

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

NOVEMBER 2012 NEWSLETTER 49

Fund Summary

30 th November 2012			
NAV of fund	US\$286.1m		
A share unit price	US\$181.25		
I Share unit price	US\$114.50		
Performance			
	A Shares	I Shares	MSCI Emerging Markets*
November	-0.2%	-0.3%	+1.3%
2012 to date	+13.6%	+13.9%	+12.7%
Since inception A**	+83.7%	-	+94.5%
Since inception A per annum**	+16.1%	-	+17.7%
Since inception I**	-	+16.2%	+18.6%
Since inception I per annum**	-	+4.9%	+5.5%

*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*

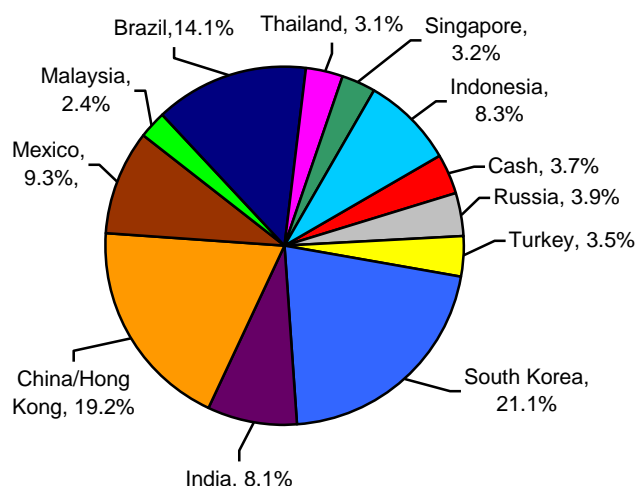
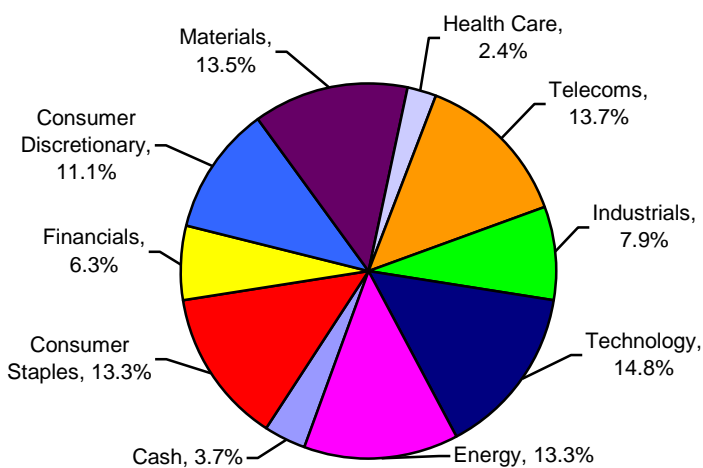
Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	9.0%	+7.3%
Embraer	7.8%	-10.7%
Lee & Man Paper	7.5%	+14.5%
Petrobras	6.4%	-14.5%
First Pacific	6.3%	-5.7%

*As at end of period.

**Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg.

Sector and country breakdown as at 30th November 2012



Source: Oldfield Partners LLP.

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Commentary

It was a disappointing month in performance terms, as we trailed the MSCI Emerging markets benchmark. A pull-back in our two Brazilian stocks was largely to blame. Investors have been falling out of love with Brazil, in part due to the President being viewed as increasingly interventionist and a lacklustre economic backdrop.

The bottom three performers during the month by contribution were Petrobras, Embraer, and First Pacific. **Petrobras** (Brazilian oil) has been our worst performer in the month and over this year. The concerns of investors are well known; the discount of domestic fuel prices to international, and the capital expenditure requirements to commercialise the deep-water oil and gas discoveries in the pre-salt Santos basin. Historically Petrobras has been able to have pricing parity between domestic and international fuel prices, but often with lengthy time lags. We believe that the discount will be closed over time, but note this is a political decision, and unlikely to come this year. The pre-salt oil discoveries in Brazil are an enviable opportunity and we view the latest strategic plan by Petrobras as realistic. If Petrobras executes successfully at each stage of the plan and begins to deliver production growth we believe investors will again warm to Petrobras. It trades on a price to earnings ratio of 6 and a price to book ratio of 0.6. **Embraer** (Brazilian regional jet manufacturer) should benefit from increased regional jet orders from the US. The order book for Embraer has fallen, but at \$12.9 billion is two years of sales. The share price retreated this month as it is late in the year, and potential US orders become a 2013 story. We believe Embraer will meet its stated guidance, benefits from a growing domestic defence business, and new orders for regional jets will come through next year. It trades on a prospective price earnings ratio of 11, price to book ratio of 1.4, and has a strong balance sheet. **First Pacific** (Hong Kong diversified holdings company) has its key assets in the Philippines and Indonesia. We visited the Philippine companies last month. The main disappointment has been **Philex** (gold miner), which has stopped production due to weather damage, and is unlikely to start up for over a year. Philex accounts for 9% of net asset value. First Pacific trades on a 43% discount to its net asset value.

The top three performers during the month by contribution were Lee & Man Paper, Samsung Electronics, and Ternium. Lee & Man Paper and Samsung Electronics are also our best performing stocks over the year to date. **Lee & Man Paper** (Hong Kong containerboard) continued to benefit from the improving pricing environment and greater industry capital expenditure discipline in China. It trades on a price to book ratio of 1.6. **Samsung Electronics** (Korean consumer electronics) is well placed to benefit from the consumer trend to mobile digital communication and computing through its own products and the supply of components to all. Next year the stars could align for Samsung Electronics as the solid telecom division is joined with better performance from the semiconductor divisions. The stock trades on a prospective price earnings ratio of 10. **Ternium** (South American steel producer) has had a rollercoaster ride with its share price this year, but had a cheap valuation on its side. Its key markets are Mexico, Argentina, Brazil, and the US. The beginnings of a manufacturing renaissance in Mexico (and the US), note several global car manufacturers setting up new facilities, bodes well. The stock trades on a price earnings ratio of 7 and a price to book ratio of 0.8.

Eros International (Indian Bollywood films) is our smallest market capitalisation stock, at U\$450 million, and with limited liquidity often quite volatile. The company has announced it will make a strategic partnership with HBO, Time Warner, which over time could see the US giant take more interest in the Indian market. Eros International is the leading player in the Indian film industry and

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a major owner of content. The anticipated US listing by Eros International next year could help cement ties in the US, highlight the low valuation, and increase liquidity in its shares. It trades on a price earnings ratio of 8 and at book value.

Fund Information as at 30 th November 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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