

# Overstone Emerging Markets Equity Fund

Patient, unconstrained, contrarian value investing

# OP

Oldfield Partners

28 February 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\$239.4m
Domicile	Ireland
Structure	QIAIF
Base currency	USD
Dealing	Daily
Min. investment	€100,000
Benchmark	MSCI Emerging Markets

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

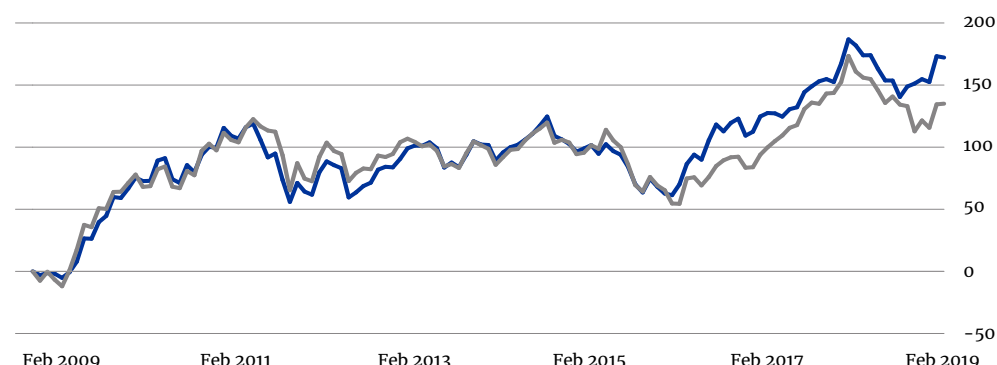
### About Oldfield Partners

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	-0.4	+7.8	-3.5	+172.2	+17.0	+6.8	+10.2
■ MSCI Emerging Markets	+0.2	+9.0	-9.9	+135.0	+15.0	+4.1	+8.6

### 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

Following a strong start to 2019 the month of February was quieter as investors assessed the various macro issues facing the global economy – most notably developments in the US-China trade negotiations. 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 weighted average of the price targets in the portfolio is showing 38% upside.

The bottom performers by contribution in the month were Indofood and Samsung Electronics. **Indofood** (Indonesia snack foods producer) had rallied strongly into the year end and January as the local currency regained some composure, its agri-business stabilised, and investors favoured the stability of its key and dominant noodle division. **Samsung Electronics** (South Korean consumer electronics manufacturer) continues to trade around expectations for the semiconductor cycle. We believe the share price already factors in a tough down cycle for 2019, and we remain positive for a recovery in the second half of the year in line with management expectations if the industry maintains its profit maximising behaviour. The launch of the new flagship Galaxy S10 and Galaxy Fold are incrementally positive.

The top performers by contribution in the month were Thai Beverage and Buenaventura. **Thai Beverage** (Thailand's leading alcoholic beverage producer) continued to perform well following a difficult 2018 as recent data on beverage consumption in Thailand has turned more positive after support was given to those on lower incomes and agricultural prices recovered. **Buenaventura** (Peruvian mining company) performed well despite a mixed performance from its two key commodities – the copper price rose but the gold price fell in the month. Consolidation in the gold industry is a positive backdrop as it should lead to better discipline.

## Fund analysis

Top 10 holdings (%)	Weighting	1 month total return (%)*	
		Local terms	USD
Samsung Electronics	9.1	-2.3	-3.3
Petrobras	8.1	+1.3	+1.3
Embraer	7.9	-3.6	-3.6
SK Telecom	7.8	+0.8	+0.8
Buenaventura	7.7	+6.3	+6.3
Lukoil	7.7	+3.7	+3.7
Thai Beverage	6.2	+12.8	+12.4
Lee & Man Paper	5.9	+3.7	+3.7
Telkom Indonesia	5.8	-1.4	-1.4
Yue Yuen Industrial	5.8	-1.5	-1.5

Total number of holdings 17

Active share (%)\*\* 94.6

### Fund characteristics

	Fund	Benchmark
Net debt to equity ratio	28.8	12.1
Price-to-book ratio	1.7	1.6
Price-to-earnings ratio	12.8	12.8
Return on equity (%)	13.4	12.7

\*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	19.0	
Telecoms	17.2	
Energy	15.8	
Information Technology	13.1	
Consumer Staples	11.0	
Industrials	7.9	
Consumer Discretionary	6.8	
Financials	4.6	
Cash	4.7	

### Country breakdown (%)

South Korea	16.9	
Brazil	16.0	
China/Hong Kong	13.7	
Indonesia	10.5	
Peru	7.7	
Russia	7.7	
Thailand	6.2	
Mexico	5.4	
India	4.9	
Turkey	3.6	
South Africa	2.6	
Cash	4.7	

## Share class details

Share class	AMC*	TER**	SEDOL	Bloomberg	ISIN	Price
A USD	1.25%	1.45%	B3DDVH0	OVEMKEA ID	IE00B3DDVH01	US\$247.75
I USD	0.90%	1.10%	B4NoBT0	OVEMKEI ID	IE00B4NoBT09	US\$155.95
A USD Hedged	1.25%	1.50%	BZBVR05	OVEMAUH ID	IE00BZBVR050	US\$117.64
A GBP Hedged	1.25%	1.50%	BD3WG94	OVEMAGH ID	IE00BD3WG942	£112.35

\*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	-0.4	+7.8	-3.5	+172.2	-	+17.0	+6.8	+10.2	-	
I USD	-0.4	+7.9	-3.1	-	+75.9	+17.4	+7.2	-	+6.2	
MSCI Emerging Markets	+0.2	+9.0	-9.9	+135.0	+43.4	+15.0	+4.1	+8.6	+3.9	

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	+0.6	+6.1	+0.4	+21.1	-	-	+8.5	
MSCI Emerging Markets USD Hdgd	+1.1	+8.4	-5.3	+18.1	-	-	+7.4	

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	+0.2	+5.4	-1.7	+15.7	-	-	+6.4	
MSCI Emerging Markets GBP Hdgd	+0.9	+7.8	-7.3	+13.6	-	-	+5.6	

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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