

# Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

# OP

Oldfield Partners

31 December 2021

## 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\$131.0m
Domicile	Ireland
Structure	QJAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

*“A concentrated portfolio concentrates the mind...”*

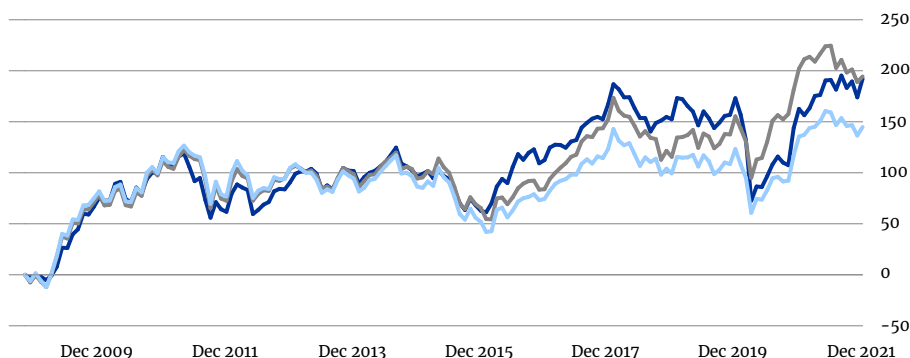
### About Oldfield Partners

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 (%)



	Annualised						
	1 month	YTD	1 year	Launch	3 years	5 years	Launch
■ A USD	+6.7	+11.3	+11.3	+192.2	+5.0	+6.6	+8.5
■ MSCI Emerging Markets	+1.9	-2.5	-2.5	+194.4	+10.9	+9.9	+8.5
■ MSCI EM Value	+3.5	+4.0	+4.0	+144.9	+7.1	+7.0	+7.0

Preceding five calendar years performance		2021	2020	2019	2018	2017
A USD		+11.3	-3.8	+8.2	-5.5	+25.8
MSCI Emerging Markets		-2.5	+18.3	+18.4	-14.6	+37.3
MSCI EM Value		+4.0	+5.5	+11.9	-10.7	+28.1

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 headwinds for emerging market equities remain a slowing Chinese economy undergoing regulatory reset and gradual monetary policy tightening in the US. The omicron variant of the Covid virus has added a curve ball. That said the outlook for emerging market equities is generally positive as they recover one-step behind developed markets on the roll-out of vaccines, and benefit from pent-up demand both domestically and internationally. We continue to favour the normalisation trade as economic life recovers into the new year. Valuations for emerging market equities remain reasonable, and slightly below their long-term historic averages. The upside potential for the portfolio is 55% as measured by the weighted average of the company price targets.

The bottom performers by contribution for the month were Alibaba and Yue Yuen. **Alibaba** (Chinese e-commerce & cloud provider) has seen its growth slow as it grapples with stricter regulation imposed by the government. We believe the new regulations by the government around data and monopoly power of the ‘super platforms’ are sensible and prevent unwelcome monopolies developing. We see e-commerce continuing to grow in China over the long term and Alibaba remaining a leading player. The sharp correction in the share price since late-2020 provided a compelling opportunity to access the Chinese consumer. **Yue Yuen** (Chinese sports and casual shoe manufacturer) had seen its key factory locations in Vietnam hit by Covid restrictions, which are now being lifted and the vast majority of its employees are double vaccinated. In addition, the slowing consumer in China has hurt its retail operations and led to store closures. Management remains optimistic for 2022, with a normalisation of production expected in the first quarter, but again so much depends on the medical crisis.

The top performers by contribution for the month were Embraer and the Korean semiconductor manufacturers - SK Hynix and Samsung Electronics. **Embraer** (Brazilian aircraft manufacturer) continues to benefit from the ongoing recovery in the domestic and short-haul aviation market despite some setbacks from the omicron variant. It is the near sole remaining manufacturer of regional jets for the key US market and a solid player in the business jet market. The icing on the cake is its short-range electric flight vehicle (called EVE) as this market opportunity opens globally and builds on its significant order book. The Korean semiconductor stocks - SK Hynix and Samsung Electronics are moving through a customer inventory scare

## Commentary - continued

in DRAM, which we believe is a temporary setback as customer inventory adjusts and prices start to firm – with demand remaining solid and industry supply discipline still intact. Importantly DRAM producer inventory is at record lows allowing producers to push back on customer price demands.

The top performers for the fourth quarter were SK Hynix, Telkom Indonesia, and Infosys; and the bottom performers were Alibaba and Yue Yuen. The top performer for the year was Embraer and the bottom was Buenaventura.

## Capacity and flows

We are pleased to announce that we are now offering an EM ex China strategy. Alongside this we have increased capacity across both EM and EM ex China to US\$1.5bn. If you would like to know more or arrange a meeting please contact [clientrelations@oldfieldpartners.com](mailto:clientrelations@oldfieldpartners.com).

## Fund analysis

## Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	8.9	+9.7	+9.2
Embraer	8.3	+26.0	+26.0
SK Hynix	7.6	+14.0	+13.5
Telkom Indonesia	6.5	+2.9	+2.9
Ternium	6.0	+13.9	+13.9
Thai Beverage	5.9	-1.4	-0.2
Infosys	5.6	+11.4	+11.4
Lukoil	4.9	+6.7	+6.7
Petrobras	4.8	+8.5	+8.5
Lee & Man Paper	4.6	+1.0	+1.0

Total number of holdings 21

Active share (%)\*\* 90.0

## Fund characteristics

	Fund	Benchmark
Net debt to equity ratio (%)	22.0	13.0***
Price-to-book ratio	2.0	1.9
Price-to-earnings ratio	14.3	14.0
Return on equity (%)	9.7	13.4

\*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 2021.

Source: Oldfield Partners.

## Sector breakdown (%)

Information Technology	29.0	
Materials	15.1	
Communication Services	12.3	
Consumer Staples	10.4	
Energy	9.7	
Industrials	8.3	
Consumer Discretionary	7.8	
Financials	3.6	
Cash	3.8	

## Country breakdown (%)

South Korea	23.0	
China/Hong Kong	14.2	
Brazil	13.1	
Indonesia	11.0	
Mexico	6.0	
Thailand	5.9	
India	5.6	
Russia	4.9	
Peru	4.5	
Taiwan	4.2	
Turkey	2.1	
South Africa	1.8	
Cash	3.8	

## Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.49%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$260.53
I USD	0.90%	1.14%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$164.57

\*AMC - Annual management charge

\*\*TER - Total expense ratio

## Performance summary of all share classes

USD shares	1 month	YTD	1 year	Since launch		Annualised		Since launch	
				03/11/08	01/10/09	3 years	5 years	03/11/08	01/10/09
A USD	+6.7	+11.3	+11.3	+192.2	-	+5.0	+6.6	+8.5	-
I USD	+6.7	+11.6	+11.6	-	+90.8	+5.4	+7.0	-	+5.4
MSCI Emerging Markets	+1.9	-2.5	-2.5	+194.4	+79.6	+10.9	+9.9	+8.5	+4.9
MSCI EM Value	+3.5	+4.0	+4.0	+144.9	-	+7.1	+7.0	+7.0	-

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Source: Oldfield Partners.

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