

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

MAY 2013 NEWSLETTER 55

Fund Summary

31 st May 2013			
NAV of fund	US\$327.2m		
A share unit price	US\$194.44		
I Share unit price	US\$122.61		
Performance			
	A Shares	I Shares	MSCI Emerging Markets*
May	-2.3%	-2.3%	-2.6%
2013 to date	+4.5%	+4.7%	-3.4%
Since inception A**	+99.2%	-	+97.0%
Since inception A per annum**	+16.2%	-	+15.9%
Since inception I**	-	+26.2%	+20.2%
Since inception I per annum**	-	+6.5%	+5.1%

*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*

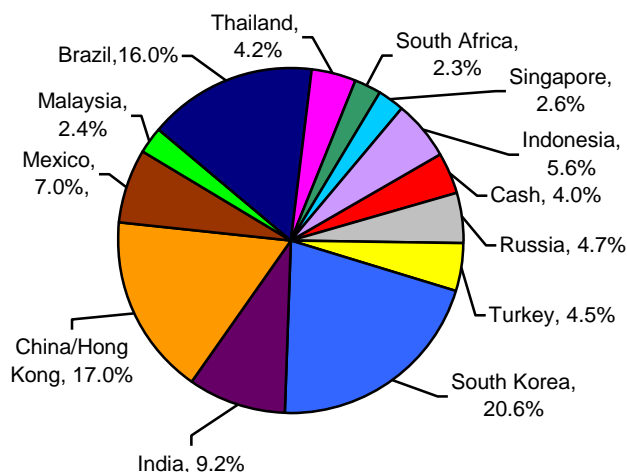
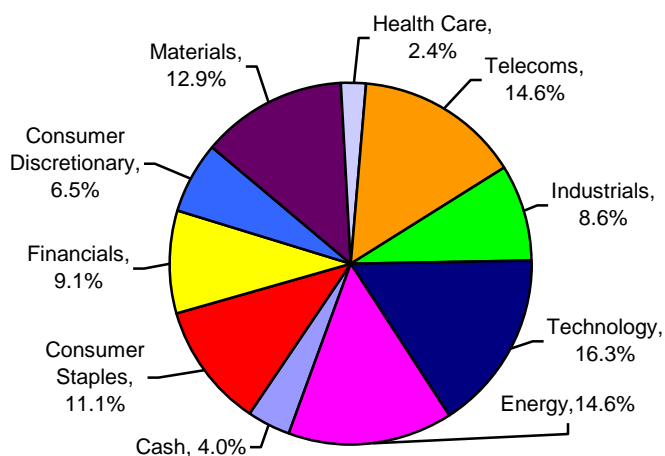
Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	9.2%	+1.2%
Embraer	8.6%	+4.1%
Petrobras	7.3 %	-6.7%
Infosys	7.0%	+1.2%
Ternium	7.0%	+2.3%

*As at end of period.

**Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg.

Sector and country breakdown as at 31st May 2013



Source: Oldfield Partners LLP.

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Commentary

The MSCI Emerging Markets Index continues to face concerns ranging from the Chinese economy to potential US monetary policy changes. For some time investors have had the dilemma of choosing between defensive stocks on extended valuations and cheaper cyclical stocks facing macroeconomic uncertainties.

The bottom two performers during the month by contribution were Lee & Man Paper and Yue Yuen. **Lee & Man Paper** (Chinese packaging) fell on concerns over the Chinese economy and softness in containerboard prices in May. Overall the supply and demand picture for the industry looks well balanced. The stock trades on a forward price earnings ratio of 11. **Yue Yuen** (Chinese footwear manufacturer) had poor first quarter results showing erosion in its margins. As Yue Yuen moved away from China to locations in Vietnam and Indonesia it suffered a loss of productivity as new employees were trained. These additional costs cannot be passed on to the clients. We have seen this before as Yue Yuen moved from southern China into the hinterland. In addition, Indonesia had a sharp increase in their minimum wage and generally wages have risen across Asia. Yue Yuen has experience of moving between and operating in the lowest cost regions of Asia. The wage rate for Yue Yuen is 35% lower in Indonesia and 45% lower in Vietnam compared to China. China currently accounts for 40% of its production lines and this will fall steadily over time. The stock trades on a price earnings ratio of 9.

The top two performers during the month by contribution were Embraer and SK Telecom. **Embraer** (Brazilian regional jet manufacturer) has benefited from recent new orders from the US. The SkyWest order during the month, following the United and Republic orders, was the third major order this year totalling 137 firm new orders. The production schedule for the next three years is full. These announced orders have approximately 200 options, and Embraer will work hard to translate these into firm orders over the cycle. The Paris air show in mid-June could see more positive news flow. **SK Telecom** (Korean mobile operator) is benefiting from the growth of smartphones, and of smartphones on LTE (4G), in Korea and the higher data usage from this. The typical average revenue per user for a smartphone on 4G is 20% higher than for a smartphone on 3G (and 40% higher than the average mobile user revenue). SK Telecom has 35% of its subscribers using LTE in 2013 rising to an estimated 55% in 2014. Smartphone subscribers account for 60% of its subscriber base. The historic spoiler for the Korean mobile market has been overly aggressive marketing, which for now is being kept in check.

During the month we sold **Indofood** (Indonesian snack foods). The stock had reached our price target. Indofood remains a solid company with exposure to growing consumer spending in Indonesia, and we would be happy to invest again in the future.

Valuations are reasonable with the portfolio trading on a price to book ratio of 1.9 and a historic price to earnings ratio of 13. We have 40% upside to the weighted average of the portfolio's price targets.

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Fund Information as at 31 st May 2013			
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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