Oldfield Partners LLP
Overstone Emerging Markets Equity Fund
May 2009 Newsletter 7

Fund Summary

2nd June 2009			
NAV of fund	US$10.2m		
A share unit price	US$126.46		
C share unit price	US$126.59		
Performance			
	A Shares	C Shares	MSCI Emerging Markets (NDR)
May	+17.2%	+17.3%	+17.1%
2009 to date	+28.2%	+28.4%	+37.9%
2008*	-1.4%	-1.4%	-0.3%
Since inception *	+26.5%	+26.6%	+37.4%

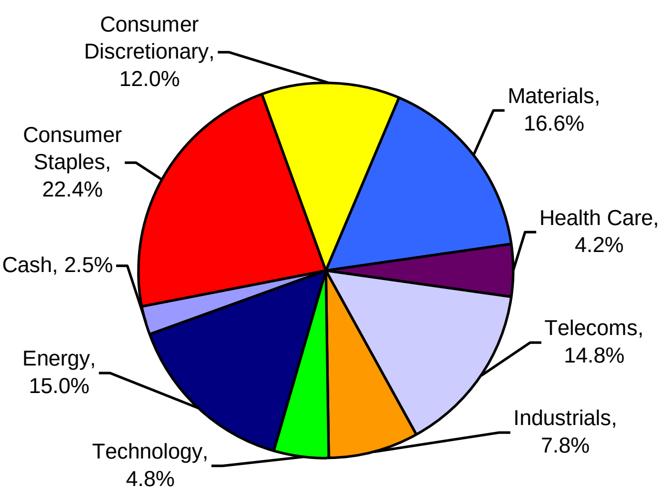
* The fund commenced on 3rd November 2008
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Fiduciary Services (Ireland) Ltd.
Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.

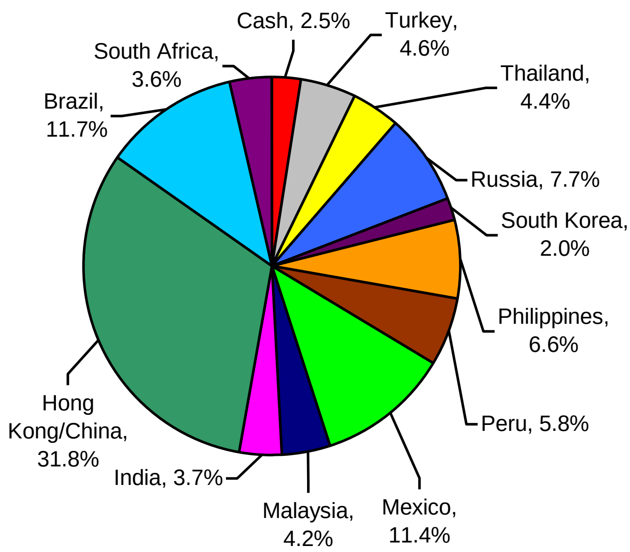
Top Five Holdings *

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Gazprom	7.7%	+29.9%
Petroleo Brasileiro	7.3%	+31.2%
Cia de Minas Buenaventura	5.8%	+33.9%
Chaoda Modern	5.8%	+9.7%
First Pacific	5.6%	+9.6%

* As at 29th May 2009
Source: Oldfield Partners LLP and Bloomberg.
** Total return inclusive of dividends.

Sector and country breakdown as at 29th May 2009





Source: Oldfield Partners LLP

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Commentary

In February we wrote that a 'leap of faith' was required, as many stocks looked cheap, but there would be a lag before the earnings came through. This was most true of course for the cyclical stocks. The market has leapt and we are all in an uncomfortable period waiting to see if the earnings follow. Commentators have drawn the parallel to the 2002 and 2003 period. In 2002 the market rallied hard only to be disappointed, and re-test its lows, before the recovery came in 2003.

Each business cycle is different, and whilst there are lessons to be learned from each, it is not possible to know how this cycle will develop. There remain major imbalances in the global economy, and time will tell if they fade gracefully. We do not know what shape the recovery will take (V, W, L or otherwise). This uncertainty leads us to hold companies with solid balance sheets across the portfolio at this time, and the freedom of action that brings for our companies to increase leverage, make cheap acquisitions, or sit tight.

We can testify that our exposure to companies with stable earnings has been painful (relatively) over the last few months. We also have companies where the earnings visibility is less assured, but we believe the strength of the balance sheets and solid assets put them in good stead to wait for the eventual recovery. In both instances the valuation case of the individual companies has to be attractive for inclusion in the portfolio.

During the month we bought Ternium (Latin American steel) and Sinotrans Shipping (Chinese shipping), and we sold Chunghwa Telecom (Taiwanese telecom). At the month end the portfolio had 22 holdings.

Ternium is the second largest regional steel producer in Latin America with its main operations in Mexico and Argentina. The Mexican operations account for 60% of revenues. Flat steel accounts for approximately 85% of revenues. It has high market shares for its products in its key local markets. Ternium used to have assets in Venezuela, but they were seized by the Chavez administration in 2008. Understandably the company was de-rated, left in a highly leveraged position, facing a sharp cyclical downturn. However, this month Ternium received a surprisingly reasonable compensation deal for these expropriated assets of $1.9 billion, which will leave the company debt free and in a solid position to weather this downturn. The company trades on 0.5 times book value.

Sinotrans Shipping is an operator of mainly dry bulk ships. The Sinotrans group has 50 years of industry experience. The fallout from the sharp downturn in world trade has devastated the valuations of this highly cyclical sector, and often for good reason. However, the valuation of this stock stood out to us as being unreasonably depressed. Sinotrans Shipping had net cash equivalent to its market capitalisation (the proceeds from its November 2007 listing). The fleet of 36 owned vessels is relatively young (ten years average), and capex needs are modest. These

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ships are not worthless. Freight rates have begun to increase and the company has low operating costs. Half its fleet are on long term contracts. The company trades at book value.

We decided to sell **Chunghwa Telecom** as it was trading close to our price target, and we felt there were other investment opportunities with higher upside. The euphoria surrounding the China Mobile investment in a Taiwanese competitor provided a positive back-drop to our exit.

The surprise of the month came from a rights issue in **Lonmin** (South African platinum miner). Management felt the need to bullet proof the balance sheet against the possibility of a further downturn in the trading environment. At the end of April the company had successfully completed a debt refinancing, and the company had a net debt to equity ratio of 12%. The rights issue would leave the company almost debt free. We will exercise our rights as we believe the company to be cheap against its asset base, and are content to wait for a recovery in the automotive industry.

Fund Information as at 2nd June 2009			
Currency	US$	**Investment Manager**	Oldfield Partners LLP
Liquidity	Monthly dealing	**Administrator**	Northern Trust Fiduciary Services (Ireland) Ltd
Benchmark	MSCI Emerging Markets (Net Dividends Reinvested)	**Custodian**	Northern Trust Custodial Services (Ireland) Ltd
Management Fees	A shs = 1.25% C shs = 0.75% plus 15% of out performance of benchmark MSCI Emerging Markets.	**Auditor**	Deloitte
TER	A shs = 2.00% C shs = 2.00%	**Legal Advisers**	Arthur Cox
Minimum Investment	The equivalent of €250,000	**Admin & Custody Fees**	0.15% on the first US$75m 0.135% on the next US$75m 0.12% on the next US$150m 0.09% thereafter
A shares ISIN **A shares sedol**	IE00B3DDVH01 B3DDVH0	**C shares ISIN** **C shares sedol**	IE00B3DDVJ25 B3DDVJ2

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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