

Overstone Global Equity Income Fund

Patient, unconstrained, contrarian value investing

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Oldfield Partners

31 December 2021

Monthly fund review

Investment objective

The Fund's objective is to achieve income and capital growth, (net of fees) over the longer term (i.e. 5 years or more). The Fund seeks to achieve this objective through investment in a global portfolio. The approach is classic contrarian value, based on bottom-up fundamental research of individual companies.

Fund particulars

Launch date	06 December 2011
Fund size	£79.8m
Domicile	United Kingdom
Structure	UCITS
Base currency	GBP
Dealing	Daily
Min. investment	£10,000
IA sector	Global Equity Income
Benchmarks	MSCI World High Dividend Yield MSCI World

"A concentrated portfolio concentrates the mind..."

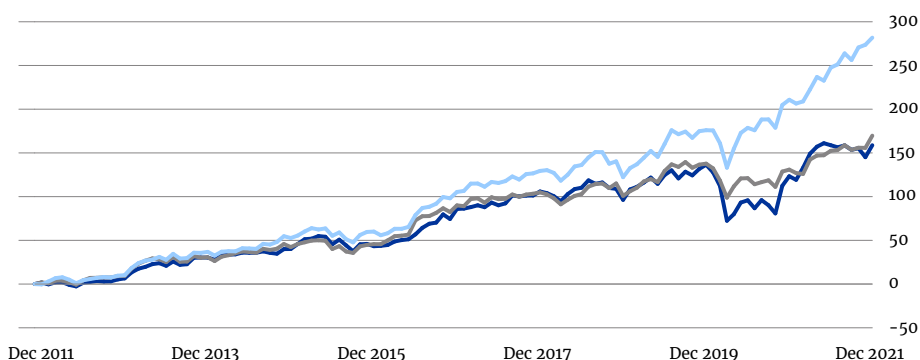
About Oldfield Partners

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			Annualised			
	1 month	YTD	1 year	Launch	3 years	5 years	Launch
■ I Acc GBP	+5.6	+15.9	+15.9	+158.8	+9.6	+6.8	+9.9
■ MSCI World High Dividend Yield	+5.5	+16.8	+16.8	+169.8	+10.3	+7.3	+10.4
■ MSCI World	+2.2	+22.9	+22.9	+277.2	+19.3	+12.9	+14.1
IA Sector Ranking	1	4	4	3	4	4	3
Preceding five calendar years performance	2021	2020	2019	2018	2017		
I Acc GBP	+15.9	-5.6	+20.5	-4.7	+10.8		
MSCI World High Dividend Yield	+16.8	-2.9	+18.4	-1.9	+7.8		
MSCI World	+22.9	+12.6	+22.7	-3.1	+11.7		

Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Charges and expenses for the I Acc GBP share class are deducted from Capital. MSCI World 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

It is common at the end of the year to take stock of what we have learnt over the last twelve months. However, we believe history should be assessed over five or even ten-year periods. Understandably, given the short-term pressures of the modern world, this is regularly perceived as too long. Nevertheless, we fight the urge to focus on the short-term by remaining true to our principles of investing in companies that are long-term winners trading at attractive valuations.

When we talk about long-term winners, we are not making forecasts about the profits five or ten years from now. The future is fundamentally unknowable, which makes forecasting very hard. But we can make observations about the fundamental drivers of a business and what enables it to earn excess returns over the long run.

Nearly forty percent of the portfolio today is invested in companies that we would characterize as low-cost operators. This includes companies such as J D Wetherspoon, Allegiant Travel, Lukoil, Progressive Corporation and Samsung Electronics. These businesses occupy the low-cost position in their respective industries which puts them in a strong position to protect themselves from the onslaught of competitive pressures. Many of these businesses operate in commodity-like industries but their cost advantage enables them to sell at lower prices than competitors, and this allows them to retain and grow their customer bases which, in turn, provides more scale. The very best low-cost operators reinvest these scale benefits back in lower prices.

Thirty percent of the portfolio is invested in companies with strong brands and intellectual property. This includes companies such as Swedish Match, Philip Morris and Sanofi which benefit from having hard to replicate resources, in many ways the opposite of commodity industries. For example, the cigarette brand, Marlboro, owned by Philip Morris, cannot be replicated easily.

Nearly twenty percent of the portfolio is invested in companies with CEOs who have exceptional track records of reinvesting capital. This includes Exor and Fairfax which have, since their inceptions, compounded their book value per share at 18.7% and 17.9% respectively.

Commentary - continued

We believe these characteristics – low-cost operators, strong brands and intellectual property and good capital allocation – will enable these businesses to grow their customers, revenues and profits, making them long-term winners.

However, strong business attributes are not enough; we also focus on attractive valuations. We do this for two reasons. Firstly, it provides a margin of safety against both our assessment of the business being incorrect and against the external environment changing (as it always does). Secondly, buying attractively valued companies puts the odds in our favour.

Today the portfolio trades on a price-to-earnings multiple of twelve times and has a weighted average upside of 50%. Since the portfolio's launch in 2011, the only time the upside has been higher was between March and October 2020.

The discipline of investing in companies that are trading on attractive valuations can be challenging. It often means looking in areas where there is fear, which can be emotionally difficult. People like the comfort of being part of the crowd. In the short run joining the crowd is a sensible strategy; it minimises career risk but at what cost? In the long run it probably means lower returns.

Over the last 5 years the fund has generated an annualised return of 6.8% compared with the MSCI World High Dividend Yield Index of 7.3% (both in GBP). Whilst this is disappointing, as we note above, the weighted average upside of 50% is well above the long run average. We are even more excited on a relative basis. The broader market is trading on a price-to-earnings multiple of twenty times; this is a near record disparity versus the portfolio.

In 2021 the fund rose 16% while the MSCI World High Dividend Yield Index rose 17% in GBP. The largest negative contributors to performance included three UK stocks which suffered from the sustained pandemic conditions (IWG, JD Wetherspoon and easyJet) and two Asian technology companies (Samsung and Alibaba). The average upside for these five businesses today is nearly 100%.

Fund analysis

Top 10 holdings (%)

	Weighting	1 month total return (%)*	
		Local terms	GBP
Exor	5.9	+1.6	+0.2
IWG	5.3	+4.1	+4.1
BT	5.3	+8.4	+8.4
Philip Morris	5.2	+12.1	+9.8
Fairfax	4.8	+9.8	+9.0
Siemens	4.8	+8.0	+6.5
Swedish Match	4.8	+9.4	+7.3
J D Wetherspoon	4.7	+12.1	+12.1
Progressive	4.6	+11.8	+9.6
E.ON	4.5	+12.2	+10.6

Total number of holdings 25

Active share (%)** 95.5

Fund characteristics

	Fund	MSCI World
Dividend yield (%)***	3.4	1.7
Price-to-earnings ratio (fwd)	12.1	19.5

*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 World High Dividend Yield index, divided by two.

***Prospective yield of the portfolio before withholding tax.

All data as at 31 December 2021.

Source: Oldfield Partners.

Sector breakdown (%)

Financials	31.2	
Industrials	16.3	
Consumer Staples	15.3	
Consumer Discretionary	9.0	
Energy	5.9	
Communication Services	5.3	
Utilities	4.5	
Health Care	4.2	
Information Technology	3.6	
Materials	2.2	
Real Estate	2.1	
Cash	0.6	

Country breakdown (%)

United Kingdom	26.3	
United States	17.6	
Sweden	13.7	
Germany	9.3	
Canada	6.9	
Italy	5.9	
Russia	4.5	
China/Hong Kong	4.3	
France	4.2	
South Korea	3.6	
Denmark	3.2	
Cash	0.6	

Performance summary of all share classes

GBP shares	1 month	YTD	1 year	Since launch		Annualised			
				06/12/11	30/06/17	3 years	5 years	Since launch	
						06/12/11	30/06/17		
I Dist GBP	+5.6	+15.9	+15.9	+158.7	-	+9.7	+6.9	+9.9	-
I Acc GBP	+5.6	+15.9	+15.9	+158.8	-	+9.6	+6.8	+9.9	-
J Dist GBP	+5.6	+15.8	+15.8	+158.4	-	+9.7	+6.8	+9.9	-
J Acc GBP	+5.6	+15.9	+15.9	+158.3	-	+9.6	+6.8	+9.9	-
MSCI World High Dividend Yield	+5.5	+16.8	+16.8	+169.8	-	+10.3	+7.3	+10.4	-
MSCI World	+2.2	+22.9	+22.9	+277.2	-	+19.3	+12.9	+14.1	-

GBP Hedged shares	1 month	YTD	1 year	Since launch		Annualised			
				13/07/16	25/06/18	3 years	5 years	Since launch	
						13/07/16	25/06/18		
J Dist GBP Hedged	+6.8	+18.3	+18.3	-	+19.5	+9.1	-	-	+5.2
J Acc GBP Hedged	+6.8	+18.2	+18.2	+50.2	-	+9.1	+6.2	+7.7	-
MSCI World High Div Yield GBP Hdgd	+7.0	+18.2	+18.2	+50.8	+33.7	+11.5	+7.9	+7.8	+8.6
MSCI World GBP Hedged	+3.9	+23.9	+23.9	+100.2	+58.4	+20.2	+13.3	+13.5	+14.0

EUR shares	1 month	YTD	1 year	Since launch		Annualised		
				06/12/11		3 years	5 years	Since launch
						06/12/11		
K Dist EUR	+7.1	+23.1	+23.1	+163.3		+12.1	+7.2	+10.1
K Acc EUR	+7.1	+23.1	+23.1	+164.2		+12.1	+7.2	+10.1
MSCI World High Dividend Yield	+6.9	+24.4	+24.4	+175.9		+12.8	+7.6	+10.6
MSCI World	+3.6	+30.8	+30.8	+285.7		+21.9	+13.3	+14.3

USD shares	1 month	YTD	1 year	Since launch		Annualised			
				03/01/12	29/11/19	3 years	5 years	Since launch	
						03/01/12	29/11/19		
L Acc USD	+7.5	+14.7	+14.7	+118.9	-	+11.9	+8.9	+8.1	-
L Dist USD	+7.5	+14.8	+14.8	-	+17.3	-	-	-	+7.9
MSCI World High Dividend Yield	+7.6	+15.8	+15.8	+127.6	+19.3	+12.5	+9.3	+8.6	+8.8
MSCI World	+4.3	+21.8	+21.8	+224.0	+45.4	+21.7	+15.0	+12.5	+19.6

Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Charges and expenses are deducted from Capital for A, FI and I shares.

MSCI World index is for comparison purposes only.

Source: Oldfield Partners.

Share class details

Share class	Dividend type	Fees from	AMC*	OCF**	SEDOL	Bloomberg	ISIN	Price
I GBP	Distribution	Capital	0.65%	0.87%	B75LT54	TMOVSII	GB00B75LT544	£1.84
I GBP	Accumulation	Capital	0.65%	0.87%	B75K5L9	TMOVSIA	GB00B75K5L91	£2.59
J GBP	Distribution	Income	0.65%	0.87%	B75KB22	TMOVSJI	GB00B75KB221	£2.04
J GBP	Accumulation	Income	0.65%	0.87%	B75M355	TMOVSJA	GB00B75M3558	£2.58
J GBP Hedged	Distribution	Income	0.65%	0.89%	BYP7ZY2	TMOVJHI	GB00BYP7ZY24	£1.11
J GBP Hedged	Accumulation	Income	0.65%	0.89%	BYYXWV7	TMOVJHA	GB00BYYXWV77	£1.50
K EUR	Distribution	Income	0.65%	0.87%	B75L051	TMOVSKI	GB00B75L0514	€2.08
K EUR	Accumulation	Income	0.65%	0.87%	B75LBN6	TMOVSKA	GB00B75LBN68	€2.64
L USD	Accumulation	Income	0.65%	0.87%	B3ZMR33	TMOVSLA	GB00B3ZMR334	US\$2.19
L USD	Distribution	Income	0.65%	0.87%	B7B2V88	TMOVSLI	GB00B7B2V886	US\$2.10

Where fees are deducted from capital rather than income, capital growth may be constrained.

*AMC - Annual management charge

**OCF - Ongoing charge figure

Copies of our latest KIIDs and Prospectus for the fund can be accessed via our website, Overstone Global Equity Income Fund – Resources, or for assistance please contact info@oldfieldpartners.com.

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