

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

MAY 2011 NEWSLETTER 31

Fund Summary

31 st May 2011			
NAV of fund	US\$305.4m		
A share unit price	US\$203.52		
I Share unit price	US\$128.48		
Performance			
	A Shares	I Shares	MSCI Emerging Markets (NDR)
May	-6.0%	-6.0%	-2.6%
2011 to date	-4.5%	-4.3%	+2.5%
2010	+22.8%	+23.2%	+18.9%
Since inception A*	+105.9%		+116.7%
Since inception A pa*	+32.4%		+35.1%
Since inception I**	-	+29.6%	+32.2%
Since inception I pa**	-	+16.9%	+18.3%

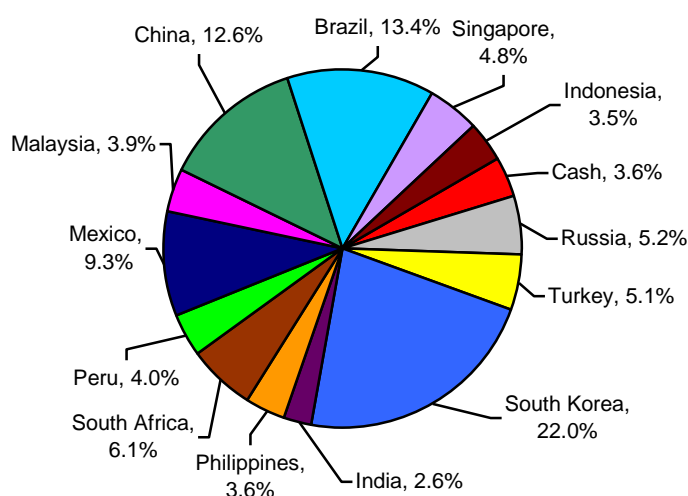
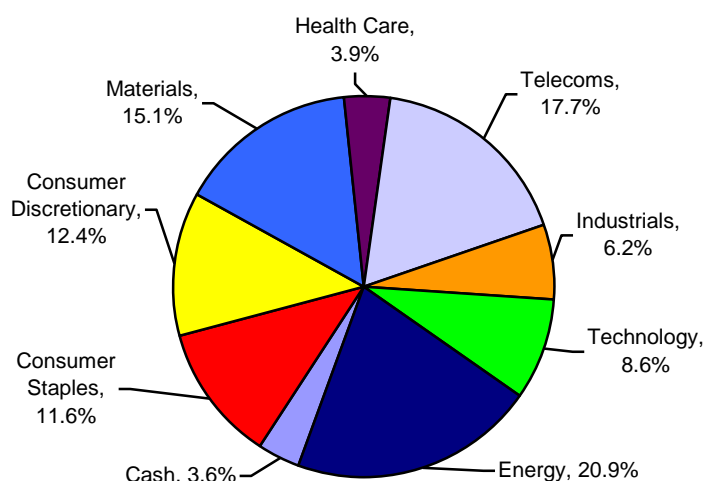
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.
 *A shares commenced on 3rd November 2008.
 **I shares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

Top Five Holdings*

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	8.6%	+1.0%
Petrobras	7.2%	-5.1%
KT&G Corp	6.8%	-0.2%
SK Telecom	6.6%	-6.8%
Embraer	6.2%	-0.6%

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

Sector and country breakdown as at 31st May 2011



Source: Oldfield Partners LLP

Oldfield Partners LLP,
 130 Buckingham Palace Road, London, SW1W 9SA.
 Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
 www.oldfieldpartners.com

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Commentary

Equity markets remain on edge as global economic growth is questioned whilst inflationary pressures mount. On the whole, the market favored stable earners over more cyclical stocks this month. The performance of the portfolio was not flattering.

Our Chinese holdings, Chaoda and Sino-Forest, performed particularly poorly in the month and into June. There has been a spate of Chinese corporate scandals and failures from Chinese companies listed on overseas markets. The SEC has launched an investigation into Chinese companies that have listed in the US by reverse takeovers.

Chaoda (Hong Kong listed Chinese agriculture) was impacted by an article in 'Next' magazine, a tabloid in Hong Kong. The main allegation was that the company overstated its land reserves. It looked a poorly researched article. The key part of the article was the researcher going to one of Chaoda's farms and asking how big it was, and comparing this to company filings - without considering there may be other Chaoda farms in the area. Chaoda have rebutted the claims, bought back over 1% of its shares, and are taking legal action. We bought a little more also.

The allegations against **Sino-Forest** (Canadian listed Chinese forestry) look more seriously researched by a short seller publishing under the title 'Muddy Waters'. The key allegations are that the company has overstated its land and entered into deals with third parties that are not at arms length. Sino-Forest has vigorously refuted the allegations and responded quickly by setting up an independent committee to investigate and by publishing its land titles for the areas concerned. Again it seems the researcher confused land in one area as being all the land held by the company in the province. They also confused a specific transaction to sell standing forest as one to fell trees (which would have exceeded the local quota). The publication was well timed as Sino-Forest had delayed its results because of a move to IFRS accounting, which had been well flagged, but made the market nervous. It will report on June 14th as planned.

The share price of Chaoda has fallen 30% and Sino-Forest by 70% since the beginning of May. Before the share price fall Chaoda was a 3.5% position and Sino-Forest a little under a 4% position. Both share prices are likely to remain volatile over the medium term.

Both of these events highlight investor concerns with Chinese companies - in particular relating to land titles. Foreign listed Chinese companies are likely to remain the target of negative publicity and their share prices highly volatile. Short sellers have spotted a theme to exploit, bringing back memories of bank shares during the banking crisis, and will continue to punish a range of Chinese companies. Investor nerves will at best depress valuations (to low single digit price earnings ratios for Chaoda and Sino-Forest) and at worst make this area a 'no go zone' for some time.

The above events have overshadowed a decent performance in the month by **Buenaventura** (gold miner in Peru) and **Samsung Electronics** (Korean consumer technology). However, the Presidential election in Peru could take the shine off the mining sector. **Geo** (Mexican home builder) was a poor performer as the market worried that its growth plans might lead to an equity issue.

Oldfield Partners LLP,
130 Buckingham Palace Road, London, SW1W 9SA.
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
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Fund Information as at 31 st May 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 = 1.46% I shs = 1.11%	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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