

OLDFIELD PARTNERS

OVERSTONE EMERGING MARKETS EQUITY FUND

JULY 2014 NEWSLETTER 69

Fund Summary

31st July 2014							
NAV of fund	US\$ 441.4m						
A shares unit price	US\$ 210.01						
I shares unit price	US\$ 132.55						
Performance							
	July	2014 to date	1 year	3 years annualised	5 years annualised	Since inception	Since inception annualised
A Shares*	+3.1%	+7.7%	+15.8%	+3.7%	+9.2%	+117.2%	+14.4%
Index**	+1.9%	+8.2%	+15.3%	+0.4%	+7.3%	+115.0%	+14.2%
I Shares*	+3.1%	+7.9%	+16.2%	+4.0%	-	+38.2%	+6.9%
Index**	+1.9%	+8.2%	+15.3%	+0.4%	-	+31.1%	+5.8%

*A shares commenced on 3rd November 2008 and I shares on 1st October 2009.

**MSCI Emerging Markets (Net Dividends Reinvested).

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, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd.

Top Five Holdings

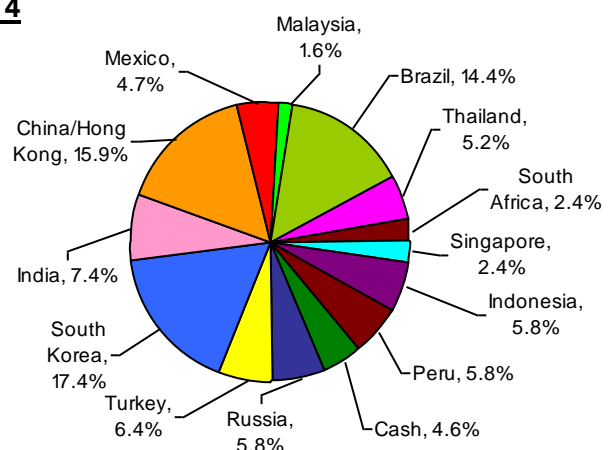
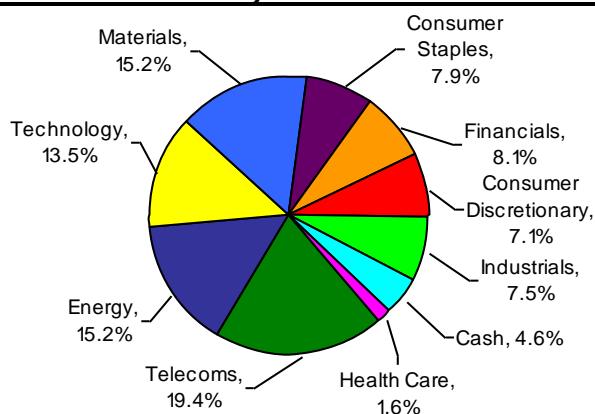
Stock	Portfolio Weighting (%)*	Monthly Performance (local terms)**	Monthly Performance (USD terms)**
Samsung Electronics	7.6	+1.6%	-0.4%
Embraer	7.5	+4.4%	+4.4%
SK Telecom	7.2	+9.1%	+9.1%
Petrobras	6.9	+7.5%	+7.5%
Turkcell	6.4	+4.7%	+4.7%

*As at end of period.

**Total Return inclusive of dividends.

Source: Oldfield Partners and Bloomberg.

Sector and country breakdown as at 31st July 2014



Source: Oldfield Partners.

Oldfield Partners

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Commentary

Emerging market equities continued to rally, and the portfolio handsomely outperformed the MSCI Emerging Markets Index over the month. Valuations for emerging markets continue to look attractive.

The worst performers during the month by contribution were Ternium and Lukoil. **Lukoil** (Russian oil & gas producer) suffered from the negative sentiment created by the downing of a commercial aircraft over the Ukraine and increased sanctions against Russia from the EU and the USA. Although the impact of sanctions on Lukoil look limited to date, their scope has been widened to impact some parts of the oil industry and companies with state involvement. Lukoil trades on a price earnings ratio of 4, 0.5 times book value, and has a strong balance sheet. **Ternium** (Latin American steel producer) had slightly disappointing second quarter results, which highlighted a strong Mexican steel market, but were impacted by cost headwinds and maintenance stoppages. Exposure to Argentina is a negative to sentiment. Management was slightly more optimistic for the third quarter results. Ternium trades on a price earnings ratio of 10.5 and at one times book value.

The top performers during the month by contribution were SK Telecom, Lee & Man Paper, and Petrobras. **SK Telecom** (Korean mobile operator) had solid second quarter results, and we remain positive on the growth it is seeing in mobile data and the moves by the regulator to curb excessive marketing costs. There is scope to increase its dividend in the future, given ample free cash flow and a strong balance sheet. It trades on a price earnings ratio of 12 and 1.6 times book value. **Lee & Man Paper** (Chinese packaging) expects the seasonally stronger second half to be better with new capacity coming online and possible price increases towards year end. In China there is likely to be little new capacity added for the industry over the next two years. The company trades on a price earnings ratio of 12 and 1.4 times book value. **Petrobras** (Brazilian oil & gas producer) has seen its share price moved around on the expectations for the Brazilian elections in October, but arguably more important, there is also a solid oil production growth story this year (+5%) as the new pre-salt assets start producing. Petrobras trades on a price earnings ratio of 10 and 0.8 times book value.

Chaoda Modern (Chinese agriculture) suffered another setback with the resignation of its auditor, citing limitations to the scope of the audit that would require responses from third parties that may not co-operate. Without audited accounts the company's shares will remain suspended. The company is looking for a new auditor; however, following this event the future looks highly uncertain. We have held the shares at a zero price in the portfolio since May 2012.

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Fund Information as at 31 st July 2014			
Currency	USD	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%	Legal Advisers	Arthur Cox
Minimum Investment	The equivalent of €100,000	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
A shares ISIN	IE00B3DDVH01	I shares ISIN	IE00B4N0BT09
A shares sedol	B3DDVH0	I Shares sedol	B4N0BT0
A shares ticker	OVEMKEA	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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