding company) had bad news as one of its holdings in the Philippines, Metro Pacific, had its water investment concession questioned by the President. Regulatory uncertainty in the Philippines is not new for Metro Pacific and has been a sore point since the election of President Duterte and his strongman style of leadership. Past disputes have been resolved satisfactorily once the political noise has faded and legal process engaged. **Buenaventura** (Peruvian miner) has been undergoing a 'debottlenecking' exercise in some of its key mines to reduce costs, which will yield positive long-term results, but near term has led to it missing out on the recent strength in the gold price. This is unfortunate timing but maintaining cost competitiveness is admirable.

The top performers by contribution in the month were Petrobras, Samsung Electronics, and Embraer. **Samsung Electronics** (Korean electronics manufacturer) is anticipating a turn in the semiconductor cycle and a margin boost in the handset division. The company is well positioned to retain its leadership in semiconductors as we exit the recent down cycle and hard-won industry rationalisation should allow a solid upcycle. **Embraer** (Brazilian aircraft manufacturer) had been expecting to complete the deal with Boeing by year end, but the European Union has indicated that it wishes to investigate the competitive market impact, which will delay completion by up to a quarter. We expect the deal to be approved. **Petrobras** (Brazilian oil producer) benefited from the strong oil price in December with Middle East tensions underpinning fears of a supply disruption. The proceeds from the settlement of the 2014 class action against Petrobras were paid during the month.

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	9.4	+10.9	+13.4
Embraer	8.5	+14.5	+14.5
Petrobras	8.0	+31.0	+31.0
Lukoil	7.7	+6.7	+6.7
SK Telecom	7.3	+0.8	+0.8
Buenaventura	7.1	-1.7	-1.7
Thai Beverage	6.9	0.0	+1.7
Telkom Indonesia	6.1	+3.0	+3.0
Indofood	5.6	-0.3	+1.6
Yue Yuen Industrial	5.2	-0.6	-0.2

Total number of holdings 17

Active share (%)** 93.7

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	30.0	12.0***
Price-to-book ratio	1.7	1.7
Price-to-earnings ratio	10.3	12.9
Return on equity (%)	13.8	11.3

*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 December 2019.

Source: Oldfield Partners.

Sector breakdown (%)

Materials	16.8	
Communication Services	16.7	
Energy	15.7	
Information Technology	13.6	
Consumer Staples	12.6	
Industrials	8.5	
Consumer Discretionary	5.6	
Financials	3.9	
Cash	6.7	

Country breakdown (%)

South Korea	16.6	
Brazil	16.5	
China/Hong Kong	11.9	
Indonesia	11.8	
Russia	7.7	
Peru	7.1	
Thailand	6.9	
Mexico	4.8	
India	4.6	
Turkey	3.3	
South Africa	2.1	
Cash	6.7	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.51%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$248.61
I USD	0.90%	1.16%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$156.95
A USD Hedged	1.25%	1.56%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$116.76
A GBP Hedged	1.25%	1.56%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£109.85

*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	+6.3	+8.2	+8.2	+173.1	-	+8.7	+6.8	+9.4	-	
I USD	+6.4	+8.6	+8.6	-	+77.1	+9.1	+7.2	-	+5.7	
MSCI Emerging Markets	+7.5	+18.4	+18.4	+155.3	+55.8	+11.6	+5.6	+8.8	+4.4	

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	+4.1	+5.3	+5.3	+20.1		+7.0	-	+6.0

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	+3.7	+3.1	+3.1	+13.1		+5.1	-	+4.0

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.

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