OLDFIELD PARTNERS LLP
OVERSTONE EMERGING MARKETS EQUITY FUND
FEBRUARY 2010 NEWSLETTER 16

Fund Summary

1st March 2010	
NAV of fund	US$42.1m
A share unit price	US$171.78
I Share unit price	US$108.28

Performance

	A Shares	I Shares	MSCI Emerging Markets (NDR)
February	+0.1%	+0.1%	+0.4%
2010 to date	-1.5%	-1.5%	-5.2%
2009	+77.9%	-	+78.5%
2008*	-1.4%	-	-0.3%
Since inception*	**+72.9%**	-	**+68.6%**
Since inception**	-	**+8.3%**	**+2.9%**

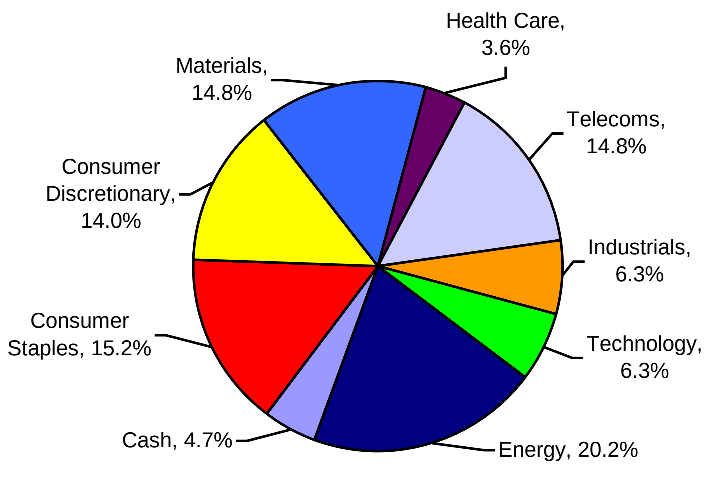
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Fiduciary Services (Ireland) Ltd.
Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.
* The fund commenced on 3rd November 2008.
** Inception October 2009.

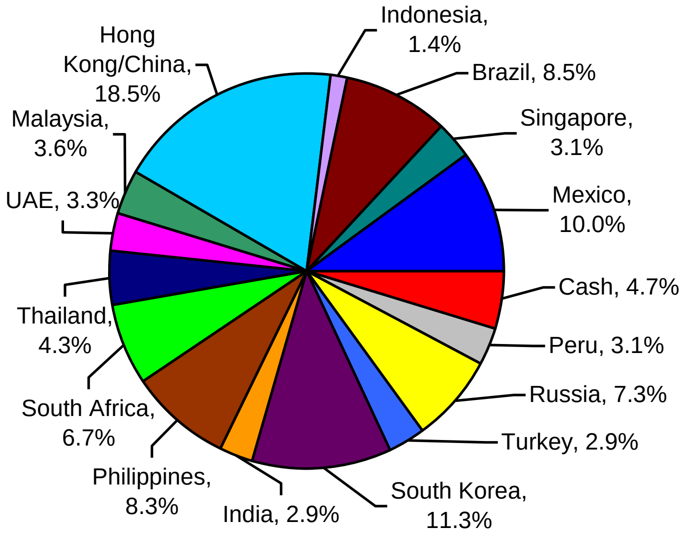
Top Five Holdings *

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Gazprom	7.3%	-9.6%
Samsung Electronics	6.3%	-5.1%
First Pacific	5.7%	-3.9%
Corp GEO SAB	5.6%	+8.4%
Yue Yuen Industrial	5.5%	-2.1%

Source: Oldfield Partners LLP and Bloomberg.
* As at 26th February 2010
** Total return inclusive of dividends.

Sector and country breakdown as at 26th February 2010





Source: Oldfield Partners LLP

Oldfield Partners LLP,
130 Buckingham Palace Road, London, SW1W 9SA.
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
www.oldfieldpartners.com

Commentary

Equity markets had a lot of news to digest in the month from the fiscal crisis in Greece, Turkish and Thai political tensions, Dubai simmering in the background, and even the Dalai Lama's US visit sparking tension in US/China relations. The US dollar continued to strengthen throughout the month and noises about monetary tightening in numerous markets continued to weigh on sentiment.

The top three performing stocks by contribution during the month were Universal Robina, Ternium, and Chaoda Modern. **Universal Robina** (Philippino consumer foods) had a stunning set of first quarter results showing solid sales and profit growth. The stock has number one or two market positions in most of the domestic consumer categories it operates in. It was pleasing to see the foreign operations performing well. Margins improved partly on lower input prices, and management remained upbeat on the margin being sustainable into 2010. Management have proposed an increase in the dividend and continue share buy backs. The stock trades on a price earnings ratio of 13 and has no net debt. **Ternium** (Mexican steel producer) had solid fourth quarter results. Management gave positive near term guidance based on stable margins and improving shipments, but remained wary of forecasting the year ahead. Drama came from a late payment of an instalment owed by Venezuela for the confiscated asset Ternium had in the country. Venezuela is half way in the agreed payment plan for the confiscated asset. Ternium has a solid balance sheet regardless of whether any further payments are made. Importantly Ternium produces 60% of its own iron ore requirements insulating it from any increase in the raw material. **Chaoda Modern** (Chinese agriculture) repaid the last of its debt during the month, which should raise management credibility, although leaving the company with an overly strong balance sheet. We applaud the move towards a more balanced approach to growth and cash flow generation. Chaoda trades on a price earnings ratio of 7 and at a hefty discount to peers focused on Chinese agriculture.

The bottom three performing stocks by contribution during the month were DP World, Gazprom, and Turkcell. **DP World** (Dubai Ports) continues to be volatile on the news flow from the city state. **Gazprom** (Russian gas) had its third quarter results and an upbeat investor day during the month. Management believe the current demand supply imbalance to the European market will be resolved by 2011. The company trades on a price earnings ratio of 5 and at $1 per barrel of oil equivalent in the ground. **Turkcell** (Turkish mobile) was caught by the political issues in Turkey and gave back its gains from January. Tension mounted between the military and the ruling AKP party regarding a number of arrests of military personnel allegedly involved in a coup attempt in 2003. Turkcell trades on a price earnings ratio of 10, a dividend yield of 5.5%, and has a strong balance sheet.

China continues to be a topic on investors' radar and we often get asked about our exposure to this country. The MSCI China index trades on a slight discount to the MSCI Emerging Markets benchmark index on a price earnings basis and on a price to book ratio of 2.5. In the mid- 1990s the communist party took three significant steps. First, it recognised a command economy was no longer viable and sacked some 45 million state workers between 1995 and 2001. Second, it privatised the housing market, moving rapidly to 70% urban homeownership. Third, it encouraged entrepreneurs, allowing the private sector to grow from 17% of GDP in 1990 to nearer 70% today. These and other measures have created a consuming urbanised middle class in China, and more recent measures have promoted the rural population and created a basic social safety net. We believe that China is slowly and steadily moving from an export model towards a more balanced model with greater domestic consumption.

There are some concerns that near term the high growth rates in China are no longer sustainable against a backdrop of slower global growth and as the stimulus packages wane. The evidence for this case is bank lending growth, overcapacity in some industries, and asset price growth due to the government's stimulus measures. Lending looks to have been focused on the old state owned enterprises and local governments. Some commentators have noted an implied promise by Beijing to absorb bad loans by the banks akin to the recapitalisations we saw some years ago. Premier Wen has highlighted at the highest level the imbalances in the Chinese economy and society, whilst continuing to target 8% economic growth per annum. The background to the Chinese economy looks positive with low inflation, rising real incomes, strong personal, corporate, and government balance sheets (albeit arguably less so at the provincial level), and an optimistic urbanising population. One quarter of properties are sold for cash, half of all buyers are required to pay 40% in cash, and about 20% of properties are sold to investors. The percentage of the population living in urban areas has increased to 47% in 2009 and this will likely continue to increase over time to levels seen in other Asian countries. Fantastic infrastructure is not ubiquitous in China and so continued spending in this area can be justified over the longer term. The GDP/capita in China is approximately $3,000 (or $6,000 on a purchasing power parity basis) so this is still a country building from a low base. Our Chinese exposure is based on stock selection, rather than a need to be in China, and currently focused on agriculture, forestry, satellites, and shoe manufacture. Chaoda Modern (agriculture) is trading on 7 times earnings, Sino-Forest (forestry) on 15 times earnings, Asia Satellite (communications) on 8 times earnings and Yue Yuen (footwear) on 12 times earnings. Sino-Forest is the most economically sensitive of our stocks. Although there may be areas of over excitement in Chinese equities we are happy with the prospects and valuation of our Chinese stocks.

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Overstone Emerging Markets Equity Fund
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Fund Information as at 1st March 2010			
Currency	US$	**Investment Manager**	Oldfield Partners LLP
Liquidity	Daily dealing	**Administrator**	Northern Trust Fiduciary Services (Ireland) Ltd
Benchmark	MSCI Emerging Markets (Net Dividends Reinvested)	**Custodian**	Northern Trust Custodial Services (Ireland) Ltd
Management Fees	A shs = 1.25% I shs = 0.9%	**Auditor**	Deloitte
TER	A shs = 1.65% I shs = 1.30%	**Admin & Custody Fees**	0.18% on the first US$75m 0.155% on the next US$75m 0.14% on the next US$150m 0.11% thereafter
Minimum Investment	The equivalent of €250,000	**A shares ISIN** **A shares sedol**	IE00B3DDVH01 B3DDVH0
Legal Advisers	Arthur Cox	**I shares ISIN** **I Shares sedol**	IE00B4N0BT09 B4N0BT0

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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