

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

APRIL 2012 NEWSLETTER 42

Fund Summary

30 th April 2012			
NAV of fund	US\$272.5m		
A share unit price	US\$180.58		
I Share unit price	US\$113.89		
Performance			
	A Shares	I Shares	MSCI Emerging Markets (NDR)
April	-1.3%	-1.3%	-1.2%
2012 to date	+13.2%	+13.3%	+12.7%
2011	-25.0%	-24.7%	-18.4%
Since inception A*	+83.1%	-	+94.5%
Since inception A per annum*	+18.9%	-	+21.0%
Since inception I**	-	+15.6%	+18.6%
Since inception I per annum**	-	+5.8%	+6.8%

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*

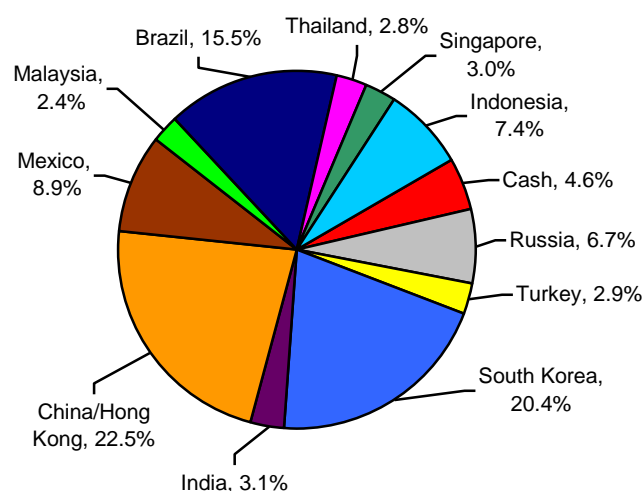
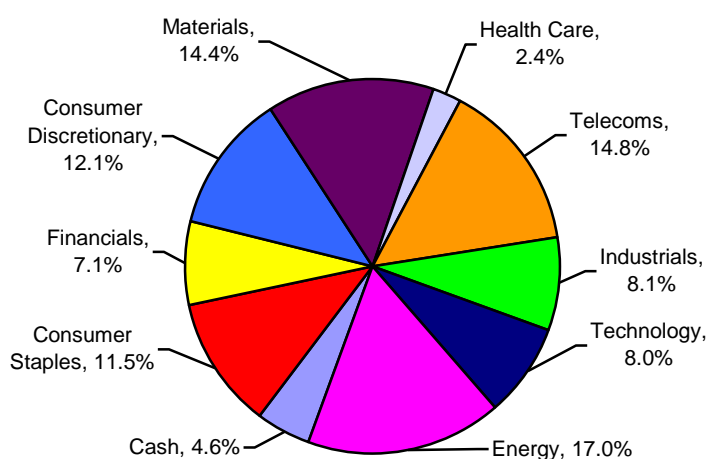
Stock	Portfolio Weighting	Monthly Performance (local terms)**
Embraer	8.1%	+8.3%
Samsung Electronics	8.0%	+9.0%
Petrobras	7.4%	-13.3%
First Pacific	7.1%	-2.1%
SK Telecom	6.9%	-2.8%

Source: Oldfield Partners LLP and Bloomberg.

*As at end of period.

**Total return inclusive of dividends.

Sector and country breakdown as at 30th April 2012



Source: Oldfield Partners LLP.

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Commentary

Valuations in emerging markets remain reasonable and we are cautiously optimistic heading into the summer period. The portfolio trades on a historic price earnings ratio of 11 and a price to book of 1.5, and retains a modest cyclical tilt.

The bottom three performers by contribution during the month were Petrobras, Huabao International, and Geo. At the end of the month a short seller released a report on **Huabao International** (Chinese flavours & fragrances). Among the accusations the short seller has made are that Huabao has inflated its margins, its local Chinese subsidiary filings do not match the Hong Kong consolidated accounts, and related party acquisitions were at unfavourable prices. Huabao has responded by issuing a detailed report denying these allegations and insisting that it has always made full disclosures to Hong Kong standards. The company has made its local subsidiary accounts available for inspection and published the reconciliation from Chinese accounting to Hong Kong accounting standards. The related party acquisitions were fully disclosed and the valuations look to be reasonable (and in one case substantially more favourable than the short seller reports). Huabao has a history of dividend payments, solid free cash flow, and good disclosure, and has been audited without event by PricewaterhouseCoopers (PwC) since 2006. Huabao has stated it will use a minimum of HK\$500 million of its net cash position to buy back shares (around 4% of the shares). In addition the Chairperson and founder has committed to buy shares, after the release of the results in June. The timely release of the full year results in June is crucial. The share price is down 6% for the year and 21% over the month. It is a 3% holding in the portfolio.

Corporacion Geo (Mexican home builder) disappointed the market by releasing first quarter results that did not show an improvement in its cash flow generation, and make achieving its promised target for the year harder. Management maintained their full year guidance; and say that the move towards higher rise buildings and pre-fabricated construction in the lower income segment will lead to better results. The shares trade on a price earnings ratio of 6 and at 0.8 times book value. The negative sentiment towards **Petrobras** (Brazilian oil) stems from the same issues highlighted last month, with Argentina's move to nationalise YPF adding to a difficult backdrop.

The top three performers by contribution during the month were Telkom Indonesia, Embraer, and Samsung Electronics. **Telkom Indonesia** (Indonesian telecom) released a solid set of first quarter results showing favourable growth trends in data usage and good cost control. With a strong balance sheet and solid free cash flow there is upside potential for the 4% dividend yield. **Embraer** (Brazilian regional jet manufacturer) released encouraging first quarter results showing the solid up-cycle for the regional jet market and Embraer's favourable product portfolio. The Brazilian government has announced a stimulus package for the export sector to last until 2014 that should materially benefit Embraer by reducing payroll taxes by 20%. The Farnborough Air Show in July should lead to increased orders and focus investor attention on the sector. **Samsung Electronics** (Korean consumer electronics) is performing admirably in all its divisions, but the telecom division was the standout success in the first quarter results. Samsung has an unrivalled breadth of smartphone offerings coupled with its leading internal component supply allowing strong growth in volumes and profitability. The latest smartphone model, the Galaxy S3, unveiled in early May looks to build on this success.

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Fund Information as at 30 th April 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 = 1.46% I shs = 1.11%	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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