# OLDFIELD PARTNERS LLP
## OVERSTONE EMERGING MARKETS EQUITY FUND
## FEBRUARY 2009 NEWSLETTER 4

**Fund Summary**

| 2nd March 2009 | | | |
|---|---|---|---|
| NAV of fund | US$4.8m | | |
| A share unit price | US$94.76 | | |
| C share unit price | US$94.78 | | |
| **Performance** | | | |
| | A Shares | C Shares | MSCI Emerging Markets (NDR) |
| February | -3.4% | -3.4% | -5.6% |
| 2009 to date | -3.9% | -3.9% | -11.7% |
| 2008* | -1.4% | -1.4% | -0.3% |
| Since inception * | -5.2% | -5.2% | -12.0% |

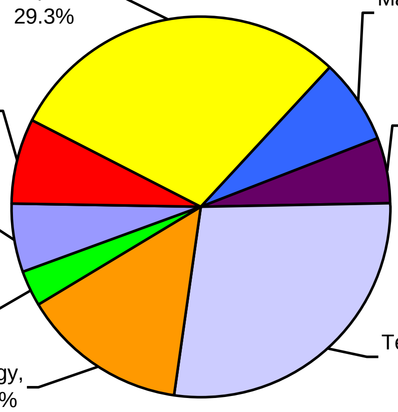
* The fund commenced on 3rd November 2008
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Fiduciary Services (Ireland) Ltd.
Performance is calculated net of expenses and on a total return basis.

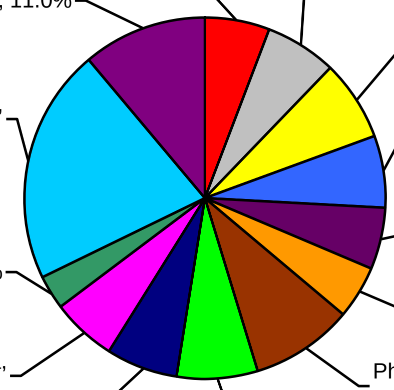
**Top Five Holdings ***

| Stock | Portfolio Weighting | Monthly Performance (local terms)** |
|---|---|---|
| Petroleo Brasileiro | 8.0% | +5.8% |
| Thai Beverage | 7.4% | 0.0% |
| Cia de Minas Buenaventura | 7.2% | +2.2% |
| First Pacific | 7.0% | +5.0% |
| Gazprom | 6.3% | +0.2% |

* As at 27th February 2009
Source: Oldfield Partners LLP and Bloomberg.
** Total return inclusive of dividends.

**Sector and country breakdown as at 27th February 2009**




Source: Oldfield Partners LLP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## Commentary

There are more opportunities for us, as a value investor, to find good businesses at low valuations, but these opportunities are only presented to us against a global economic back-drop that is simply awful. Valuation gives comfort, but often a leap of faith is also required. Market bottoms do not necessarily have to coincide with the economic news flow. Picking market, or stock price, bottoms is a rare 'skill' indeed. The previous bottom in emerging markets came with the (then feared) election of the socialist Lula da Silva in October 2002 and emerging markets peaked in May 2008 when S&P upgraded Brazil to investment grade. It feels too easy to be gloomy nowadays, as it was too easy to be complacent a year ago, and that worries us as an investor as much as the torrent of poor economic data.

The simultaneous slowdown of the US, Europe, and Japan is clearly not going to be offset by growth in the developing world. However, that does not mean growth in emerging countries will be uniformly gloomy. Heading into this current global downturn many emerging markets still had in living memory the scars of their own crisis and are cushioned by gains made from a period of above average global economic growth. In short, emerging markets are in a stronger position to weather the storm this time around.

Emerging markets have benefited from advances in communication, globalisation of trade, and the introduction of ex-communist states into the world economy. Some of the gains made have, of course, come from the above average growth in the global economy, spurred on by leverage, but others are from the longer term drivers of the developing world, such as urbanisation, a growing middle class, market reforms, and young populations. It may be two steps forward and one step back type of progress; but the young Indian IT programmer, the Philippino call centre operative, the Mexican home owner, and the Chinese farmer turned urban dweller will not disappear.

We were not believers in the 'decoupling' argument that emerging market economies would be able to grow regardless of events in the western world. However, it is noticeable that emerging markets have recently begun to outperform the developed markets.

The portfolio has favoured companies with solid business models, strong franchises and stability of earnings. Across the portfolio strong balance sheets are a notable feature. This has led us to weightings in consumer staples and telecoms. Emerging countries are realising that the 'export to the West' model has limitations, and are likely to make increasing efforts to foster domestic consumption. More recently where we have identified depressed cyclical stocks that we believe will be survivors, and the valuation is highly attractive, we are adding exposure selectively. Often these companies have world class assets and economic dislocation provides attractive long term entry points. In the near term their share prices may be highly volatile and our recent attempts to dip our toes in the water have been met with hungry piranha.

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During the month of February we added a position in **Grupo Televisa** in Mexico, which is the largest media company in Mexico and the Spanish speaking world. The company spans television broadcasting, cable television, publishing, and the Internet with dominant domestic market shares. The television broadcasting business is the jewel attracting over 70% of the Mexican audience with its highly successful soap operas. Some 80% of the advertising revenues are contracted upfront, so there is good visibility over 2009 and into 2010, and the key customers are from the consumer staple sectors. We also bought **Embraer** in Brazil, which is a manufacturer of regional jet aircraft. The regional jet industry is characterised by its concentration, with Embraer sharing the key markets with a developed market competitor. Regional jets offer airlines a lower cost method to operate short haul services. Embraer has a three year order book, which leaves a comfort zone for cancellations in this depressed environment. The stock is trading at historic cyclical low valuations on a price to book ratio below one times, a price earnings ratio of four times, and with a strong net cash position.

The stocks that did well in the month were **Asia Satellite**, **Petrobras**, and **First Pacific**. The poor performers were **Eros International**, **Embraer**, and **SK Telecom**. Eros International has warned that the recent series of terrorist attacks across India, and the economic downturn, have spoilt the feel good factor of cinema going, and that profits for full year 2009 will exceed the prior year, but not at rates of growth seen in recent years. The stock trades on a historic price earnings ratio of three times.

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| Fund Information as at 2nd March 2009 | | | |
|---|---|---|---|
| **Currency** | US$ | **Investment Manager** | Oldfield Partners LLP |
| **Liquidity** | Monthly dealing | **Administrator** | Northern Trust Fiduciary Services (Ireland) Ltd |
| **Benchmark** | MSCI World (Net Dividends Reinvested) | **Custodian** | Northern Trust Custodial Services (Ireland) Ltd |
| **Management Fees** | A shs = 1.25%<br>C shs = 0.75% plus 15% of out performance of benchmark MSCI Emerging Markets. | **Auditor** | Deloitte |
| **TER** | A shs = 2.00%<br>C shs = 2.00% | **Legal Advisers** | Arthur Cox |
| **Minimum Investment** | The equivalent of €250,000 | **Admin & Custody Fees** | 0.15% on the first US$75m<br>0.135% on the next US$75m<br>0.12% on the next US$150m<br>0.09% thereafter |
| **A shares ISIN**<br>**A shares sedol** | IE00B3DDVH01<br>B3DDVH0 | **C shares ISIN**<br>**C shares sedol** | IE00B3DDVJ25<br>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 1st June 2005, Overstone European Equity Fund was launched on 3rd October 2005, Overstone Opportunity Multi Fund was launched on 1st November 2005, Overstone Global ex US Equity Fund was launched on 1st June 2006, Overstone Japanese Equity Fund was launched on 1st October 2007, Overstone Smaller Companies Fund was launched on 1st October 2007.

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