

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

AUGUST 2011 NEWSLETTER 34

Fund Summary

31 st August 2011			
NAV of fund	US\$257.9m		
A share unit price	US\$171.71		
I Share unit price	US\$108.50		
Performance			
	A Shares	I Shares	MSCI Emerging Markets (NDR)
August	-10.9%	-10.9%	-8.9%
2011 to date	-19.4%	-19.2%	-8.5%
2010	+22.8%	+23.2%	+18.9%
Since inception A*	+73.7%		+93.5%
Since inception A pa*	+21.6%		+26.3%
Since inception I**	-	+9.4%	+18.0%
Since inception I pa**	-	+4.8%	+9.0%

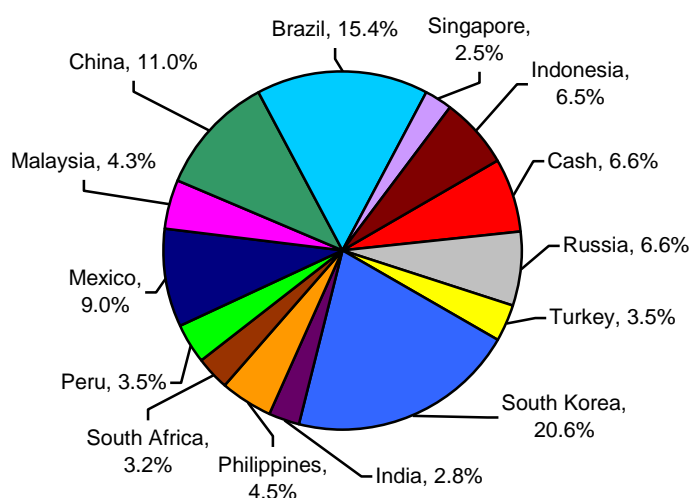
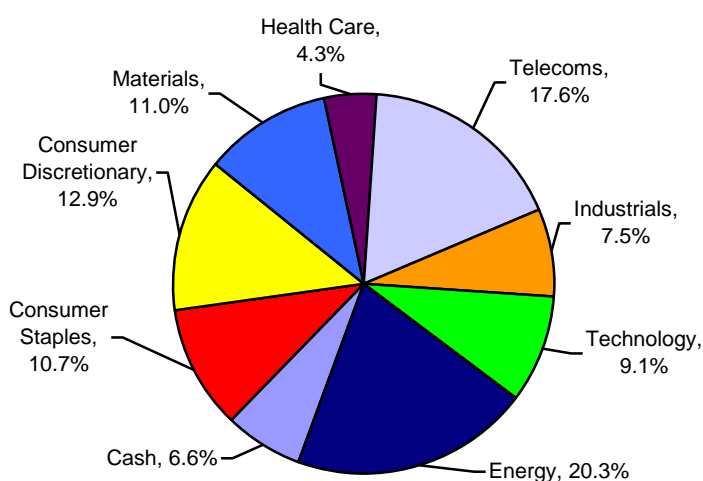
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.
 *A shares commenced on 3rd November 2008.
 **I shares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

Top Five Holdings*

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	9.1%	-11.8%
Petrobras	7.9%	-12.5%
Embraer	7.5%	-13.7%
KT&G Corp	6.8%	+4.9%
Gazprom	6.6%	-13.5%

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

Sector and country breakdown as at 31st August 2011



Source: Oldfield Partners LLP

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Commentary

August was a difficult month for emerging market equities. The valuation of the MSCI Emerging markets index has been at its long term average on a number of metrics for much of this year, and is now some way below, but well above the trough valuations last seen in 2008. The index is trading on 10.5 times historic earnings and at 1.7 times book value. Year to date emerging markets have seen an outflow of over \$26 billion (and to put this in context the 2008 outflow was \$50 billion).

The bottom three performers by contribution during the month were Sino-Forest, Samsung Electronics, and Petrobras. **Sino-Forest** (Chinese forestry) was suspended by the Canadian regulator on suspicion of overstating land, inflating revenues, and engaging in non-arm's length transactions. The saga has been running since June when a short-seller alleged wrong-doing at the company. The company set up an independent review panel to address the allegations. The investigations of this review panel have led to the suspension of a small number of employees and to the resignation of the CEO. The independent review panel should release its final report in the coming weeks. Until this report is published we do not know the extent or scope of the wrong-doing or its implications. We have sold half of our holding in this company, and had reduced prior to this news. It is currently a 0.5% weight in the portfolio. The fall in the share price in August accounted for a little less than 2% of the portfolio's negative performance. Prior to this episode Sino-Forest was held in high regard in China and the West, had a solid and reputable independent board, and used a top international auditor. We saw it as a stock having significant upside potential, though with substantial accompanying risks – of which we would only have a few such stocks in the portfolio at any one time. Clearly we got this investment wrong.

Samsung Electronics (Korean consumer electronics) is facing off against Apple in a dispute regarding its wireless products. Samsung Electronics competes against Apple, but is also a key component supplier to Apple. The component business is of more importance and here the relationship between the two remains on a firmer footing. Disputes of this nature are not uncommon in the consumer electronics business but need watching. Samsung Electronics is trading on an attractive valuation of 8 times earnings. **Petrobras** (Brazilian oil & gas) was weak as the oil price came under pressure with investors worried about a slowdown in the global economy.

The top three performers by contribution during the month were Buenaventura, KT&G, and Huabao International. These are all stocks with defensive characteristics. **Buenaventura** (Peruvian gold miner) performed well as the gold price moved up and investors became more comfortable with the new Peruvian administration. **KT&G** (Korean tobacco) had an uneventful month. It trades on a price earnings ratio of 11 and 4% dividend yield. **Huabao International** (Chinese flavours & fragrance producer) is a new addition to the portfolio. Its main business is tobacco flavouring, where it has 50% market share and supplies to all the top ten Chinese tobacco companies. The stock trades on a price earnings ratio of 11, has net cash, and scope to increase its dividend.

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Fund Information as at 31 st August 2011			
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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