

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

JULY 2009 NEWSLETTER 9

Fund Summary

4 th August 2009			
NAV of fund	US\$14.0m		
A share unit price	US\$139.63		
C share unit price	US\$139.82		
Performance			
	A Shares	C Shares	MSCI Emerging Markets (NDR)
July	+10.6%	+10.6%	+11.2%
2009 to date	+41.6%	+41.8%	+51.3%
2008*	-1.4%	-1.4%	-0.3%
Since inception *	+39.7%	+39.8%	+50.8%

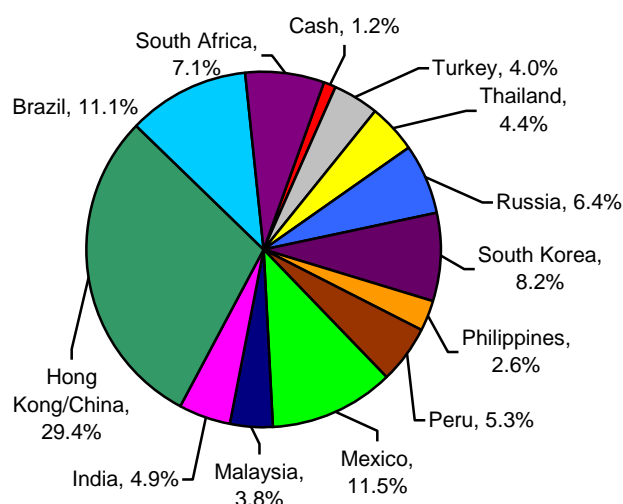
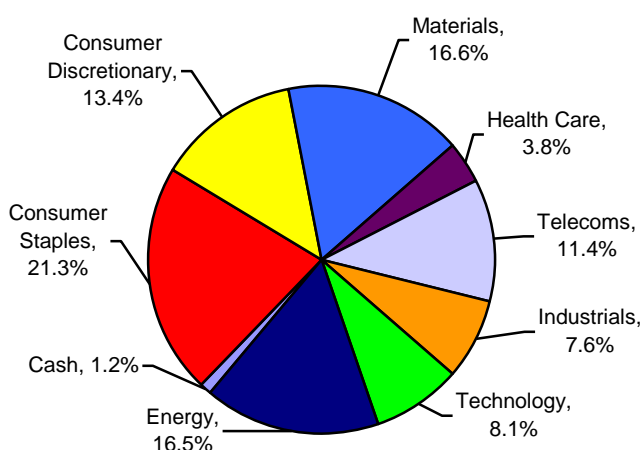
Top Five Holdings *

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Petroleo Brasileiro	6.4%	+1.9%
Gazprom	6.4%	+2.0%
Samsung Electronics	6.0%	+22.3%
Chaoda Modern	5.6%	+15.2%
Cia de Minas Buenaventura	5.3%	+8.4%

* 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.

* As at 31st July 2009
 Source: Oldfield Partners LLP and Bloomberg.
 ** Total return inclusive of dividends.

Sector and country breakdown as at 31st July 2009



Source: Oldfield Partners LLP

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Commentary

The summer months have historically been melancholy for emerging markets, so the recent strength has shown that investors are keen to 're-risk' their portfolios. Markets have begun to shrug off bad news and focus on a recovery. Emerging markets have been a clear beneficiary.

Investors have moved to where they see the growth, and this has been China-centric. China trades on a price earnings ratio of 18 and China linked stocks have performed well. US and Western European related investments have lagged year to date, and to the extent that we wonder if they should now play catch up if investors perceive that the recovery is broadening. Investors may become less China obsessed in the second half of 2009, and this may benefit laggard markets, such as Mexico and Eastern Europe.

Emerging markets are the darling of investors currently. The asset class has seen sizeable inflows year to date, and interestingly emerging market ETFs (exchange traded funds) have seen a sizeable chunk of that inflow. The valuation of the MSCI Emerging markets index is currently in the mid cycle area. On a price earnings ratio the index trades at 16 and on a price to book ratio of 2, which are a 5% and 1% premium respectively to their ten year averages. Emerging markets trade at an approximate 5% discount to developed markets. This is hardly table thumping territory for the asset class.

In contrast the portfolio is valued at a price earnings ratio of 10 and a price to book ratio of 1.7. The average return on equity of our portfolio is 18% against 12% for the index. By way of example our investments in China are valued on price earnings ratios of between 5 and 10, which is far below the aggregate China valuation.

During the month the top three performers (by contribution) were Samsung Electronics, **Sino-Forest**, and Asia Satellite. It was particularly heartening to see **Asia Satellite** performing. The company operates satellites spanning Asia, has 80% recurring revenue each year, and half its market capitalisation is net cash. The real catalyst for value being unlocked in this stock lies with its two largest shareholders, who account for 75% of the shares outstanding, but as yet there is no new news to report. **Samsung Electronics** reported a solid set of second quarter results during the month. The deep cyclical divisions of the business, such as memory chips, have yet to begin making a contribution, and so we see further upside as the recovery begins. The bottom three performers were **Philippine Long Distance Telecom (PLDT)**, **Thai Beverage** and **Eros** – although there was no disgrace in their monthly performance and no events to report on. We sold PLDT during the month, but retain exposure to the company through our holding in **First Pacific**. First Pacific trades at a 50% discount to its net asset value.

As we pass through results season it is becoming clear that companies implemented effective cost reduction initiatives, which have helped protect the profit line. As one commentator highlighted this is the first recession that management can react in real time

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using enterprise resource planning (ERP) systems. The top line has been less spectacular, and we may need this to improve from here to buoy market expectations; but the benefit of easier year on year comparisons and sidelined cash balances coming back into the market could support equity markets meanwhile. Viewed from a more optimistic angle the MSCI Emerging Markets index would have to rise another 55% from here to regain its 2007 peak.

Fund Information as at 4 th August 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	IE00B3DDVH01	C shares ISIN	IE00B3DDVJ25
A shares sedol	B3DDVH0	C shares sedol	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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