

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

FEBRUARY 2012 NEWSLETTER 40

Fund Summary

29 th February 2012			
NAV of fund	US\$288.6m		
A share unit price	US\$185.99		
I Share unit price	US\$117.23		
Performance			
	A Shares	I Shares	MSCI Emerging Markets (NDR)
February	+4.9%	+4.9%	+6.0%
2012 to date	+16.6%	+16.7%	+18.0%
2011	-25.0%	-24.7%	-18.4%
Since inception A*	+88.6%	-	+103.6%
Since inception A per annum*	+21.0%	-	+23.9%
Since inception I**	-	+19.0%	+24.2%
Since inception I per annum**	-	+7.5%	+9.4%

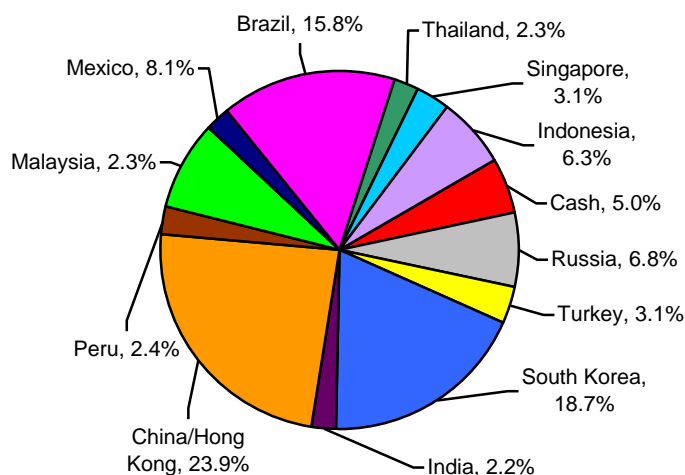
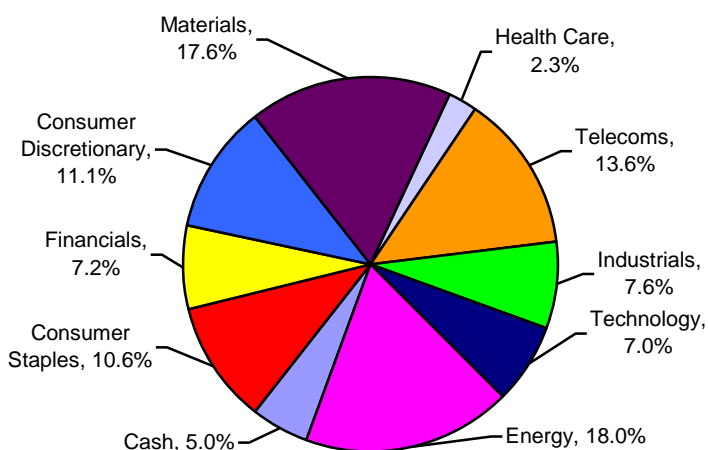
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.
 *A shares commenced on 3rd November 2008.
 **I shares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

Top Five Holdings*

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Petrobras	8.1%	+2.0%
Embraer	7.6%	+9.6%
First Pacific	7.2%	-1.7%
Samsung Electronics	7.0%	+8.9%
Gazprom	6.8%	+9.5%

Source: Oldfield Partners LLP and Bloomberg.
 *As at end of period
 **Total return inclusive of dividends.

Sector and country breakdown as at 29th February 2012



Source: Oldfield Partners LLP

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Commentary

Emerging market equities continued to rally through February. As with last month it was the cyclical stocks that performed well. The MSCI Emerging markets index ended the month on a price to book ratio of 1.8, which is in line with its longer term historic average, and a valuation level we last saw in the summer of 2011.

The disappointing performer by contribution over the month was **Geo** (Mexican homebuilder). The company had a mixed set of fourth quarter results. The move by Geo to build medium rise apartment blocks (vertical construction) and to prefabricated construction methods continues to impact the financial results in the near term, but over time both should add to margins. Vertical construction lengthens the working capital cycle, but can ultimately be more profitable for homebuilders, and is becoming more favoured by government regulation and incentives. Geo trades on a price earnings ratio of 7.5 and a price to book ratio of 1.1. The other laggard by contribution in the month was **KT&G** (Korean tobacco). Although we see positives for KT&G in potentially following its foreign competitors by raising prices for its domestically sold cigarettes, this is less likely before the Korean election, and so its defensive characteristics were less appealing to investors this month.

The top three performers by contribution over the month were Lee & Man Paper, Samsung Electronics, and Embraer. **Lee & Man Paper** (Chinese packaging materials) has re-rated strongly since our purchase last autumn. The company is the second largest manufacturer of containerboard in China. The share price has risen as fears over Chinese and global economic growth has receded. **Samsung Electronics** (Korean consumer electronics) continues to perform well operationally, especially in mobile handsets and semiconductors. The demise of Elpida in Japan should benefit the remaining manufacturers of DRAM, with Samsung Electronics being the global market leader in semiconductors. Also in the month Samsung Electronics announced it would spin-off its flat screen (TFT LCD) division into a wholly owned new company called Samsung Display. **Embraer** (Brazilian regional jets) gave characteristically cautious guidance, but the company is executing well, and increasing margins through its move to more efficient manufacturing. The regional jet and defence businesses are performing well. Embraer has an order book of over \$15 billion, approximately three years of sales, and has net cash.

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Fund Information as at 29 th February 2012			
Currency	US\$	Investment Manager	Oldfield Partners LLP
Liquidity	Daily dealing	Administrator	Northern Trust International Fund Administration Services (Ireland) Ltd
Benchmark	MSCI Emerging Markets (Net Dividends Reinvested)	Custodian	Northern Trust Fiduciary Services (Ireland) Ltd
Management Fees	A shs = 1.25% I shs = 0.90%	Auditor	Deloitte
TER	A shs = 1.45% I shs = 1.10%	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 €100,000	A shares ISIN	IE00B3DDVH01
		A shares sedol	B3DDVH0
		A shares ticker	OVEMKEA
Legal Advisers	Arthur Cox	I shares ISIN	IE00B4N0BT09
		I Shares sedol	B4N0BT0
		I shares ticker	OVEMKEI

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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