



# Global Equity Income

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*8<sup>th</sup> November 2022*

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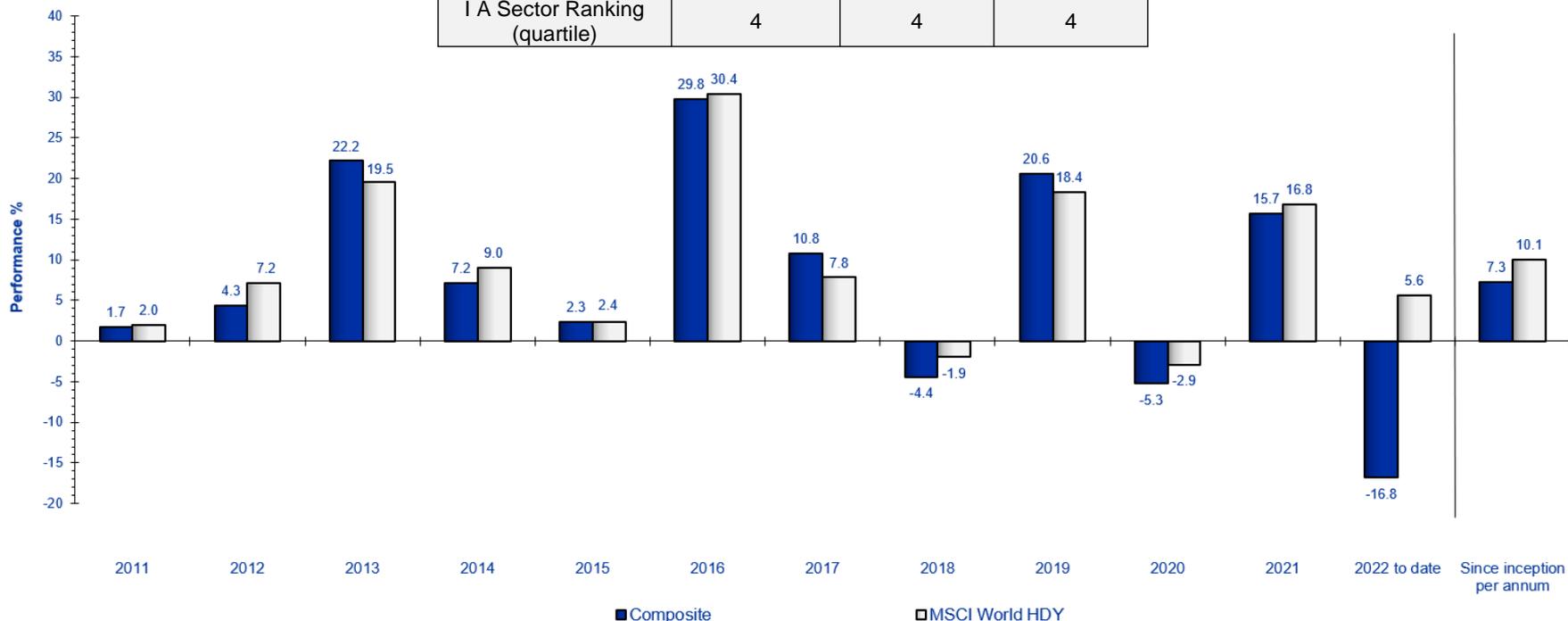
Grow capital over time

Provide sustainable and rising income

# Performance summary

**Global Income Composite\* & MSCI World High Dividend Yield (Net Dividends Reinvested)  
Annual Performance (£ terms)**

GBP terms	1 year	3 years ann.	5 years ann.
Global Equity Income Composite (%)	-15.9	-1.3	1.4
MSCI World High Dividend Yield (%)	11.3	6.9	7.1
IA Sector Ranking (quartile)	4	4	4



Supplemental Information – this performance information is supplemental to the GIPS® compliant presentation and is for reference only.

Source: OP 31<sup>st</sup> October 2022 and FE Analytics. IA Sector ranking is Overstone Global Equity Income Fund vs. IA Global Equity Income Sector.

\*Composite = Oldfield Partners Global Income Composite from 2012 onwards and the J Accumulation shares of the Overstone Global Equity Income Fund from 6<sup>th</sup> Dec – 31<sup>st</sup> Dec 2011.

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Please refer to disclosures on page 30.

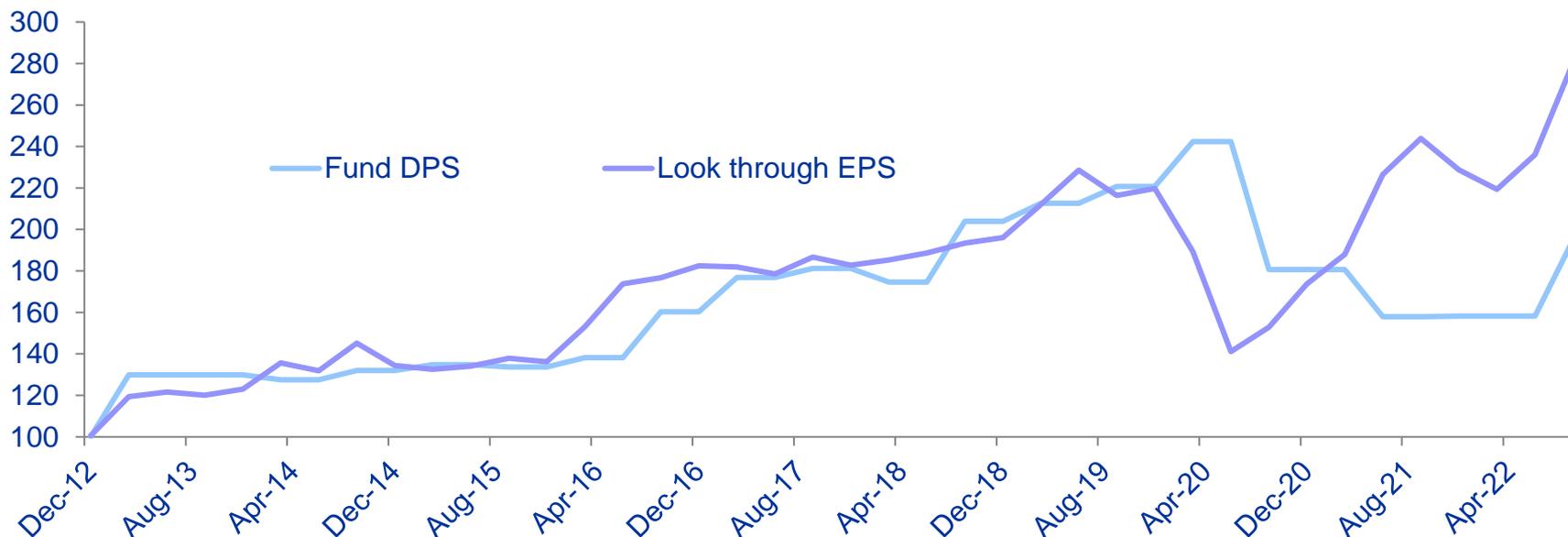
Past performance is not a guide to future performance, please see risk warning on p.31.

# Performance summary – since inception in GBP

## Contribution to returns<sup>1</sup>

GBP terms per annum	Overstone Income	MSCI High Dividend	MSCI World
EPS (%)	10	9	10
PE multiple (%)	(2)	1	2
Total Return (%)	7	10	13

**Dividend<sup>1</sup>**  
 Growth: 95%  
 Historic yield 3.2%<sup>2</sup>



Source: Bloomberg and OP.

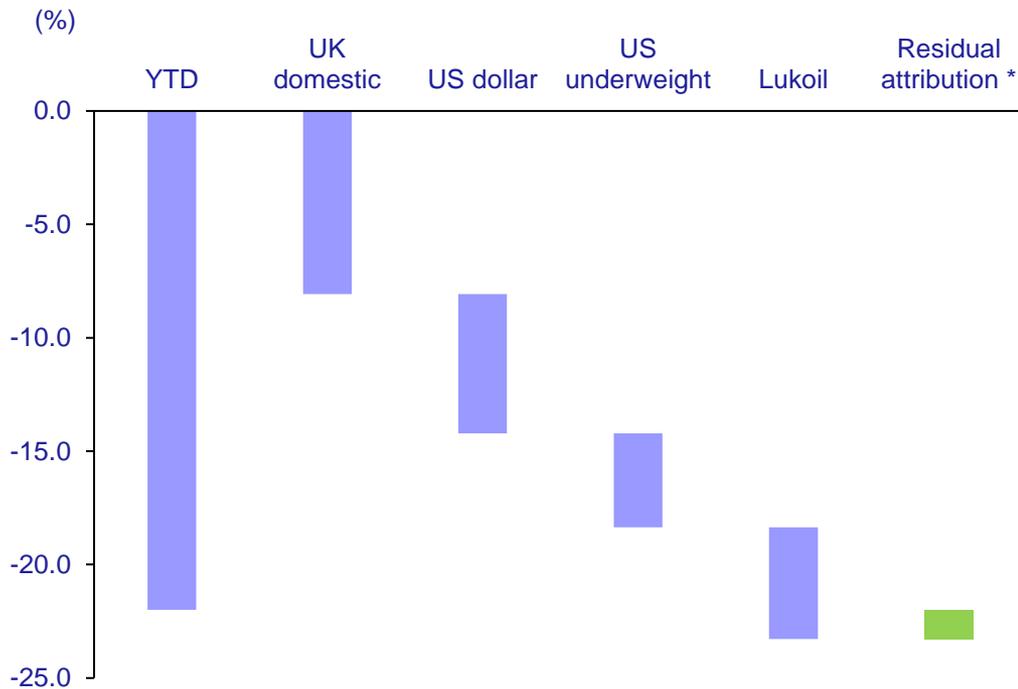
Date: 30<sup>th</sup> September 2022.

<sup>1</sup> Assumes dividends reinvested, rebased to 100.

<sup>2</sup> Historic yield in the Overstone income IA Share class .

# Attribution – 2022: All about macro economics

## Performance Year to Date



Largest Detractors – UK overweight, FX, US underweight & Lukoil

Data as at 31<sup>st</sup> October 2022. Performance is calculated gross of all fees in GBP terms. Index is MSCI World High Dividend Yield  
Source: Oldfield Partners, Bloomberg and MSCI ©.

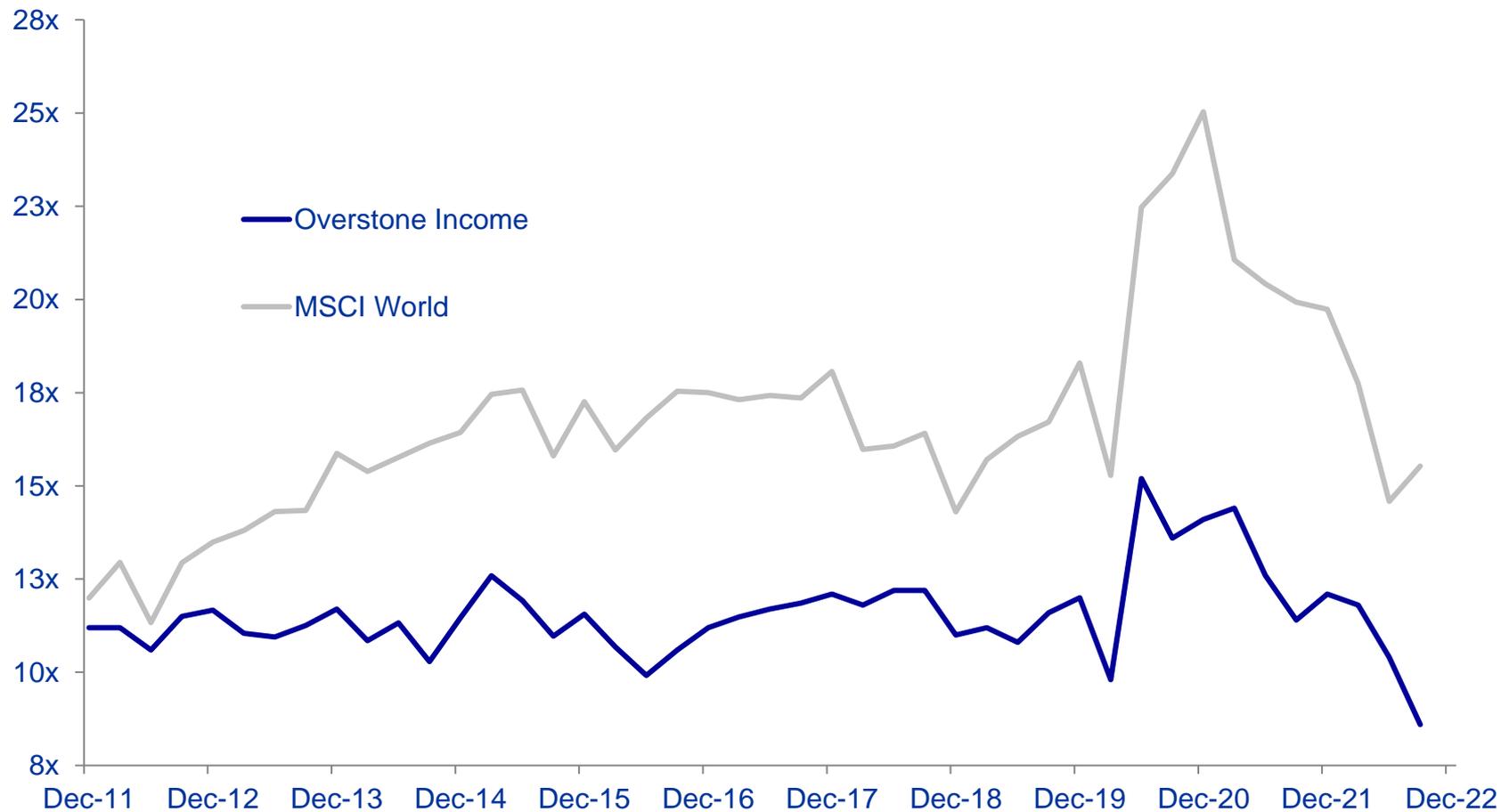
\* Residual stock selection, allocation, interaction and currency

## Weighted average upside: never had more upside



Source: OP, Bloomberg.  
Date: As at 30<sup>th</sup> September 2022.

# PE multiple: never been cheaper



Source: OP, Bloomberg.  
Date: As at 30<sup>th</sup> September 2022.

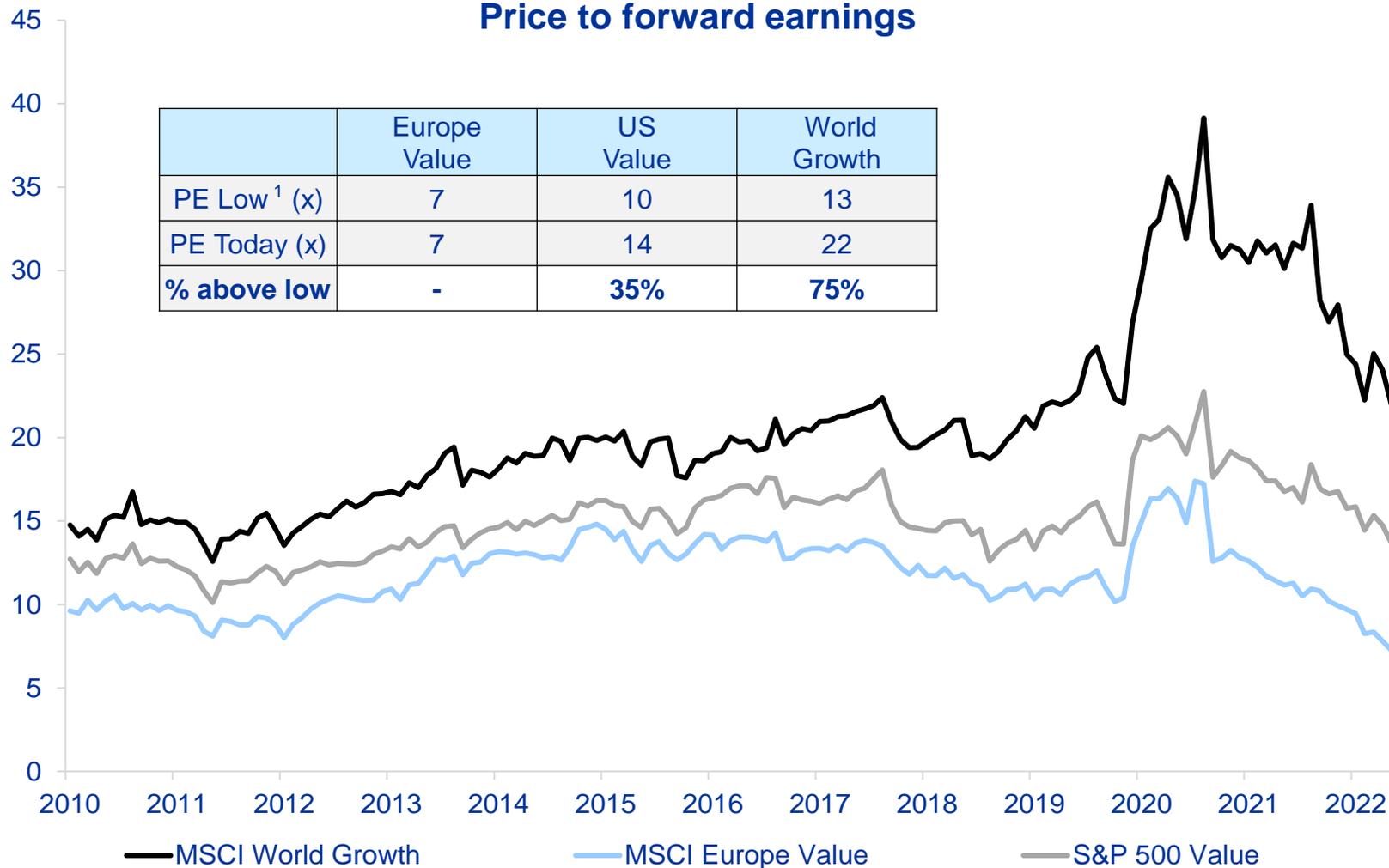
# The environment

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# European value is at record low valuation

## Price to forward earnings

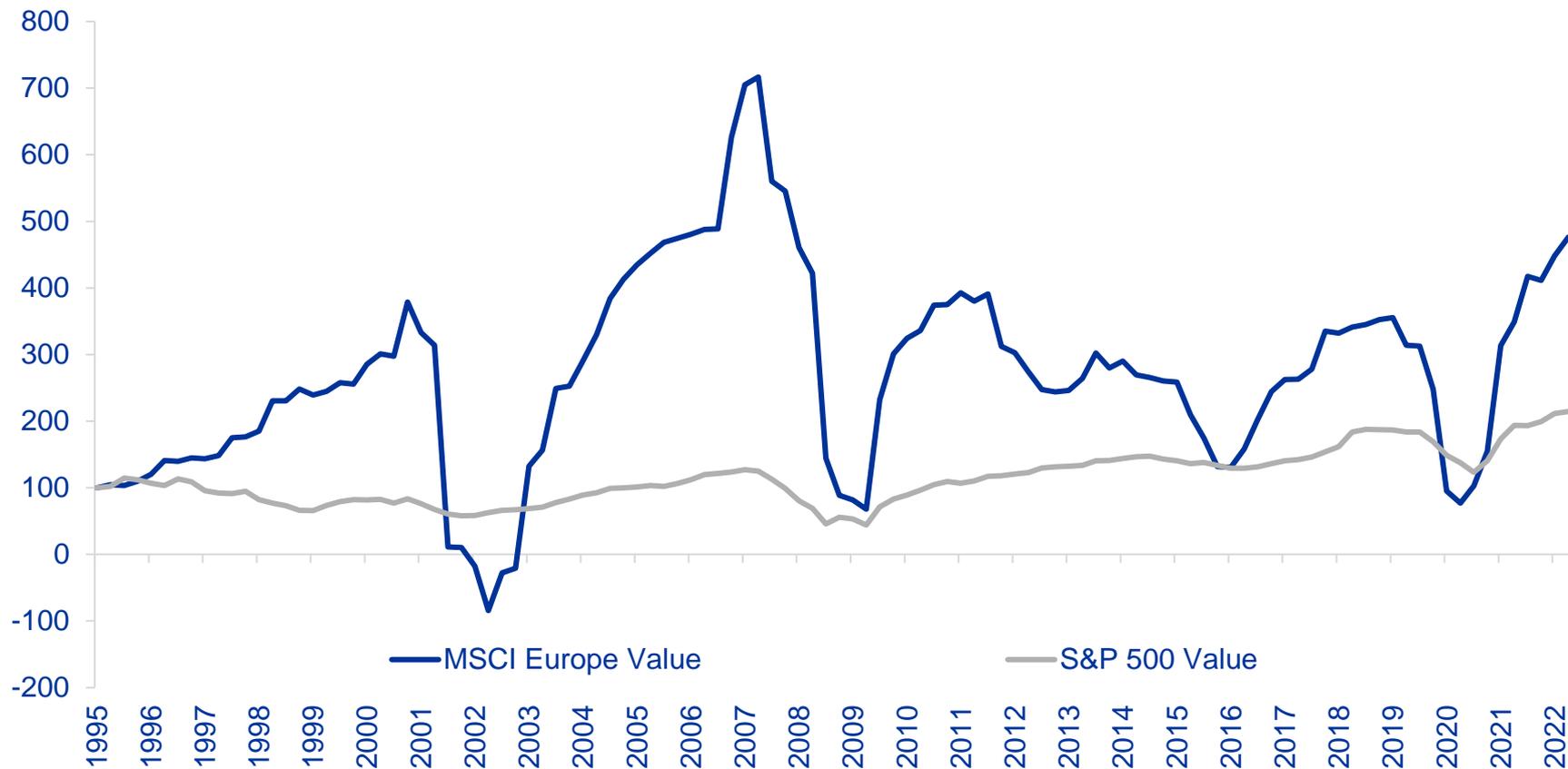
	Europe Value	US Value	World Growth
PE Low <sup>1</sup> (x)	7	10	13
PE Today (x)	7	14	22
<b>% above low</b>	-	<b>35%</b>	<b>75%</b>



Source: Bloomberg as at 30<sup>th</sup> September 2022; <sup>1</sup> The PE Low is the lowest PE going back to 2010

# US and Europe Value earnings per share

## S&P 500 Value vs MSCI Europe Value Earnings per Share

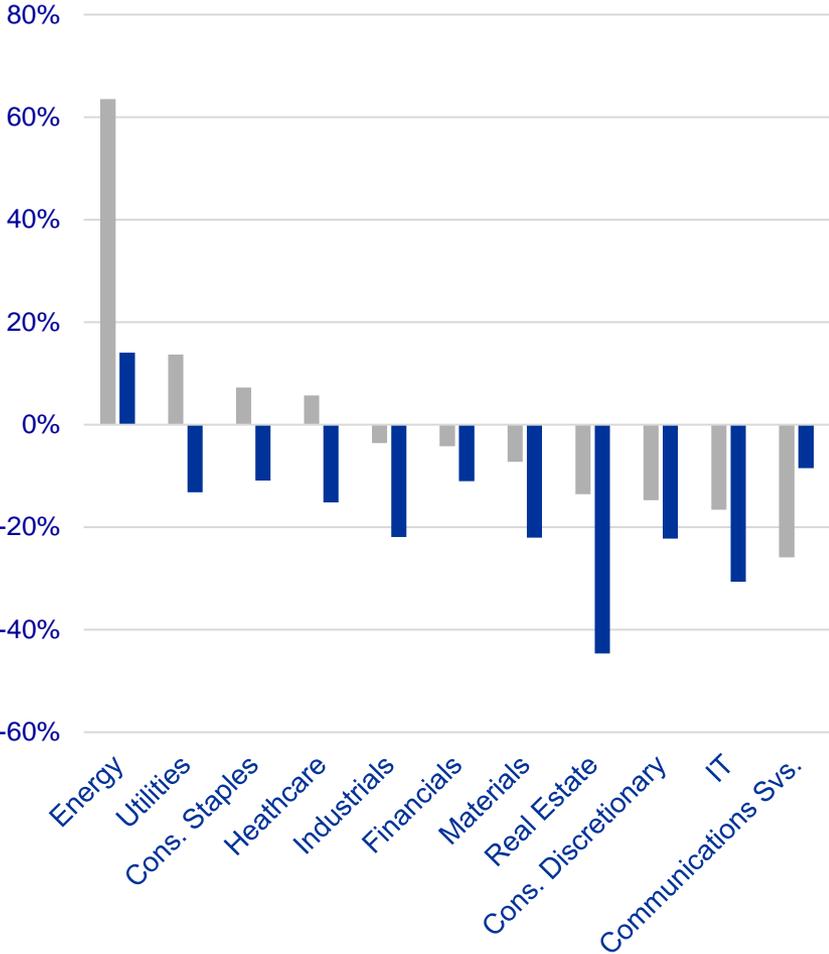


What you get – Europe outperforms

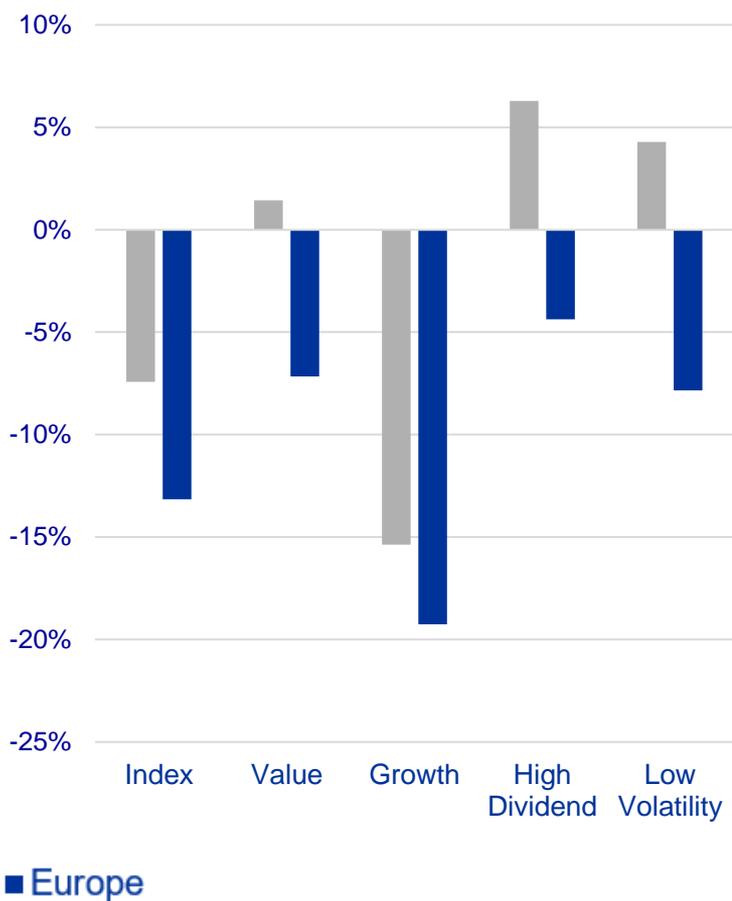
Source: Bloomberg rebased to 100  
Date: As at 30<sup>th</sup> September 2022.

# Due to poor relative performance across sectors and style

**Performance by Sector YTD**



**Performance by Style YTD**

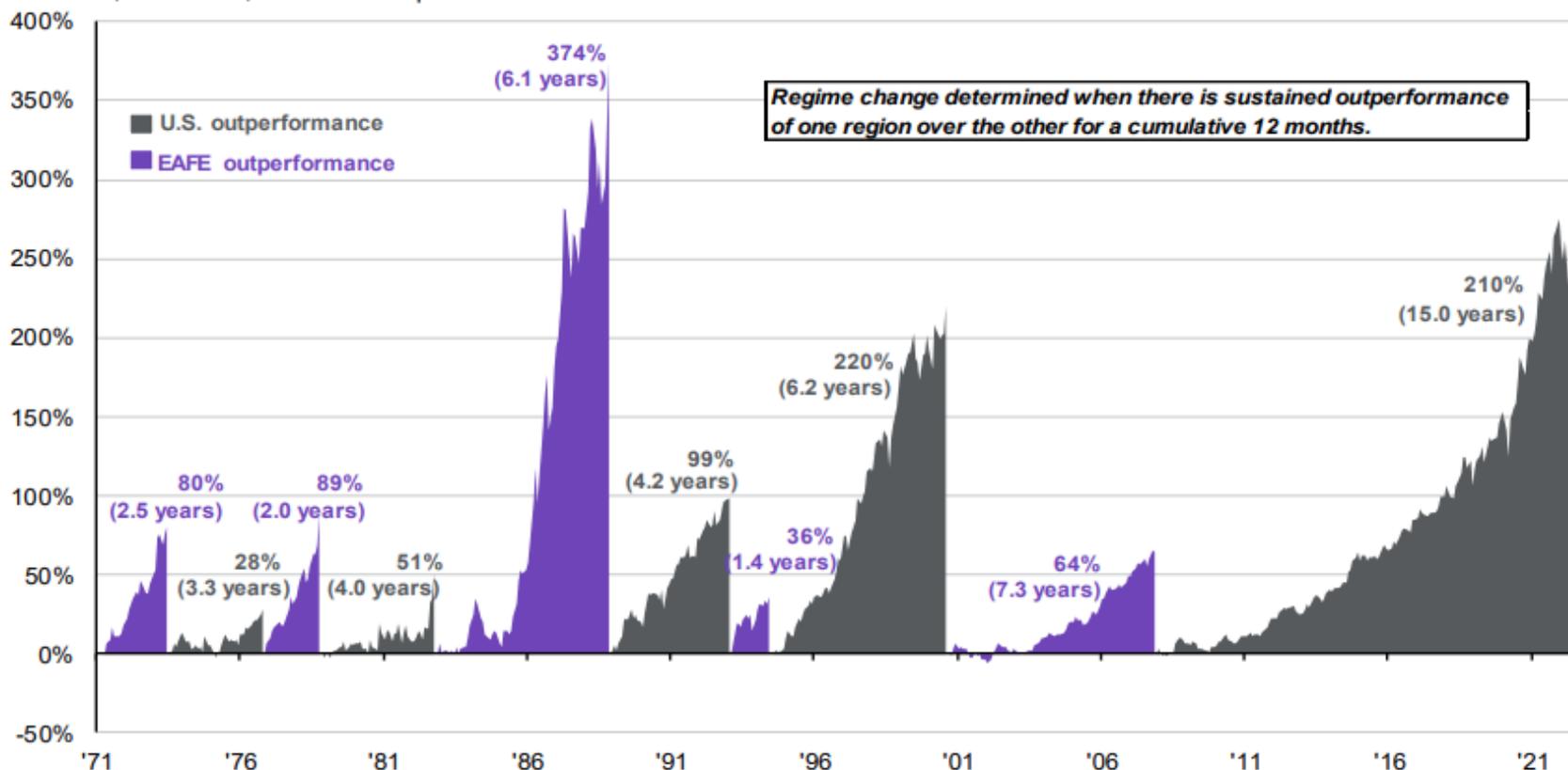


Source: Bloomberg as at 30<sup>th</sup> September 2022; all in GBP.

# Cycles of Equity Outperformance

## MSCI EAFE and MSCI USA relative performance

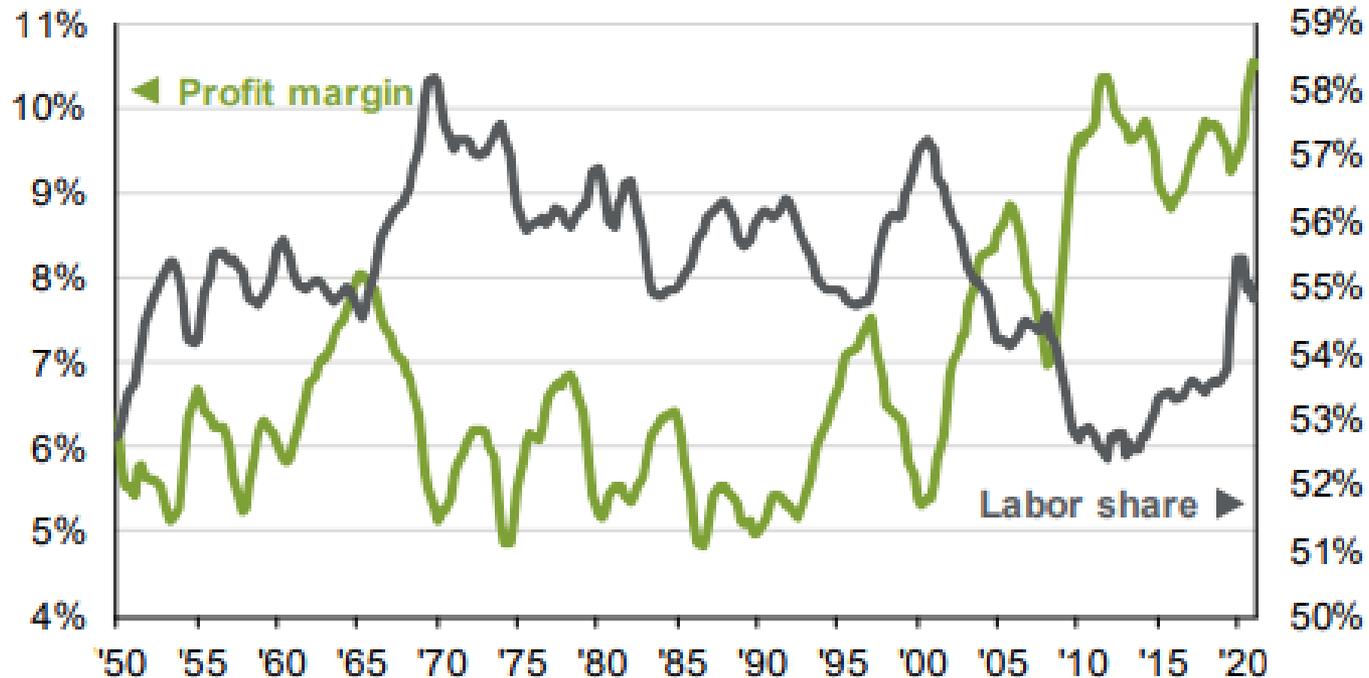
U.S. dollar, total return, cumulative outperformance\*



Source: FactSet, MSCI, J.P. Morgan Asset Management, \*Cycles of outperformance include a qualitative component to determine turning points in leadership.  
Date: As at 30<sup>th</sup> September 2022.

## Labor share of income and profit margins\*

Compensation and adjusted after-tax corporate profits as % of GDP



Record corporate margins crowding out labour

Source: Bloomberg, J.P. Morgan Chartbook and BCA Research  
Date: As at 30<sup>th</sup> June 2022.

# US valuation: the US has rarely been valued higher



**Now is not the time to be buying the US**

Sources: MSCI, FTSE, S&P, OECD, Various National Sources, Global Financial Data, S&P, Robert Shiller, Morgan Stanley Research.

Notes: Normalised PE = Price / Normalised EPS. Normalised EPS = Current Book Value x Long-Term Average ROE. Shiller PE defined as inflation adjusted price to 10Y average EPS.

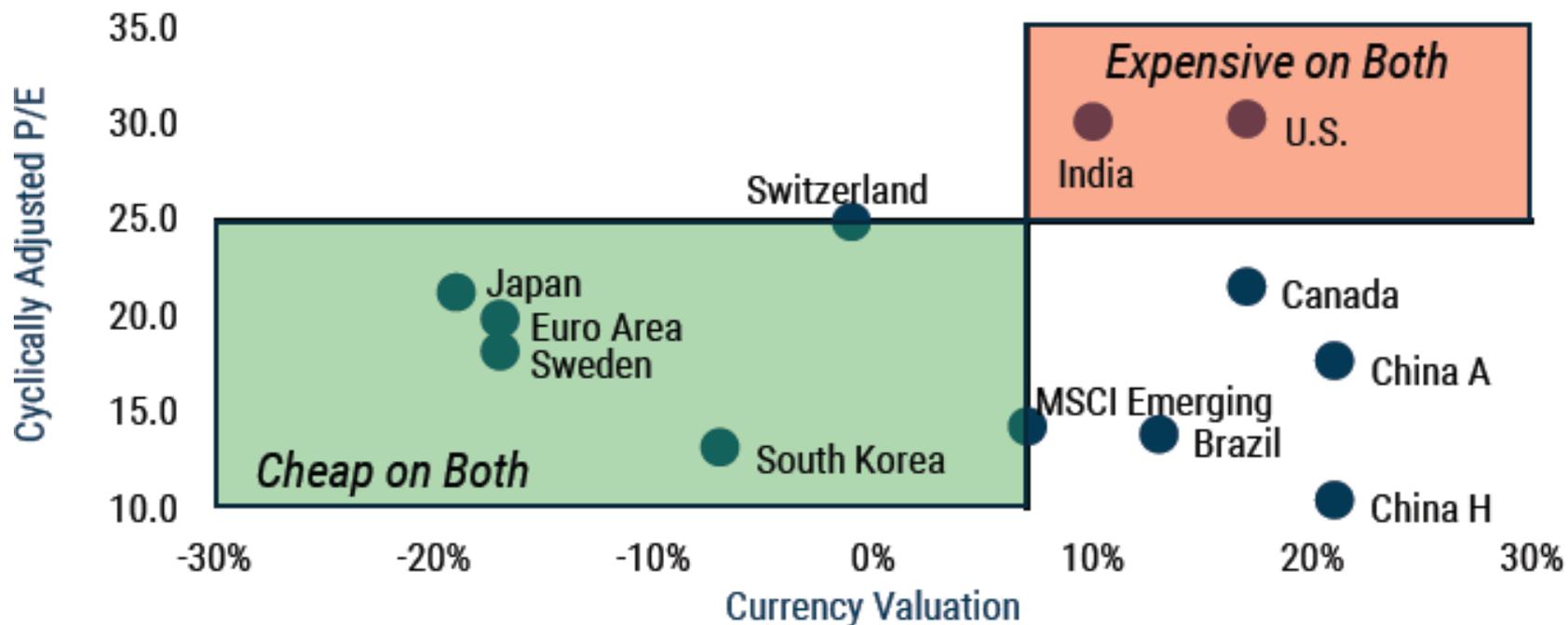
# US Currency: the currency is also overvalued

## US Dollar Real Effective Exchange Rate<sup>1</sup>



US dollar only been more richly valued twice in last 50 years

# US expensive on all metrics and Europe is cheap



The everything bubble has not deflated

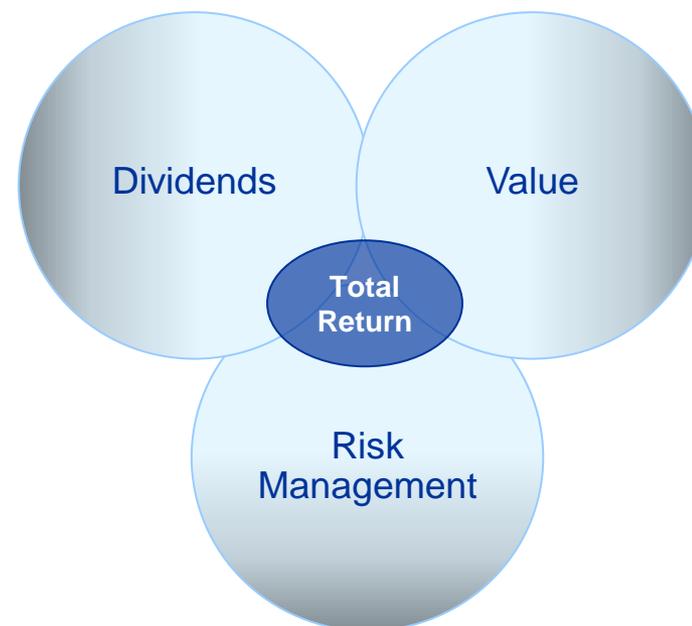
# Holdings

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## The Oldfield Partners approach

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- Value
- Concentrated
- Unconstrained
- Contrarian
- Long-term



Paid to wait for value to be realised

# Portfolio by type of investment

## Portfolio Holdings



	Low Cost	Brands/ IP	Capital Allocator	Networks	Asset Backed
Examples	Samsung Wetherspoons Allegiant	Philip Morris Sanofi	Exor SS&C Fairfax	BT Alibaba	BP

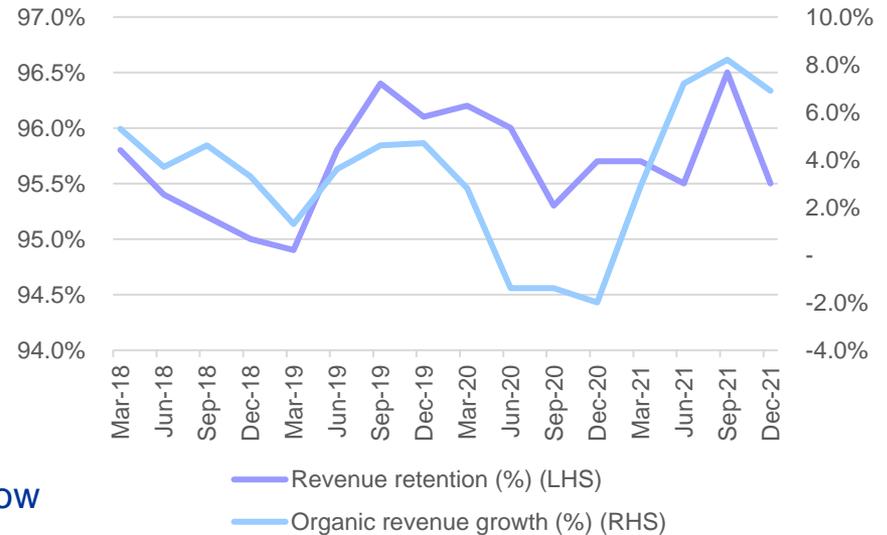
## Key purchases and sales

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	Purchases	Sales
Q4 2021	-	Tesco
Q1 2022	SS&C Technologies	-
Q2 2022	-	E.ON
Q3 2022	-	Britvic

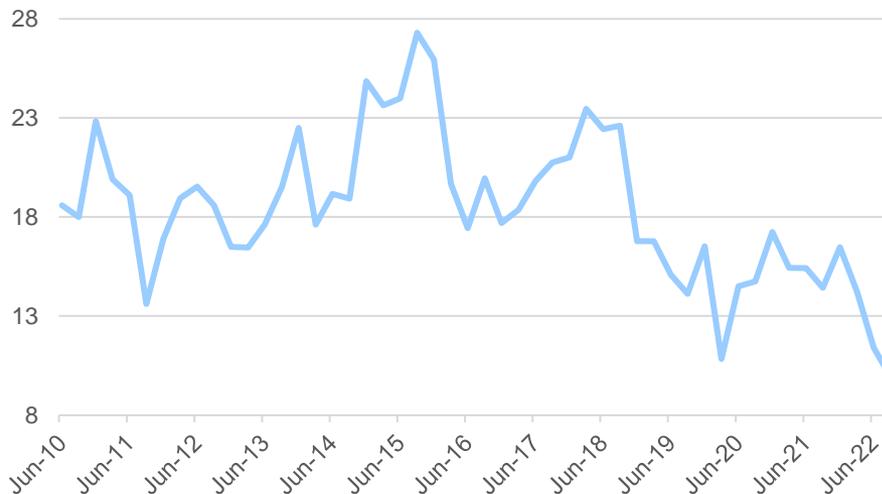
# SS&C – Mission critical software

- Financial services software
- Focused software operator taking share
- 95% customer retention
- History of good capital allocation
- Founder manager – Bill Stone
- 50% discount to historic median multiple
- Fair value \$120 (140% upside) 20x free cash flow



Source: OP, SS&C

SS&C P/E Multiple (x)



Source: OP, Bloomberg. Data as at 30th September 2022.



## Top contributors and detractors – relative attribution

		Top contributors	%	Top detractors	%
2022 to date		Swedish Match	+3.2	Lukoil	-4.9
		BP	+1.8	IWG	-3.3
		Fairfax	+1.3	J D Wetherspoon	-3.2
		Progressive	+1.2	Allegiant Travel	-2.8
		Philip Morris	+0.8	Alibaba	-2.4

Source: OP, Bloomberg and MSCI ©.

Date: As 31<sup>st</sup> October 2022.

% = the contribution to relative return of a representative portfolio versus the MSCI World High Dividend Yield (Net Dividends Reinvested) Index in GBP terms.

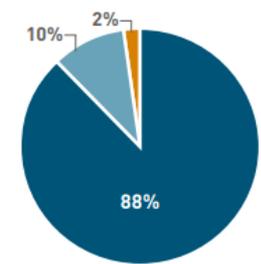
Attribution analysis is shown gross of fees.

# Swedish Match

## Swedish Match Share Price Chart

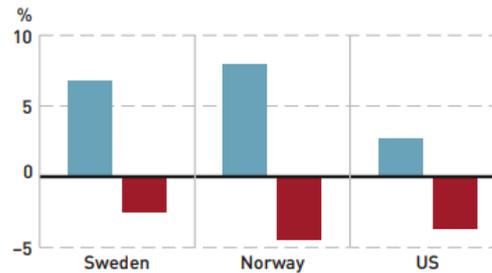


## GLOBAL TOBACCO MARKET (VALUE)<sup>1)</sup>



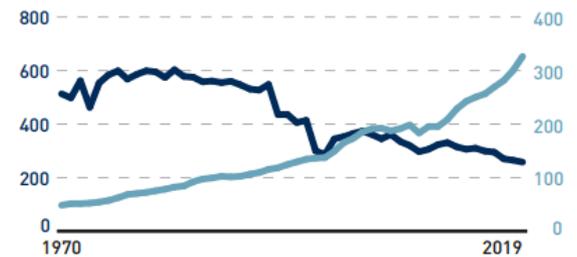
- Cigarettes
- All other tobacco products
- Smokeless

## ANNUAL GROWTH RATES OF CIGARETTES AND SMOKELESS, 2010-2019 (CAGR)<sup>2)</sup>



- Smokeless
- Cigarettes

## TOBACCO CONSUMPTION IN SWEDEN 1970-2019 (VOLUME)<sup>3)</sup>



- Snus (million cans)
- Cigarettes (million packs)

Source: Swedish Match, Bloomberg

1) Source: Euromonitor. The segment "All other tobacco products" includes e-cigarettes.

2) Source: Swedish Match and industry estimates.

3) Source: Swedish Match estimates.

# Allegiant

## Business model

- Point-to-point airline
- Low-cost operator
- Focus on leisure travel

## Management

- Maurice Gallagher – Chair & CEO; largest owner (15%)

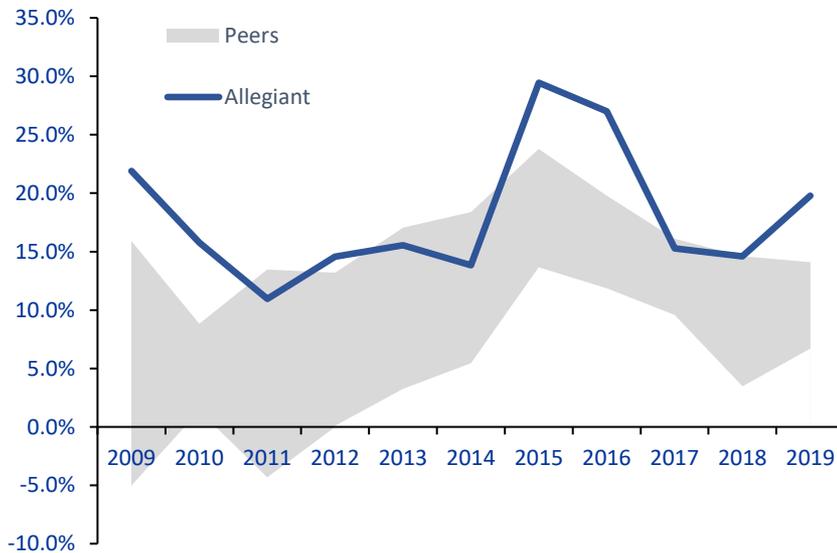
## Returns

- High-teens return on capital over the cycle

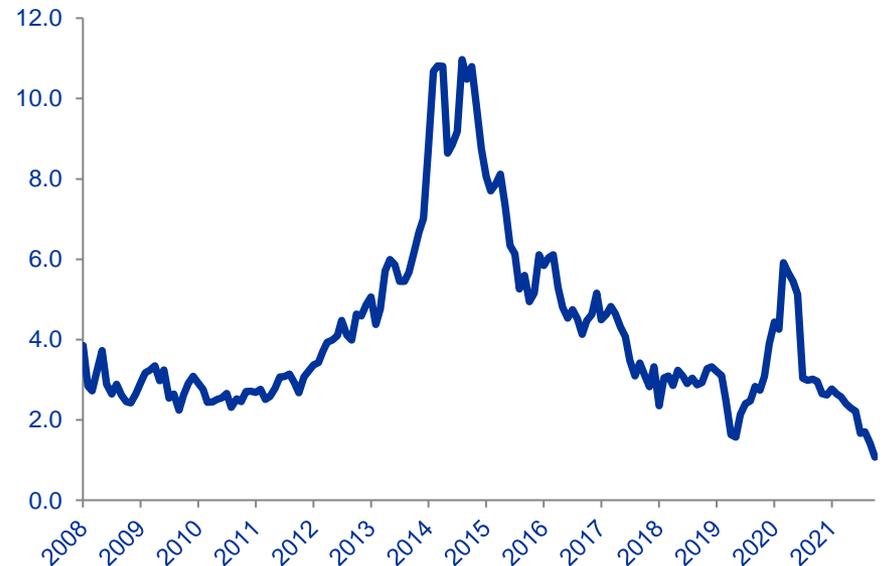
## Valuation

- 6x 2019 PE with fleet 20% bigger

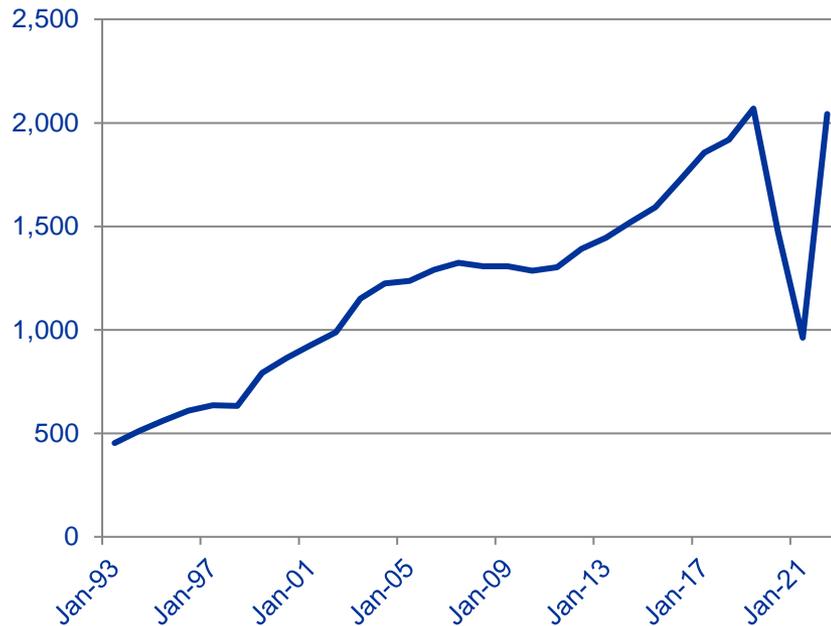
### US Airlines – Operating Margins



### Allegiant P/BV Multiple (x)



## Sales per pub (£000)



- **Business model** – 3x industry average sales per pub – scale to absorb costs
- **Management** – insider ownership, strong track record
- **Returns** – mid teens return on invested capital
- **Financial strength** – low leverage relative to peers
- **Valuation** – back near Covid lows, fair value 15x free cash flow, 210% upside

Source: OP, Bloomberg. JD Wetherspoon  
Date: As at 13<sup>th</sup> September 2022.

# Conclusion

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## Weighted average upside: never had more upside



Source: OP, Bloomberg.  
Date: As at 30<sup>th</sup> September 2022.

## Portfolio holdings

	Portfolio %		Portfolio %
Exor	7.7	Samsung Electronics	4.5
Fairfax	7.5	Investor AB	4.2
BP	7.5	IWG	4.0
J D Wetherspoon	5.4	BT	4.0
Synchrony Financial	5.2	Sanofi	3.7
Allegiant Travel	5.1	Progressive	2.7
SS&C Technologies	4.9	Scandinavian Tobacco	2.4
Alibaba	4.8	easyJet	1.8
Handelsbanken	4.8	Rio Tinto	1.0
Philip Morris	4.8	Colliers International	0.7
Siemens	4.8	Lukoil	0.0
Lloyds	4.5		

Source: OP.

Date: As at 31<sup>st</sup> October 2022.

Representative portfolio used.

Please note that since 3<sup>rd</sup> March 2022 Lukoil has been valued at zero.

# Performance – Global Income Composite

Oldfield Partners Global Income Composite 01 January 2012 through 31 October 2022 Reported in GBP terms											
Calendar year	Composite gross of fees (%)	Composite net of fees (%)	MSCI World High Dividend Yield (NDR) (%)	MSCI World (NDR) (%)	Composite gross 3-Yr St Dev (%)	MSCI World High Dividend Yield (NDR) 3-Yr St Dev (%)	MSCI World (NDR) 3-Yr St Dev (%)	No. of portfolios in composite	Composite dispersion (%)	Total composite assets (GBPm)*	Total firm assets (GBPm)
2012	5.1%	4.3%	7.2%	10.6%	N/A	N/A	N/A	1	N/A	29	3507
2013	23.5%	22.2%	19.5%	24.2%	N/A	N/A	N/A	1	N/A	37	3983
2014	8.2%	7.2%	9.0%	11.6%	8.1%	9.2%	9.1%	1	N/A	32	3308
2015	3.4%	2.3%	2.4%	4.8%	10.1%	10.3%	10.2%	1	N/A	29	2879
2016	31.0%	29.8%	30.4%	28.3%	9.9%	10.0%	9.7%	1	N/A	37	3989
2017	11.4%	10.8%	7.8%	11.7%	9.8%	9.8%	9.3%	1	N/A	74	3795
2018	-3.9%	-4.4%	-1.9%	-3.1%	9.2%	9.9%	10.1%	1	N/A	82	2867
2019	21.3%	20.6%	18.4%	22.7%	9.3%	8.7%	10.0%	1	N/A	118	3501
2020	-4.6%	-5.3%	-2.9%	12.6%	19.5%	12.5%	14.8%	1	N/A	100	2810
2021	16.5%	15.7%	16.8%	22.9%	19.7%	12.1%	13.6%	1	N/A	80	2747
2022 to date	-16.4%	-16.8%	5.6%	-5.7%						36	2186
3yrs per annum	-0.7%	-1.3%	6.9%	10.5%							
5yrs per annum	2.1%	1.4%	7.1%	9.5%							
Since inception per annum	8.0%	7.1%	9.9%	12.5%							
Since inception cumulative	129.4%	111.3%	179.5%	257.3%							

Inception of composite 1st January 2012.

NDR = Net Dividends Reinvested.

\*Part of the composite AUM may include currency-hedged assets.

**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 necessarily a guide to future performance.**

Source: OP and MSCI ©.

Please refer to disclosures on the next page.

# Performance disclosures – Global Income Composite

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### **Definition of the firm**

Oldfield Partners LLP is an independent investment management firm established in December 2004, authorised by the FCA in January 2005, and beginning operations in March 2005. For the purposes of compliance with GIPS, the firm is defined as all assets managed by Oldfield Partners LLP. The firm also includes assets that were previously managed by Alta Advisers Ltd and were subsequently transferred to Oldfield Partners LLP. The historical performance record from Alta Advisers Ltd is linked to the performance of Oldfield Partners LLP.

### **List of composites**

A complete list of composite descriptions, pooled fund descriptions for limited distribution pooled funds, and a list of broad distribution pooled funds is available on request.

### **Composite description**

The Global Income Composite includes global portfolios run with the following style: large cap, value driven, income focussed, concentrated, index ignorant and anti-short term. The benchmark for this composite is MSCI World High Dividend Yield Reinvested Net Dividends Reinvested.

### **Composite creation date**

The composite was created in January 2012.

### **Ex-post standard deviation**

The three year annualised standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months. Standard deviation measures are not presented for calendar years 2012 and 2013 because 36 monthly returns are not available.

### **Fees**

Gross of fees performance is calculated gross of investment management fees and as a rule net of custodial and administrative fees. Net of fees performance is presented net of actual investment management fees. For some constituent portfolios, returns are calculated gross of administration and custodial fees. Returns are net of all trading expenses. Investment advisory fees are described in Oldfield Partners LLP's Form ADV Part 2A.

### **Fee schedule**

The highest fee Oldfield Partners LLP charges on any account within this composite is 1.25% per annum.

### **Currency of results**

The results are presented in GBP terms.

### **Exchange rates**

Sources of exchange rates and share prices may differ between the benchmark and the individual portfolios contained within the composite.

### **Composite dispersion**

Composite dispersion is only calculated if there are more than five accounts included in the composite for the full year. Dispersion is calculated as the highest return achieved for an account included in the composite minus the lowest return achieved for an account included in the composite. The calculation uses the gross of fees annual returns.

### **Leverage/Derivatives**

From time to time portfolios may use Currency Forwards to hedge currency.

### **Withholding and capital gains taxes**

Performance is calculated net of all non-recoverable withholding taxes and where applicable, net of capital gains taxes.

### **Additional information**

Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

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