

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

SEPTEMBER 2012 NEWSLETTER 47

Fund Summary

28 th September 2012			
NAV of fund	US\$282.6m		
A share unit price	US\$179.42		
I Share unit price	US\$113.31		
Performance			
	A Shares	I Shares	MSCI Emerging Markets*
September	+6.1%	+6.2%	+6.0%
2012 to date	+12.5%	+12.8%	+12.0%
Since inception A**	+81.9%	-	+93.2%
Since inception A per annum**	+16.6%	-	+18.4%
Since inception I**	-	+15.0%	+17.9%
Since inception I per annum**	-	+4.8%	+5.6%

*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*

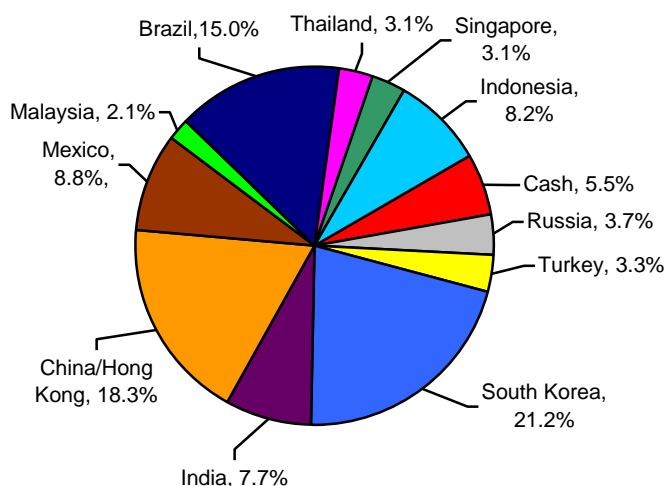
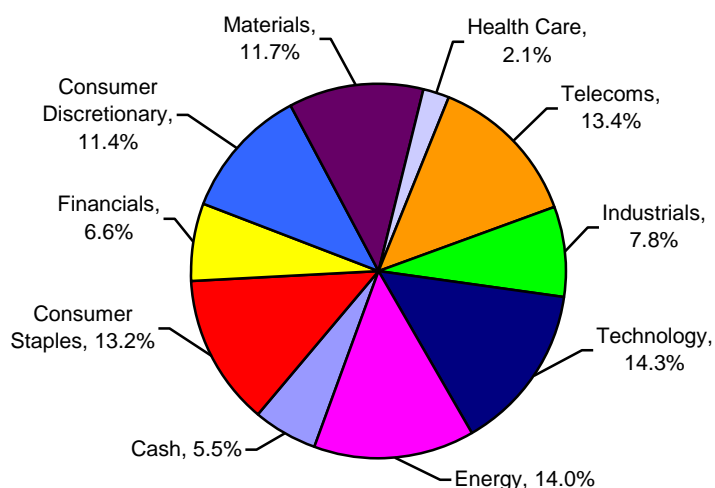
Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	9.2%	+9.2%
Embraer	7.8%	-0.7%
Petrobras	7.2%	+7.2%
First Pacific	6.6%	+2.3%
Lee & Man Paper	6.4%	+6.9%

*As at end of period.

**Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg.

Sector and country breakdown as at 28th September 2012



Source: Oldfield Partners LLP.

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Commentary

The low growth global economy and 'great recession' are prompting an underlying shift by governments in emerging economies. This can be seen in many emerging market countries - for instance the BRICs (Brazil, Russia, India, and China) are each tweaking their development model. India has long been a consumer and service economy, but is waking up to the need to invest in manufacturing. China has been reliant on its export business and high levels of fixed asset investment, but is encouraging a consumer economy. Russia is again trying to foster a broader mix of industry and to reduce the role of the state rather than rely overwhelmingly on natural resource extraction. Even Brazil, a consumer economy with a natural resource export business attached, is undergoing a shift towards investment in infrastructure. These are long term changes and any impact will be gradual.

During the month **Thai Beverage** and **Heineken** agreed to split **Fraser & Neave (F&N)**, after a summer of corporate manoeuvring, leaving Heineken to take over the beer business (**Asia Pacific Breweries**) and Thai Beverage and its related family company (**TCCA**) to make an offer for the remainder (soft drinks, food, and property businesses). Thai Beverage owns a little under 30% of F&N. This would be a good fit for Thai Beverage in many ways as the company seeks to increase its non-alcoholic exposure. Its recently acquired soft drinks distribution business in Thailand (**Serm Suk**) is shortly to lose the Pepsi contract for Thailand, and the introduction of an own brand beverage line from F&N would be higher margin. Thai Beverage would get an interest in **Myanmar Breweries**, with a 70% market share, which will be an important growth market and a natural fit for Thai Beverage. F&N would give Thai Beverage greater exposure outside of Thailand, notably in Malaysia and Singapore. The deal is debt funded, which has pushed net debt to equity well above 100%, but the solid cash flow from these businesses and potential for asset sales makes this comfortable. The final outcome of the deal and strategic plan are yet to be announced. The share price of Thai Beverage is up over 60% this year in a positive response to the potential acquisition.

The bottom three performers by contribution during the month were Top Glove, KT&G, and Embraer. **Top Glove** (Malaysian latex gloves) has seen an increase in the latex price by 18% since its August low, although this leaves the price flat since the start of the year. Latex accounts for 60% of its input costs. Another significant input cost is labour, which is set to rise with the implementation of the minimum wage policy in January 2013. In response Top Glove is automating all its production lines, which could lead to a 20% reduction in headcount by year end.

The top three performers by contribution during the month were Samsung Electronics, Yue Yuen, and Corp Geo. **Samsung Electronics** (Korean consumer electronics) looks to have strong sales momentum for its Galaxy S3 and Note mobile products, boding well for its third quarter results, despite the launch of the iPhone 5. **Yue Yuen** (Hong Kong footwear manufacturer) had third quarter results early in the month showing a stabilisation in its margins. **Corp Geo** (Mexican homebuilder) has rallied following its second quarter results that showed an improvement in its free cash flow generation, and expectations are that this improvement will continue over the second half. The stock is cheap on a historic price earnings ratio of 6.

The recent rally in emerging market equities still leaves valuations for the MSCI Emerging Markets index comfortably below their long term historic averages. The portfolio is on a prospective price earnings ratio of 10 and a price to book ratio of 1.7.

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Fund Information as at 28 th September 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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