

# OLDFIELD PARTNERS LLP

## OVERSTONE EMERGING MARKETS EQUITY FUND

### NOVEMBER 2008 NEWSLETTER 1

#### Fund Summary

3 <sup>rd</sup> December 2008			
NAV of fund	US\$3.2m		
A share unit price	US\$96.98		
C share unit price	US\$96.98		
Performance			
	A Shares	C Shares	MSCI Emerging Markets (NDR)
November	-3.0%	-3.0%	-7.5%
Since inception *	-3.0%	-3.0%	-7.5%

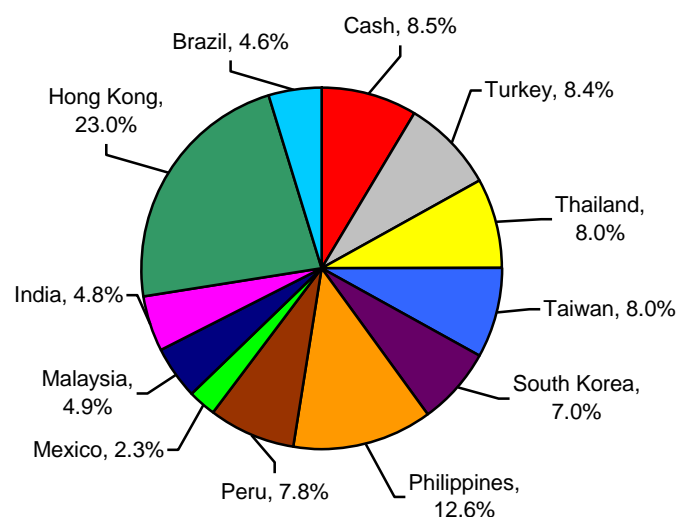
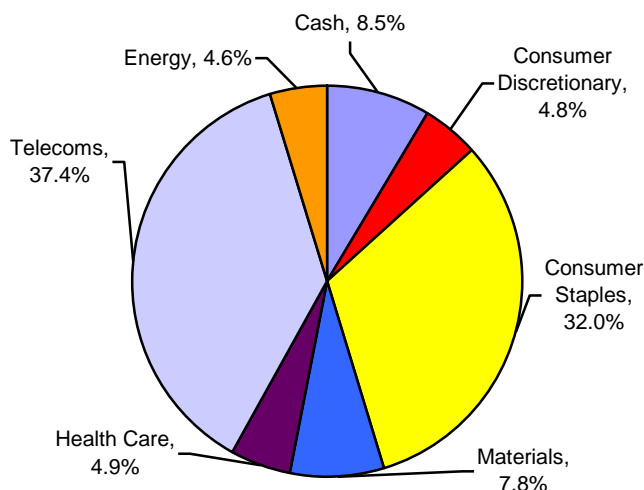
#### Top Five Holdings \*

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Philippine Long Distance	9.2%	+17.2%
First Pacific	9.2%	-1.9%
Turkcell Iletisim Hizmet	8.4%	+12.3%
Thai Beverage	8.0%	+2.4%
Chunghwa Telecom	8.0%	-5.0%

\* The fund commenced on 3<sup>rd</sup> November 2008  
 Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Fiduciary Services (Ireland) Ltd.  
 Performance is calculated net of expenses and on a total return basis.

\* As at 28<sup>th</sup> November 2008  
 Source: Oldfield Partners LLP and Bloomberg.  
 \*\* Total return inclusive of dividends.

#### Sector and country breakdown as at 28<sup>th</sup> November 2008



Source: Oldfield Partners LLP

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#### Commentary

The fund launched into a volatile month, led by the relief rally from the US election, but at one point the MSCI Emerging markets index (\$) fell more than 20%. We invested the bulk of your money in phases over the month in an attempt to iron out the impact of volatility. Volatility is likely to be a feature of markets in the near future until investors' views of the investing climate become less polarised.

The portfolio continues to favour holdings where we have comfort in the earnings, cash flow, and management integrity. We have a bias towards strong franchises and solid business models that can weather the global economic slowdown gracefully. Solid balance sheets are a notable characteristic of the portfolio currently, with a net debt/equity ratio of 9% for the portfolio. This has led us to significant weightings to the consumer staple and telecom sectors. It has also led us to a significant weighting in Asia, where the ravages of the Asian crisis have prevented the excesses seen in other regions from building.

We can see a scenario where companies with stability in earnings and dividends will be more prized by investors in early 2009. Downturns expose the quality of business models, and lay bare those depending on debt and dubious acquisitions. We can see the valuation gap between cyclical and defensive companies opening. For instance, a stock we do not hold but has caught our eye, Hindustan Lever in India, trades on a price-earnings ratio of 25 times and its share price has risen 10% in 2008 due to its solid and dependable earnings growth.

Over the coming months we will monitor valuations to ensure we are not over-paying for stability of earnings, and so our own comfort, at the expense of other opportunities. We continue to question our own assumptions. At this point we are happy with the balance in the portfolio between companies offering upside potential in share prices and a safe earnings stream. A holding in the portfolio such as **Chaoda Modern** (Chinese agriculture) trades on a low single digit price earnings ratio despite offering double digit earnings growth. We think the share price could more than double, as we do for many of our holdings. In short, if we can identify the survivors from the cyclical sectors, by merit of their superior business model or asset base, and gain sufficient comfort that the earnings are near trough, we will consider investing.

The two top performers (by contribution) were **Buenaventura** (a Peruvian gold miner) and **PLDT** (Philippino telecom company). The two worst performers were **Eros International** (Indian film company) and **Chaoda Modern**. Eros wins the award (yet commissioned) for mentioning the word 'visibility' the most in a results announcement – incidentally the results were stunning, but the market must have been looking elsewhere that day.

The portfolio has 15 holdings at month end. It trades on a price earnings ratio of 8 times, a price to cash flow ratio of 7 times, and a dividend yield of over 4%.

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<b>Fund Information as at 1<sup>st</sup> December 2008</b>			
<b>Currency</b>	US\$	<b>Investment Manager</b>	Oldfield Partners LLP
<b>Liquidity</b>	Monthly dealing	<b>Administrator</b>	Northern Trust Fiduciary Services (Ireland) Ltd
<b>Benchmark</b>	MSCI World (Net Dividends Reinvested)	<b>Custodian</b>	Northern Trust Custodial Services (Ireland) Ltd
<b>Management Fees</b>	A shs = 1.25% C shs = 0.75% plus 15% of out performance of benchmark MSCI Emerging Markets.	<b>Auditor</b>	Deloitte
<b>TER</b>	A shs = 2.00% C shs = 2.00%	<b>Legal Advisers</b>	Arthur Cox
<b>Minimum Investment</b>	The equivalent of €250,000	<b>Admin &amp; Custody Fees</b>	0.15% on the first US\$75m 0.135% on the next US\$75m 0.12% on the next US\$150m 0.09% thereafter
<b>A shares ISIN</b>	IE00B3DDVH01	<b>C shares ISIN</b>	IE00B3DDVJ25
<b>A shares sedol</b>	B3DDVH0	<b>C shares sedol</b>	B3DDVJ2

Overstone Emerging Markets Equity Fund is a sub-fund of Overstone Fund plc, which is incorporated in Ireland and approved by the Irish Financial Services Regulatory Authority. Six other sub-funds exist under the Overstone Fund plc umbrella; Overstone Global Equity Fund was launched on 1<sup>st</sup> June 2005, Overstone European Equity Fund was launched on 3<sup>rd</sup> October 2005, Overstone Opportunity Multi Fund was launched on 1<sup>st</sup> November 2005, Overstone Global ex US Equity Fund was launched on 1<sup>st</sup> June 2006, Overstone Japanese Equity Fund was launched on 1<sup>st</sup> October 2007, Overstone Smaller Companies Fund was launched on 1<sup>st</sup> October 2007.

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