Oldfield Partners LLP
Overstone Emerging Markets Equity Fund
April 2013 Newsletter 54

Fund Summary

30th April 2013			
NAV of fund	US$333.1m		
A share unit price	US$199.04		
I Share unit price	US$125.47		
Performance			
	A Shares	I Shares	MSCI Emerging Markets*
April	+1.4%	+1.4%	+0.8%
2013 to date	+7.0%	+7.1%	-0.9%
Since inception A**	+103.9%	-	+102.2%
Since inception A per annum**	+17.2%	-	+16.9%
Since inception I**	-	+29.1%	+23.4%
Since inception I per annum**	-	+7.4%	+6.0%

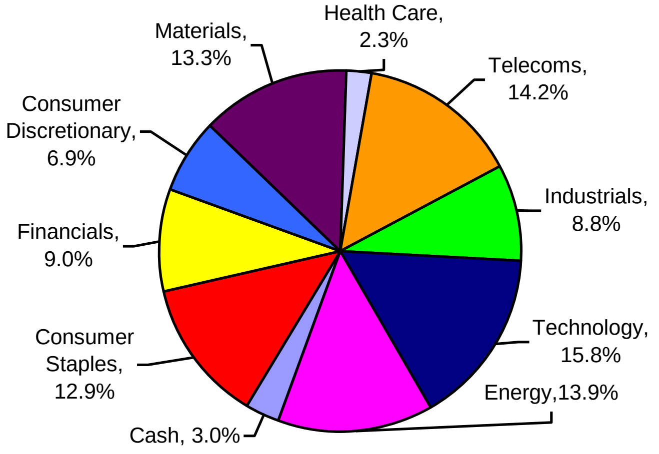
*Net Dividends Reinvested.
**A shares commenced on 3rd November 2008 and I shares on 1st October 2009.
Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd.

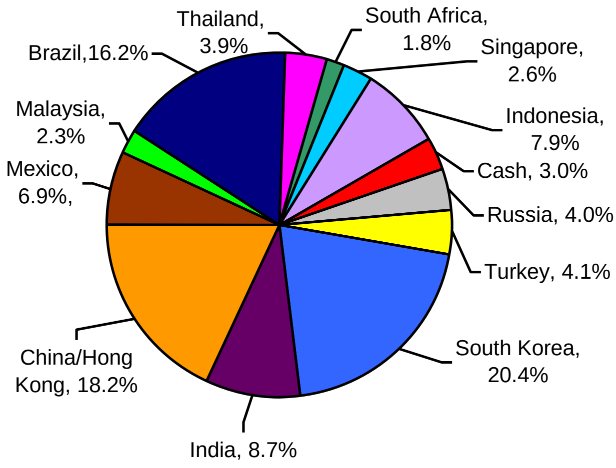
Top Five Holdings*

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	9.2%	-0.5%
Embraer	8.8%	-2.1%
Petrobras	7.4%	+14.2%
First Pacific	7.1%	+2.1%
Ternium	6.9%	+15.0%

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

Sector and country breakdown as at 30th April 2013





Source: Oldfield Partners LLP.

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

Investors continue to fret about Chinese economic growth, and this is acting as a drag on the performance of emerging market equities. The Chinese government continues to transition the economy from an investment-led to a consumer-led economic growth model. This is a long term policy decision to grow the service sectors, and does not mean investment-led growth will vanish overnight; but it is also a transition many emerging markets have failed to make in the past.

The bottom two performers during the month by contribution were Infosys and Ezra. **Infosys** (Indian IT services) had disappointing fourth quarter results. The share price remains volatile, evidenced by the plus or minus 20% share price movements on the day of its last two quarterly results releases. The swing factor looks to be the consulting business, and this will remain volatile, and prevent management giving meaningful guidance. We continue to believe IT services are a long term growth area, that Infosys is well placed in the sector for the recovery, and that the stock is attractive trading at the bottom end of its historical valuation range. **Ezra** (Singapore oil services) has been building its deep-water (sub-sea) business and capabilities, and should now see more orders come through. The current sub-sea backlog for Ezra is $1.1 billion (out of $2.1 billion for the whole group), and it is currently tendering for $4 billion worth of sub-sea business. Most of the conventional oil discoveries to be found globally are in deep water.

The top two performers during the month by contribution were Petrobras and Ternium. **Petrobras** (Brazilian oil) had encouraging first quarter results with the downstream business reflecting the recent domestic fuel price increases, lower imports of refined products, and higher domestic refining output. Although seasonality helped it is good to see the downstream business beat expectations. **Ternium** (Latin American steel producer) had good first quarter results at the end of the month, with lower raw material prices allowing better margins, and with a positive outlook statement for the second quarter suggesting more of the same. Ternium announced that it would not be bidding for ThyssenKrupp's CSA slab plant in Brazil, as a price could not be agreed, and the market applauded management's restraint. It trades on a price earnings ratio of 10 and a price to book ratio of one.

During the month we sold Gazprom and Corporacion Geo. **Gazprom** (Russian gas) has an enviable resource base (some 20% of the world's reserves) and a low valuation (trading on 3 times earnings). However, it has been unable to find the discipline we hoped for with its capital expenditure, leading to continued poor free cash flow generation. The company is now under pressure from all sides: a weak European export market, spot pricing pressure from LNG imports, growth of domestic independent gas producers, a gas glut in Russia, pressure from the EU, and even the Kremlin. The long awaited Chinese gas deal now looks to become another capital expenditure fest. Much could change for the better with a European economic recovery and tighter European gas markets (as North Sea gas production declines), but without financial discipline it would be unlikely to benefit shareholders.

Geo (Mexican homebuilder) has been a disappointing investment. The backdrop has been of a substantial housing deficit in Mexico, supportive official agencies to provide mortgages, and with all political parties being pro-housing. A shift towards vertical housing (low rise apartments) has caused longer working capital cycles, reduced free cash flow, and increased debt ratios. We had hoped that Geo would slow its business to release free cash flow over the last year, but this has not happened until recently (when it slammed on the brakes). A newly elected government has announced a reorganisation of the housing agencies, causing confusion, delayed payments, and deterred buyers. It is also strongly in favour of more vertical housing, and in urban areas to prevent urban sprawl, and looks likely to formalise this in a summer policy statement. It has stated that it sees no reason it should support the handful of listed Mexican homebuilders, out of the many hundreds of homebuilders in Mexico; although it may soften this stance in time given the political importance of housing policy. In short the listed housing sector in Mexico is likely to be out of step with government policy, as its land bank is in out-of-town locations, and the sector share prices have collapsed as companies need to reorganise.

We bought Lukoil and JSE in the month. **Lukoil** (Russian oil) is the second largest Russian oil company, accounting for 20% of Russian oil production, with a history of solid business-like relations with the Kremlin. Corporate governance has been a positive, with management owning a significant and increasing percentage of the company (over 35%). Investors have been concerned over production growth in its mature Western Siberian oilfields, which management has sought to address in its latest strategic plan, and also to grow its oil and gas production outside of its traditional areas. It has been able to deploy capital expenditure at points and on assets management view as attractive. Lukoil has good refining assets allowing it to serve the growing domestic market and move away from being a pure upstream player. It trades on a price earnings ratio of 4.5 and has a net debt to equity ratio of 9%. **JSE** (South African stock exchange) has a monopoly position in South African securities trading, and is vertically integrated, including back office and other value added services to its members. Volumes traded should increase as the South African equity market reduces its settlement cycle from 5 days to 3 days, and the use of algorithmic, and high frequency trading takes off. It trades on a forward price earnings ratio of 12.5, with solid free cash flow, and a strong balance sheet.

Valuations are reasonable with the portfolio trading on a price to book ratio of 2 and a historic price to earnings ratio of 13.7. We have 36% upside to the weighted average of the portfolio's price targets.

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Fund Information as at 30th April 2013			
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** **A shares sedol** **A shares ticker**	IE00B3DDVH01 B3DDVH0 OVEMKEA
Legal Advisers	Arthur Cox	**I shares ISIN** **I Shares sedol** **I shares ticker**	IE00B4N0BT09 B4N0BT0 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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