

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

NOVEMBER 2011 NEWSLETTER 37

Fund Summary

30 th November 2011			
NAV of fund	US\$250.2m		
A share unit price	US\$162.37		
I Share unit price	US\$102.67		
Performance			
	A Shares	I Shares	MSCI Emerging Markets (NDR)
November	-4.1%	-4.1%	-6.7%
2011 to date	-23.8%	-23.5%	-17.4%
2010	+22.8%	+23.2%	+18.9%
Since inception A*	+64.2%	-	+74.7%
Since inception A pa*	+17.5%	-	+19.9%
Since inception I**	-	+3.6%	+6.5%
Since inception I pa**	-	+1.6%	+3.0%

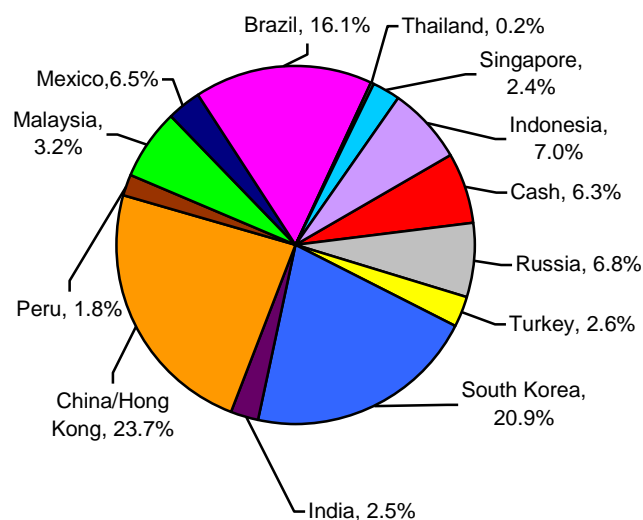
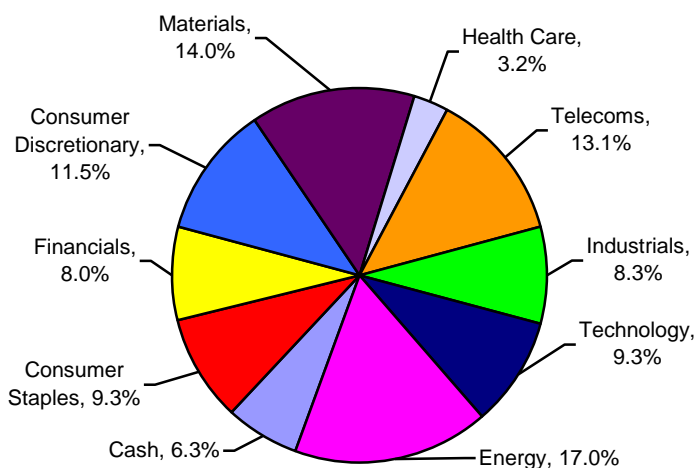
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.
 *A shares commenced on 3rd November 2008.
 **I shares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

Top Five Holdings*

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	9.3%	+3.7%
Embraer	8.3%	-8.3%
First Pacific	8.0%	+3.3%
Petrobras	7.9%	+0.0%
Gazprom	6.8%	-1.5%

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

Sector and country breakdown as at 30th November 2011



Source: Oldfield Partners LLP

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Commentary

Among the top performers by contribution during the month were First Pacific and KT&G. **First Pacific** (Hong Kong holding company) continues to trade at a 40% discount to its net asset value despite its holdings being listed. Management's recent focus on shareholder returns, through the dividend payout and share buybacks, coupled with holding solid businesses in the Philippines and Indonesia has translated into share price performance. **KT&G** (Korean tobacco) had a solid set of third quarter results, in which it gained domestic market share in tobacco (to 61% from 59% the prior year) and also grew its international and ginseng businesses. Year to date the share prices of these two holdings are up over 20% (in US dollar terms).

Among the bottom performers by contribution during the month were Ternium and Huabao International. We were disappointed by **Ternium** (Latin American steel producer) as it acquired a 27.7% voting stake in **Usiminas** (Brazilian steel producer). Ternium was in a comfortable net cash position, in contrast to much of its peer group, and expected to make bolt-on investments with the steel industry in the doldrums. Viewed strategically, buying into Usiminas is a solid long term move into the Brazilian market, where Usiminas is the largest producer of flat steel; however, the price Ternium has paid is high. Ternium joins the controlling group of Usiminas, and with a strategic partner has control, but the initial synergies between Ternium and Usiminas are minimal. It is arguable that on a replacement value basis the deal is realistic versus Ternium building a greenfield project in Brazil. **Huabao** (Chinese flavour & fragrances) had first half results showing a slowdown in the growth of the core tobacco flavourings business. The company increased the dividend payout ratio to 50% including a special dividend. It trades on a price earnings ratio of 9, with net cash, and a dividend yield of 3.5% (excluding the special dividend).

There was more positive news on **Sino-Forest** (Chinese forestry) as the independent committee released its preliminary findings ahead of its final report due by year-end. It was a significant step in refuting the allegations made in the short seller report by Muddy Waters. The key points were that the committee was confident in the cash balances and forestry holdings reported in the financial statements, as evidenced by contracts and forestry bureau records. The company will appoint an independent surveyor to physically verify the forestry assets over the coming months. The main outstanding issue is the dealings with third parties, which has been difficult to address as they are private companies, and so not compelled to cooperate. Thereafter the negatives would revolve around the impact to the business, reputation, cost of the investigation, and that the Canadian authorities still need to be convinced to allow the shares to trade again. Sino-Forest has made an important first step in proving it is a real business with real assets.

We are building a position in **Thai Beverage**, the leading beverage company in Thailand, and a company we have held successfully in the past. The share price has been impacted by the recent flooding in Thailand. Some of its facilities have been shut by flood waters and the distribution chain impact will mean a poor fourth quarter. However the company has solid market shares in the alcoholic segment, especially spirits, and a growing non-alcoholic business. We view this setback as a buying opportunity. It trades on a price earnings multiple of 14 and a dividend yield of 5.5%.

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Fund Information as at 30 th November 2011			
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 = 1.47% I shs = 1.12%	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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