

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

JULY 2012 NEWSLETTER 45

Fund Summary

31 st July 2012			
NAV of fund	US\$260.9m		
A share unit price	US\$166.42		
I Share unit price	US\$105.05		
Performance			
	A Shares	I Shares	MSCI Emerging Markets (NDR)
July	+3.1%	+3.2%	+2.0%
2012 to date	+4.3%	+4.5%	+6.0%
Since inception A*	+68.7%	-	+82.8%
Since inception A per annum*	+15.0%	-	+17.5%
Since inception I**	-	+6.6%	+11.5%
Since inception I per annum**	-	+2.3%	+3.9%

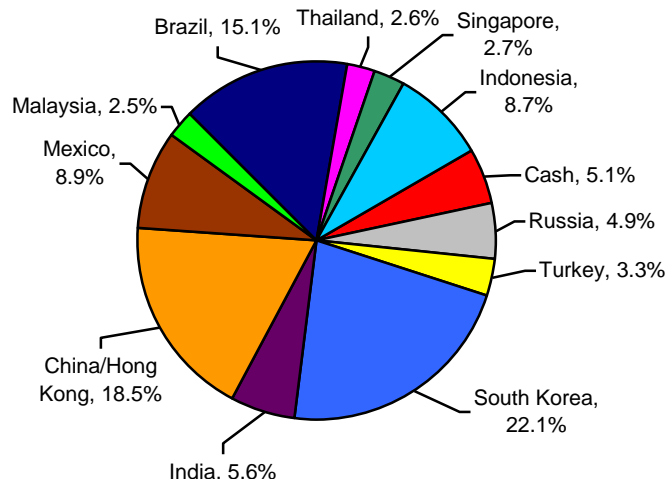
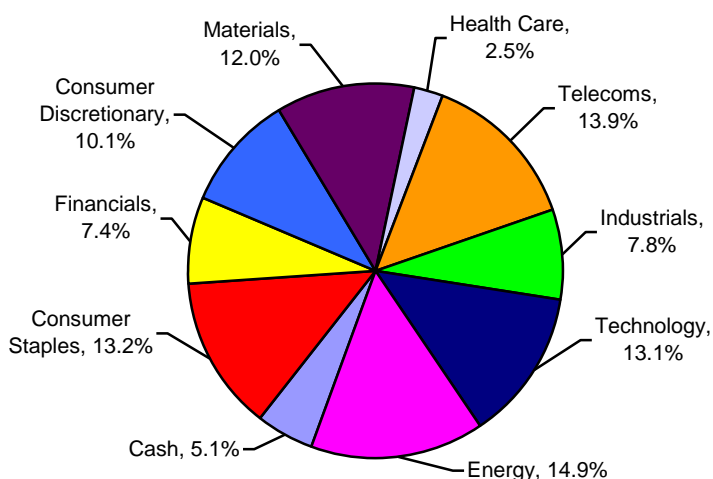
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders. *A shares commenced on 3rd November 2008. **I shares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

Top Five Holdings*

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	9.7%	+9.0%
Embraer	7.8%	-4.3%
First Pacific	7.4%	+8.6%
Petrobras	7.3%	+4.9%
SK Telecom	6.5%	+14.6%

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

Sector and country breakdown as at 31st July 2012



Source: Oldfield Partners LLP.

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Commentary

The volatility in equity markets has continued through the summer. The trench war between 'risk on' and 'risk off' continues; as central bankers whistle-in another rally on the equity markets we wait to see if it is cut short by heavy machine gun fire once again. Overall the portfolio has a cyclical skew to it. Valuations provide a comforting backdrop with the MSCI Emerging Markets index on a price to book ratio of 1.5 and a historic price to earnings ratio of 10.7.

The bottom three performers by contribution during the month were Embraer, Eros, and Corporacion Geo. **Embraer** (Brazilian regional jet manufacturer) had solid second quarter results and raised its margin guidance for the year, but the market remains concerned on the lack of new orders. The order backlog of US\$12.9 billion is about 2 years worth of deliveries, and below the order book average of 3 years. **Eros International** (Indian Bollywood films) remains in the doldrums following the postponement of its US listing (due to volatile equity markets). The full year results during the month showed the growth story continues with sales increasing 25%. It trades on a price earnings ratio of 8. **Geo** (Mexican homebuilder) had reassuring second quarter results with volumes up 6% and average selling prices up 6%, and importantly with positive free cash flow for the quarter. However full year free cash flow guidance was reduced substantially. A recent visit to Geo in Mexico has reassured us on the move to vertical construction (medium rise buildings) and pre-fabricated construction techniques. It trades on a price earnings ratio of 5.5 and a price to book ratio of 0.9.

The top two performers by contribution during the month were SK Telecom and First Pacific. **SK Telecom** (Korean wireless telecom provider) is benefiting from the growth in 4G despite marketing costs increasing again on fierce competition. The undemanding valuation of 7.5 times earnings and a 6.5% dividend yield have attracted investors. **First Pacific** (Hong Kong diversified holding company) has investments in listed companies in the Philippines and Indonesia. First Pacific trades at a 40% discount to its net asset value despite the underlying holdings, which are solid companies in their own right, being listed and liquid.

We bought **Infosys** (Indian IT services) during the month. The company faces a tough demand outlook with IT budgets remaining tight, and the banking sector and Europe weak. Visibility is so poor Infosys has suspended its quarterly guidance. Clients remain sticky in this industry with a high percentage of repeat business, but are being more aggressive on pricing in this downturn. Depreciation of the Indian currency is helping margins. Infosys has continued to hire personnel leading to low levels of utilisation (66%), but Infosys has the flexibility to adjust its cost structure and a strong net cash position to weather the downturn. We believe that the IT services industry remains a long term growth industry, that Infosys is well placed within it, and that this is a cyclical dip. The stock trades on a forward price earnings ratio of 13, is free cash flow positive, and 15% of its market capitalisation is net cash.

We are approaching US\$500 million of assets in the emerging market portfolios which we manage. At this level of assets we had always intended to, and now will, take a three month break from new inflows. We will continue to accept inflows from existing clients throughout this period, and we are always delighted to hear from those with interest in investing.

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Fund Information as at 31 st July 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 = 1.47% I shs = 1.12%	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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