

# OLDFIELD PARTNERS LLP

## OVERSTONE EMERGING MARKETS EQUITY FUND

### AUGUST 2010 NEWSLETTER 22

#### Fund Summary

1 <sup>st</sup> September 2010			
NAV of fund	US\$228.9m		
A share unit price	US\$178.65		
I Share unit price	US\$112.82		
Performance			
	A Shares	I Shares	MSCI Emerging Markets (NDR)
August	-3.1%	-3.1%	-1.9%
2010 to date	+2.5%	+2.7%	-0.3%
2009	+77.9%	-	+78.5%
2008*	-1.4%	-	-0.3%
<b>Since inception*</b>	<b>+79.8%</b>	-	<b>+77.4%</b>
<b>Since inception**</b>	-	<b>+12.9%</b>	<b>+8.2%</b>

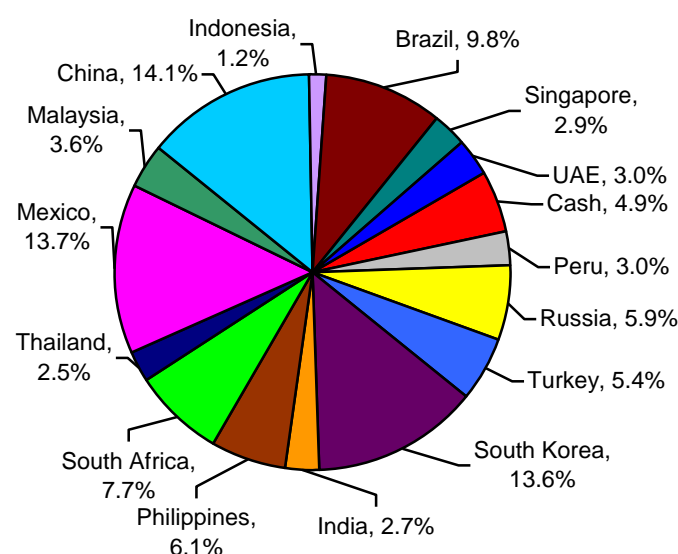
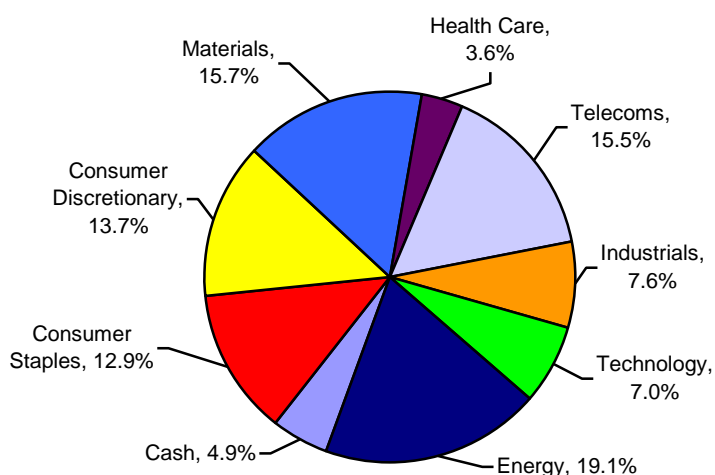
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Fiduciary Services (Ireland) Ltd.  
 Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.  
 \* The fund commenced on 3<sup>rd</sup> November 2008.  
 \*\* Inception October 2009.

#### Top Five Holdings \*

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	7.0%	-6.7%
SK Telecom	6.6%	-2.2%
Gazprom	5.9%	-4.1%
Yue Yuen Industrials	5.8%	+1.2%
Turkcell	5.4%	+9.3%

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

#### Sector and country breakdown as at 31<sup>st</sup> August 2010



Source: Oldfield Partners LLP

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#### Commentary

The bottom three performers during the month by contribution were **Chaoda** (Chinese agriculture), **Samsung Electronics** (Korean electronics), and **Ternium** (Mexican steel producer). Chaoda was the largest disappointment, unexpectedly raising new equity for expansion. This is despite giving the firm impression from last year that its strategy was to grow at a moderate pace compared with past history and having a clean balance sheet. Raising debt would have been preferred. The surprise move looks to have been prompted by government concern over increasing vegetable prices (partly due to weather events). This concern has led to top level government meetings on supply and even rumours of a vegetable reserve being established. Management met with local officials to discuss the problem and this seems to have led to the return to a growth strategy. The Chairman is of a generation that responds to official suggestion. Unfortunately this occurred against a background of a peer delaying its annual results on request of the auditor for further clarification. This is another instance of bungled communication with investors and casts doubt over management credibility. The annual results are mid-October where the management will clarify the strategy. Chaoda trades on a price earnings ratio of 5.

The top three performers during the month by contribution were Sino-Forest, Turkcell, and Eros International. **Eros** (Bollywood films) has attracted interest ahead of its Indian listing and proposed move from the London AIM market to a full listing. **Sino-Forest** (Chinese forestry) had a solid set of results, easing concerns over the effect of the property slowdown in China. **Turkcell** (Turkish telecoms) reported solid second quarter results and gained as Vodafone looks to be shifting to a less aggressive marketing strategy in Turkey.

We currently have 22 holdings in the portfolio. August saw a continuation of the volatile trading pattern we have seen in 2010. Our trading activity year to date has been limited. We have sold three of our smaller positions (Asia Satellite, Sinotrans Shipping, and Asian Citrus) and bought a new position in **Femsa** (Mexican beverage) which has three main businesses: beer, cola, and convenience stores. Femsa owns 54% of Coca-Cola Femsa, 20% of Heineken, and 100% of the convenience store operator Oxxo. Coca-Cola Femsa is the largest global Coke bottler outside of the US serving the Latin American markets. Oxxo is a fast growing operator of convenience stores in Mexico, which remains under-penetrated and characterised by 'mom & pop' operations. The company has no debt, declining capital expenditure needs, and solid free cash flow. Over time we see Femsa reviewing its corporate structure and strategy, which could see increased returns or spin-offs coming to shareholders.

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Fund Information as at 1 <sup>st</sup> September 2010			
<b>Currency</b>	US\$	<b>Investment Manager</b>	Oldfield Partners LLP
<b>Liquidity</b>	Daily dealing	<b>Administrator</b>	Northern Trust Fiduciary Services (Ireland) Ltd
<b>Benchmark</b>	MSCI Emerging Markets (Net Dividends Reinvested)	<b>Custodian</b>	Northern Trust Custodial Services (Ireland) Ltd
<b>Management Fees</b>	A shs = 1.25% I shs = 0.9%	<b>Auditor</b>	Deloitte
<b>TER</b>	A shs = 1.48% I shs = 1.13%	<b>Admin &amp; Custody Fees</b>	0.18% on the first US\$75m 0.155% on the next US\$75m 0.14% on the next US\$150m 0.11% thereafter
<b>Minimum Investment</b>	The equivalent of €250,000	<b>A shares ISIN</b>	IE00B3DDVH01
		<b>A shares sedol</b>	B3DDVH0
<b>Legal Advisers</b>	Arthur Cox	<b>I shares ISIN</b>	IE00B4N0BT09
		<b>I Shares sedol</b>	B4N0BT0

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 1<sup>st</sup> June 2005, Overstone European Equity Fund was launched on 3<sup>rd</sup> October 2005, Overstone Opportunity Multi Fund was launched on 1<sup>st</sup> November 2005, Overstone Global ex US Equity Fund was launched on 1<sup>st</sup> June 2006, Overstone Japanese Equity Fund was launched on 1<sup>st</sup> October 2007, Overstone Smaller Companies Fund was launched on 1<sup>st</sup> October 2007.

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