

Investment objective

The Fund will attempt to achieve over the long term a total return in excess of that of the MSCI EAFE Index (with net dividends reinvested) through investment in a concentrated portfolio of equity securities, across a mixture of large, medium, and smaller capitalisation companies, selected from the major markets (except the U.S.) and to a lesser extent from some emerging markets, worldwide. The approach is classic contrarian value, based on bottom-up fundamental research of individual companies.

Fund particulars

Manager(s)	Richard Garstang Christoph Ohm
Launch date	01 June 2006
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI EAFE
Fund size	US\$26.7m
Strategy size	US\$74.4m

“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.

All data as at 31 March 2025.
Source: Oldfield Partners.

Fund performance (USD, %)

	1 month	QTD	YTD	1 year	Annualised		
					3 years	5 years	Launch*
Fund (I shares)	+0.3	+11.0	+11.0	+8.4	+6.2	+15.3	+6.6
MSCI EAFE	-0.4	+6.9	+6.9	+4.9	+6.1	+11.8	+5.7
MSCI EAFE Value	+2.3	+11.6	+11.6	+12.8	+9.7	+14.8	+5.0

Preceding five calendar years performance		2024	2023	2022	2021	2020
Fund (I shares)		+0.5	+31.1	-14.7	+15.2	-2.2
MSCI EAFE		+3.8	+18.2	-14.5	+11.3	+7.8
MSCI EAFE Value		+5.7	+19.0	-5.6	+10.9	-2.6

*Launch reflects performance since the I share class was created on 1 October 2009. 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.

Portfolio breakdown

Top 10 holdings (%)

	Weight	MTD*	QTD*
Lloyds	5.2	+1.3	+35.7
Handelsbanken	4.5	-0.8	+20.9
BT	4.4	+6.4	+18.7
Alpha Services	4.3	+17.5	+42.1
IWG	4.0	-7.1	+17.1
Alibaba	3.9	0.0	+54.5
KT&G	3.9	+1.9	-2.1
First Pacific	3.8	+3.5	+4.3
Henkel	3.8	-7.8	-9.1
Heineken	3.8	-1.5	+20.8

*Total return in USD, reflects ownership period.

Characteristics

	Fund	Benchmark
P/E ratio (fwd)	9.6	14.4
P/B ratio (hist)	1.1	1.9
Gross div. yield (fwd)	3.6	3.0
Active share (%)**	95.7	

**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 EAFE index, divided by two.

Country breakdown (%)

United Kingdom	24.8	
Netherlands	14.6	
Germany	9.9	
South Korea	8.9	
China/Hong Kong	7.8	
Canada	7.2	
Sweden	4.5	
Greece	4.3	
Switzerland	4.0	
Ireland	3.7	
France	3.3	
Italy	2.6	
Japan	2.1	
Cash	2.3	

Sector breakdown (%)

Consumer Staples	20.6	
Consumer Discretionary	16.0	
Banks	14.0	
Energy	9.7	
Industrials	8.7	
Information Technology	6.7	
Materials	6.5	
Communication Services	4.4	
Real Estate	4.0	
Insurance	3.8	
Financial Services	3.4	
Cash	2.3	

Fund manager commentary

Quarterly Portfolio Performance

The fund rose 11.0% in the first quarter of 2025 while the MSCI EAFE Index rose 6.9%. The largest contributors and detractors to the fund return are shown below.

1Q Top Five Contributors

Company Name	Total Return (%) ¹	Port. Average Weight	Contribution to Return (%)
Alibaba	55.1	4.2	1.93
Lloyds	35.7	4.7	1.49
Alpha Bank	42.1	3.8	1.37
Siemens	19.6	5.4	1.32
Handelsbanken	22.8	5.0	1.10

1. Total return in the quarter in USD

1Q Bottom Five Contributors

Company Name	Total Return (%) ¹	Port. Average Weight	Contribution to Return (%)
Whitbread	-14.3	3.1	-0.51
Elmos ²	-12.0	0.3	-0.46
Henkel	-9.8	3.8	-0.37
Brembo	-9.8	3.1	-0.27
JD Wetherspoon	-5.0	3.8	-0.19

1. Total return in the quarter in USD

2. Total return since purchase

Alibaba, the Chinese online retailer, was the standout performer in the quarter. The company benefited from the January launch of DeepSeek's R1 AI chatbot. Within days the model became the most popular app on Apple's US app store, demonstrating China's AI capabilities and showing that the leading US AI models do not have an unassailable advantage. Alibaba's own AI models also showed impressive benchmarking results, and Alibaba announced that Apple will integrate its AI tools into its software for the Chinese market. Driven by increasing demands for AI, Alibaba's cloud business returned to double digit growth in its most recent quarter. Increased government support for the Chinese consumer has also lifted the outlook for Alibaba's ecommerce business. Despite the strong performance, the company's valuation remains attractive, trading at just eleven times price-to-earnings, excluding net cash on the balance sheet.

The other main contributors in the quarter were the three banks in the strategy: **Alpha Bank**, **Lloyds** and **Handelsbanken**. The three derive most of their profits from their respective domestic markets: Greece, the UK, and Sweden. They are quite different. At one end of the spectrum there is Handelsbanken which describes itself as one of the world's most stable banks, with no other non-state-owned bank having a higher credit rating. The company is laser-focused on credit risk, with 97% of mortgages having a loan-to-value ratio of below 75%. At the other end of the spectrum there is Alpha Bank which required a bailout during the Greek debt crisis and it has only recently received its first investment grade rating in 14 years. Alpha has managed a remarkable turnaround, with non-performing exposure falling from 45% in 2019 to under 4% last year. Its common equity tier 1 ratio is now at a solid 17%. Lloyds is in between the two, largely focused on the safer end of the UK mortgage market, with almost 90% of their mortgages at below 80% loan-to-value. Perhaps it is the closest to what one might call a 'normal' retail bank. What the three have in common is that they have started the year with undemanding valuations: Alpha was at 0.6 price-to-tangible book value while Lloyds and Handelsbanken were both at 1.1. We found these valuations highly attractive given that we expect all three to generate low double digit returns on tangible equity. We also expect them to return significant amounts of capital to shareholders. Lloyds and Handelsbanken are set to return around a quarter of their market value to shareholders over the next three years. Alpha could return 50%.

Given the low starting valuations and high capital returns, their performance in the last quarter does not surprise us, but the trigger was the much improved outlook for the European economy (we have recently written about this here). After years of low growth, Germany paved the way for up to €1.5 trillion in additional borrowing over the next decade. The UK and France also announced plans for higher defence spending and there may also be joint borrowing at the EU level. In response, yield curves across the region steepened, bringing much relief to the banking sector. Although our three banks have done well, we still see attractive upside in all of them, especially if there is now loan growth and rates stay higher for longer.

Whitbread, the budget hotel operator, was the worst performer in the quarter. The UK accounts for over 90% of Whitbread's revenues and has seen a weakening in demand over the last few months. Travelodge, Whitbread's key competitor in the UK, reported results at the end of March and pointed to a 4% revenue decline in the first ten weeks of 2025. The industry is also suffering from higher costs, partly due to recent tax rises. Whitbread remains focused on what it can control, including £50m in cost cuts this year and a five-year plan that is set to increase profit before tax by £300m, an uplift of over 60% to analyst consensus for the financial year ending in February 2025. A key part of the expected profit uplift is a restructuring of the company's underperforming restaurant estate. Whitbread operates over 400 branded restaurants which are adjacent to its hotels and open to external customers. After COVID, guest numbers did not fully recover and Whitbread has recently decided to convert 112 of these restaurants into 3,500 additional hotel rooms. They are also looking to exit 126 restaurants.

Irrespective of short-term demand headwinds, we believe the UK remains an attractive market with many weak competitors and difficulty to add supply given limited availability of land and restrictive planning processes. Supply is set to remain below 2019 levels until at least 2028. With its low-cost model, Whitbread is well positioned to be a long-term winner in the UK.

We also believe that the stock is pricing in little benefit from the German business. The opportunity in Germany is vast, with the market 40% bigger than the UK, but having no clear market leader, with the largest player having just 2% market share. Whitbread expects its German operations to reach run-rate profitability this year. Over the medium term, it is expected to contribute £80m of the £300m profit uplift.

Whitbread's market capitalisation is now at £4.3bn, below the value of the freehold estate which was last valued at £4.9-5.8bn in 2018. Given rising interest rates, this estate valuation might be questioned. The company is looking to update the valuation this year and believes that the previous valuation is supported by rising revenue per room and the addition of £1bn in freehold properties. In March a private equity investor announced the acquisition of Whitbread's key competitor in Germany, Motel One, for €3.5bn. Motel One is lossmaking, and the deal excludes the property estate. According to Citi, a similar valuation would imply £1.25bn for Whitbread's German business. While we are wary of such 'comps', we believe there is plenty of value in Whitbread. The shares trade on just twelve times price-to-earnings.

Henkel, the German household goods and chemicals company, detracted from performance this quarter. Year-end results were broadly in line with consensus expectations, except for slower organic growth of just 1.1% in Q4. This was driven by a slowdown in Henkel's two business units, consumer goods and adhesives, each accounting for roughly 50% of group sales. The company also flagged weak demand in the consumer business in 2025, especially in North America, with organic growth expected to be at just 1-3% this year. Some of this is underlying demand weakness and some of it is related to company specific items, including a recent reorganisation of the supply chain. That said, we are under no illusion. Henkel's consumer business is a low single digit growth business as it mostly sells into developed markets. The main opportunity is the continued improvement in margins. Since 2021, Henkel exited low-margin products such as air fresheners and oral care. In total, announced exits and discontinuations amount to around 10% of consumer business sales. At the same time, Henkel increased marketing investments, spending more money on fewer brands. The strategy helped to raise the consumer business operating margin from 8% in 2022 to 13.6% last year. Over the medium term, the company targets mid-teens margins for this business.

Commentary - continued

Henkel's adhesive business is driven by global industrial production and has slowed down recently as industrial end markets have softened. Over the medium term, we believe the prospects for this business are bright. Adhesives represent a very small part of the cost of a finished product but are mission-critical, giving Henkel pricing power. Why switch to a cheaper product and risk that your car or smartphone falls apart to save 0.5% of costs? There is also a secular trend of growth as adhesives allow for improved industrial processes and weight reduction. Last year, Henkel's adhesive business generated 16.6% operating margins. The company targets high-teens margins over the medium term.

Henkel trades on 13 times price-to-earnings and has very little net debt. We believe the valuation is attractive given the underlying economics and are encouraged by management having recently launched a €1bn share buyback.

Portfolio Activity

In the first quarter we sold Euronext, the European stock exchange, as it reached our price target. We also reduced the position size of Siemens and Alibaba after recent strong performance. We reinvested the proceeds into Elmos Semiconductor, described below in further detail, and various other lowly valued names held in the strategy.

Elmos is a small producer of automotive semiconductors. The company has a strong position in small niches, including ultrasonic sensors, LED lighting, airbag firing chips, and small motors for functions such as climate control. Although it is a German supplier, Elmos has broad exposure across global OEMs, with BYD being their largest customer in Asia. Since the financial crisis of 2008, the company has grown at high single digit rates annually without issuing shares and using only very little debt. Management target similar levels of growth over the next five years, supported by designs already awarded to them. We would expect future growth to result in good free cash flow generation. In the past Elmos had to reinvest most of its profits into production. The company has recently sold its in-house production facility, and it is optimising its tax structure and working capital levels. These actions should allow Elmos to close the gap to peers and convert most of its net income to free cash flow. While the medium-term outlook is strong, the near term is less certain, with Elmos and many other suppliers flagging low visibility for 2025 due to auto manufacturers reducing stock levels in anticipation of demand weakness. Elmos has underperformed since our initial purchase,

driven by uncertainty affecting the wider auto semiconductor industry. We believe the valuation at just ten times price-to-earnings more than accounts for the near-term headwinds.

Outlook

As we are writing this letter, market participants are pondering the impact of "reciprocal tariffs", a centrepiece of President Trump's plan to rebalance global trade. Although the announcement on April 2nd was much anticipated, we were surprised by the complacency in markets ahead of the event. During Trump's first term, the average tariff rate on imports doubled from 1.5% to 3.0%, but only taking tariffs back to levels from the early 1990s and well below the double-digit levels observed before World War II. By and large, companies seemed to deal with tariffs just fine, so why would this time be different? We believe the answer is scale. Yale University's Budget Lab estimates that reciprocal tariffs would raise the average tariff rate by 11.5 percentage points. In combination with tariffs announced earlier this year, the average tariff rate is now estimated to be at 22.5%, the highest since 1909. Markets reacted viciously on April 3rd, but why did they sleepwalk into the event although the risk was known and probable? Perhaps investors believed that something less severe would be negotiated? After all, even the White House's factsheet on reciprocal tariffs refers to "the art of the international deal".

It may be that the newly announced tariffs will get dialled back, but in managing portfolio risk, we assume that the President does what he says he will do. We analysed each holding for potential tariff risk, not looking to avoid all risk, but looking to avoid outsized exposure. In response, we sold one holding in early November, just before the Presidential election, as we thought a potential Trump win would be a very material headwind. This was Winpak, the Canadian packaging company. 90% of Winpak's business is exporting plastic packaging from Canada to America. It also faces tough US-based competition. Since we decided to sell, the stock has underperformed by around 20%, but most of the market reaction only happened after late January. This is another example of complacency. The market is quick to price-in results that miss consensus expectations, but sometimes it misses the bigger picture. While the international strategy still has tariff risk and it did not come away unscathed on April 3rd, we believe it is well positioned for an uncertain future. The strategy trades on a forward price-to-earnings multiple of under ten times, a discount of over 30% to the EAFE index.

Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
I USD	0.65%	1.00%	B4N4ZJ0	OVRGEUI ID	IE00B4N4ZJ09	US\$227.97

*AMC - Annual management charge

**TER - Total expense ratio

Performance summary of all share classes

USD shares	1 month	YTD	1 year	Annualised	
				3 years	5 years
I USD	+0.3	+11.0	+8.4	+6.2	+15.3
MSCI EAFE	-0.4	+6.9	+4.9	+6.1	+11.8
MSCI EAFE Value	+2.3	+11.6	+12.8	+9.7	+14.8

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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