

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

MARCH 2012 NEWSLETTER 41

Fund Summary

30 th March 2012			
NAV of fund	US\$283.1m		
A share unit price	US\$182.99		
I Share unit price	US\$115.37		
Performance			
	A Shares	I Shares	MSCI Emerging Markets (NDR)
March	-1.6%	-1.6%	-3.3%
2012 to date	+14.7%	+14.8%	+14.1%
2011	-25.0%	-24.7%	-18.4%
Since inception A*	+85.5%	-	+96.9%
Since inception A per annum*	+19.9%	-	+22.0%
Since inception I**	-	+17.1%	+20.1%
Since inception I per annum**	-	+6.5%	+7.6%

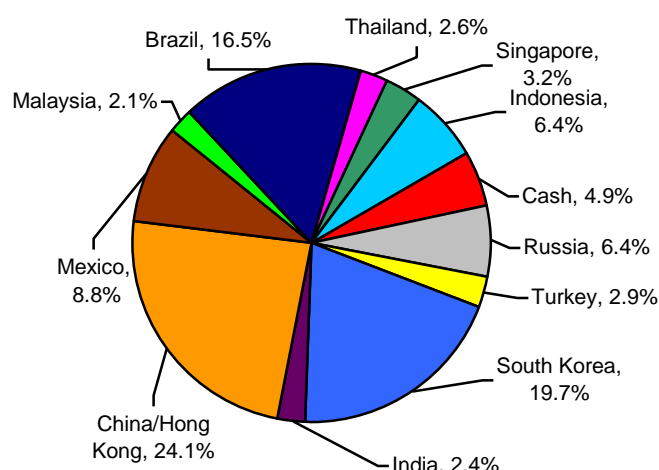
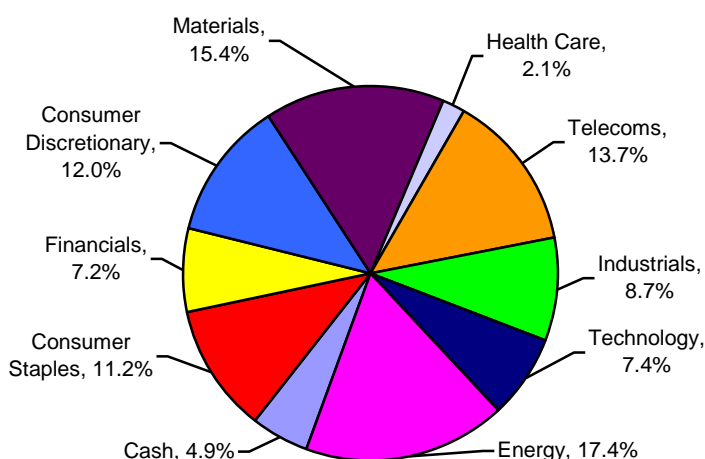
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.
 *A shares commenced on 3rd November 2008.
 **I shares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

Top Five Holdings*

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Embraer	8.7%	+6.4%
Petrobras	7.8%	-9.8%
Samsung Electronics	7.4%	+5.7%
First Pacific	7.2%	-1.1%
SK Telecom	6.8%	-3.7%

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

Sector and country breakdown as at 30th March 2012



Source: Oldfield Partners LLP

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Commentary

Emerging markets have seen a solid rally in the first quarter, but experienced a pull back in March. Inflows into emerging market funds in 2012 to date total approximately \$26 billion, about half the amount of outflow from the prior year. Valuations remain reasonable and below their longer term averages for the MSCI index.

The top two performers by contribution during the month were Embraer and KT&G. **Embraer** (Brazilian regional jet manufacturer) is executing well in a favourable up cycle for the regional jet market. **KT&G** (Korean tobacco) continues to benefit from speculation that it will follow the competition in raising cigarette prices, perhaps coupled with government tobacco tax increases, after the coming Korean elections. Although KT&G has benefited from increased market share, from not following the competition, the benefit from price increases would be greater. KT&G trades on a price earnings ratio of 12.5 and a dividend yield of 4%.

The bottom two performers by contribution during the month were Petrobras and Lee & Man Paper. **Petrobras** (Brazilian oil & gas) benchmarks domestic fuel prices to international market prices, but has historically been deliberately tardy in adjusting to major moves in the oil price leading to discounts and premiums that affect investor sentiment. Currently the discount for gasoline and diesel prices has increased to 25% and 20% respectively. Also investors are keen to hear if the new CEO at Petrobras will reaffirm the existing strategic plan. Lastly in Argentina there are fears of spreading resource nationalisation and Petrobras has a small exposure to the country. **Lee & Man Paper** (Hong Kong packaging) has been a strong performer in 2012 with the share price up 44% in local currency, and with no changes to report we would expect a continued re-rating from a price to book ratio of 1.4.

Sino-Forest (Chinese forestry) filed for creditor protection in Canada and has put itself up for sale. If no buyers are found the bondholders have proposed the company assets are restructured into a new company that is 85% owned by the bondholders and 15% owned by the equity holders. The management highlighted that the reputational damage to Sino-Forest from the allegations last summer had led to severe deterioration in its ability to continue as a going concern. Despite a seven month independent investigation the company could not convince its auditors to sign off on its latest financial statements before a March 30th deadline. We have recommended the position be held at a zero price.

More positive news came from **Eros International** (Indian Bollywood films) as it announced its intention to delist from the London AIM market and move to the New York Stock Exchange. If successful it should provide greater liquidity and understanding for the shares.

We sold the remainder of the position in **Buenaventura** (Peruvian gold miner) at the end of the month. Following a honeymoon period for the mining industry after the recent elections there is a growing feeling among the local population and miners that the government is too lenient with the mining industry. Discontent and work stoppages are increasing in Peru, adding to the underlying rising costs for miners.

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Fund Information as at 30th March 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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