

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

MAY 2012 NEWSLETTER 43

Fund Summary

31 st May 2012			
NAV of fund	US\$233.6m		
A share unit price	US\$157.35		
I Share unit price	US\$99.26		
Performance			
	A Shares	I Shares	MSCI Emerging Markets (NDR)
May	-12.9%	-12.8%	-11.2%
2012 to date	-1.4%	-1.2%	+0.1%
Since inception A*	+59.5%	-	+72.7%
Since inception A per annum*	+14.0%	-	+16.5%
Since inception I**	-	+0.7%	+5.3%
Since inception I per annum**	-	+0.3%	+2.0%

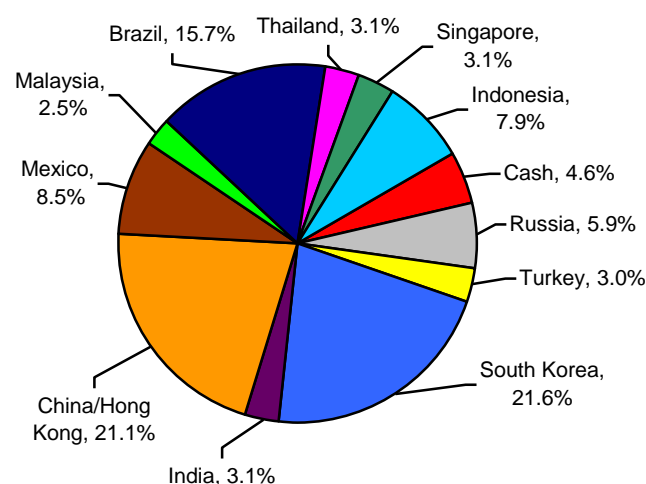
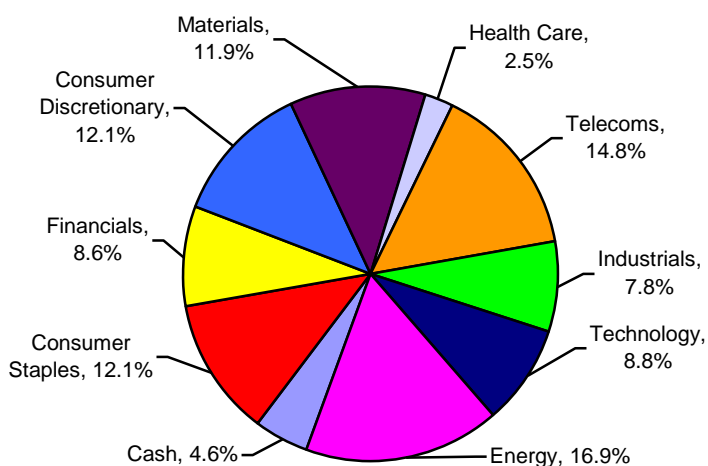
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. *A shares commenced on 3rd November 2008. **I shares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

Top Five Holdings*

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	8.8%	-12.9%
First Pacific	8.6%	-5.1%
Petrobras	7.8%	-13.8%
Embraer	7.8%	-18.6%
Lee & Man Paper	6.7%	-6.3%

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

Sector and country breakdown as at 31st May 2012



Source: Oldfield Partners LLP.

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Commentary

Emerging markets reacted badly to the uncertainties coming from Europe and a slowdown in the rate of growth of the Chinese economy. Many cyclical stocks revisited share price levels seen last summer. The visibility and type of the political-economic responses to the current crisis are difficult to judge, but valuations of the MSCI Emerging Markets Index are once again towards the bottom end of the historic range.

We have had a tough calendar year with our mainland Chinese stocks. We looked for certain qualities when investing in China: an entrepreneur to drive the business, high margins by merit of leading market positions or a better business model, alignment with government policy initiatives, and ability to grow in a fast developing economy. Short sellers found many of these qualities attractive too and often rightly so as high margins and the integrity of dealings by the entrepreneur or with third parties were questioned. Auditors who had worked with the companies without incident for years froze or resigned without comment. During the month we have moved **Chaoda Modern** (Chinese vegetable grower) to a zero price in the portfolio as the auditor resigned and we sold **Huabao International** (Chinese tobacco flavouring) ahead of its June full year results release. The uncertainty of a positive outcome in both cases was too great. We hope the auditor stays the course with Huabao International and the results are released successfully, as we would revisit this stock, but it felt like we had seen this scenario too often before. Once this purge of Chinese companies has run its course those remaining should have solid corporate governance and trade on attractive valuations, and warrant renewed investor interest. It does not feel we are quite there yet with over thirty Chinese stocks listed in Hong Kong failing to publish accounts so far this year.

This month the performance of stocks in the portfolio had less to do with news flow in the individual names and more to do with wider events in the world and investor sentiment. The bottom three performers by contribution during the month were **Embraer** (Brazilian regional jets), **Samsung Electronics** (Korean consumer electronics), and **Gazprom** (Russian gas). Embraer and Samsung Electronics had been solid outperformers year to date. The top three performers by contribution during the month were **Thai Beverage** (alcoholic beverages in Thailand), **KT&G** (Korean tobacco), and **Indofood** (Indonesian consumer foods). Each of these stocks has defensive qualities.

The portfolio trades on a historic price to earnings ratio of 10.4 and on a price to book ratio of 1.4. We hold more cash than usual in the hope of taking advantage of volatility in individual stocks.

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Fund Information as at 31 st May 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 = 1.48% I shs = 1.13%	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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