

Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

OP

Oldfield Partners

31 December 2020

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\$158.8m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

“A concentrated portfolio concentrates the mind...”

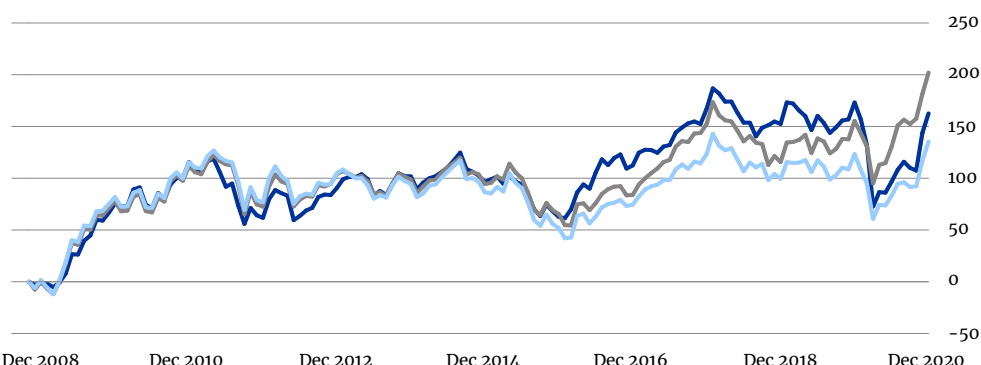
About Oldfield Partners

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 (%)



	1 month	YTD	1 year	Launch	Annualised		
					3 years	5 years	Launch
■ A USD	+7.7	-3.8	-3.8	+162.6	-0.6	+10.0	+8.3
■ MSCI Emerging Markets	+7.4	+18.3	+18.3	+202.1	+6.2	+12.8	+9.5
■ MSCI EM Value	+8.5	+5.5	+5.5	+135.5	+1.8	+9.2	+7.3

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 vaccine roll-out allows equity markets to look through to the normalisation of economic life within a reasonable timeframe. Meanwhile any setbacks allow central banks to provide further support and stimulus measures. This provides a positive backdrop for emerging market equities together with potential for further US dollar weakness. This will be the year of vaccine winners and losers; and although emerging markets as a whole will lag in vaccine roll-outs the asset class has plenty of stocks that can benefit. China has stabilised economic growth earlier than most, due to the containment of Covid, but we believe the administration will continue to see further restrictions placed on it by a growing list of countries. Growth investing significantly beat value investing in 2020, but valuations between the two styles have become so stretched that we believe value can make a comeback boosted by a rotation into Covid-losers and the eventual normalisation of economic life. The weighted average of the price targets in the portfolio shows over 40% upside potential.

The bottom performers by contribution for the month were Indofood and JSE. **Indofood** (Indonesian snack food manufacturer) saw pressure on the margins of its key noodle business. Its noodle brands have dominant market share in Indonesia and fared reasonably well as a staple food but did see some trading down to cheaper alternatives and as consumers had more time to cook meals. **JSE** (South African stock exchange) often reflects sentiment towards the country, which can impact on trading volumes. There was no contributory company news flow to concern us. The company has a near monopoly position and a rock-solid balance sheet.

The top performers by contribution for the month were Samsung Electronics and Petrobras. **Samsung Electronics** (Korean electronics manufacturer) is entering the next up-cycle for semiconductors, notably DRAM, and will be a key beneficiary as the largest global producer. This month the company will release details for its updated shareholder return policy, which is likely to be generous to help the founding family with its inheritance tax bill. **Petrobras**' (Brazilian oil producer) latest five-year business plan focuses on reduced capital expenditure, continued non-core asset sales, debt reduction, and concentration on the newer lower-cost deep water production assets. The oil price has rallied with increased economic activity globally and OPEC+ keeping restraint on oil production.

Commentary - continued

The top performers for the quarter by contribution are Samsung Electronics and Petrobras; and the bottom performers are Buenaventura (Peruvian miner) and Indofood. The top performers for the year by contribution are Infosys (Indian IT services) and Samsung Electronics; and the bottom performers are Embraer (Brazilian regional jet manufacturer) and Lukoil (Russian oil producer). Embraer was by far the worst performer for the year, but we believe it can survive the downturn and be a vaccine winner this year as consumers begin to fly again and its portfolio of regional jets suit the demand profile for the US airline industry.

Capacity and flows

AUM of the strategy is now below our US\$1bn capacity so we are accepting capital from investors, with priority given to existing investors and those on the waitlist, and then from new relationships. If you are interested in the strategy, please contact us.

Fund analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.9	+21.5	+23.6
Petrobras	8.6	+19.6	+19.6
SK Telecom	7.9	+4.1	+4.1
Ternium	7.9	+4.9	+4.9
Buenaventura	7.2	+9.8	+9.8
Infosys	7.2	+11.4	+11.4
Thai Beverage	7.1	-0.7	+0.7
Lukoil	6.7	+4.9	+4.9
Lee & Man Paper	6.5	+0.8	+0.8
Telkom Indonesia	6.4	+4.8	+4.8

Total number of holdings **16**

Active share (%)** **93.2**

Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	25.0	7.0***
Price-to-book ratio	1.9	2.0
Price-to-earnings ratio	13.3	21.7
Return on equity (%)	11.5	9.2

*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 2020.

Source: Oldfield Partners.

Sector breakdown (%)

Materials	21.6	
Communication Services	17.8	
Information Technology	17.1	
Energy	15.2	
Consumer Staples	12.6	
Consumer Discretionary	4.9	
Industrials	4.3	
Financials	4.0	
Cash	2.4	

Country breakdown (%)

South Korea	17.8	
China/Hong Kong	13.1	
Brazil	12.9	
Indonesia	12.0	
Mexico	7.9	
Peru	7.2	
India	7.2	
Thailand	7.1	
Russia	6.7	
Turkey	3.5	
South Africa	2.2	
Cash	2.4	

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.52%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$236.08
I USD	0.90%	1.17%	B4N0BT0	OVEMKEI ID	IE00B4N0BT09	US\$149.04
A USD Hedged	1.25%	1.57%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$113.22
A GBP Hedged	1.25%	1.57%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£104.33

*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	+7.7	-3.8	-3.8	+162.6	-	-0.6	+10.0	+8.3	-	
I USD	+7.7	-3.5	-3.5	-	+70.9	-0.2	+10.4	-	+4.9	
MSCI Emerging Markets	+7.4	+18.3	+18.3	+202.1	+84.3	+6.2	+12.8	+9.5	+5.6	
MSCI EM Value	+8.5	+5.5	+5.5	+135.5	+40.2	+1.8	+9.2	+7.3	+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	+5.7	-1.8	-1.8	+18.0		+0.8	-	+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	+5.4	-3.8	-3.8	+8.8		-1.2	-	+2.0	

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.

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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