

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

OCTOBER 2010 NEWSLETTER 24

Fund Summary

1 st November 2010			
NAV of fund	US\$274.7m		
A share unit price	US\$198.93		
I Share unit price	US\$125.69		
Performance			
	A Shares	I Shares	MSCI Emerging Markets (NDR)
October	+3.2%	+3.3%	+2.9%
2010 to date	+14.1%	+14.4%	+14.0%
2009	+77.9%	-	+78.5%
2008*	-1.4%	-	-0.3%
Since inception A*	+100.2%	-	+102.8%
Since inception I**	-	+25.8%	+23.7%

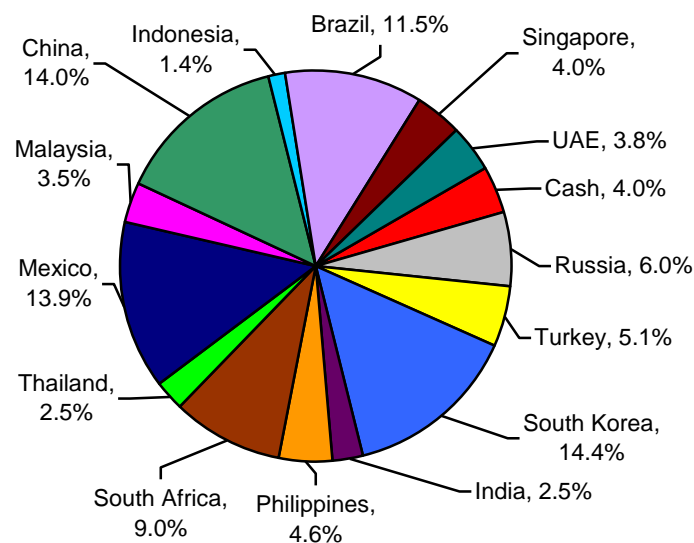
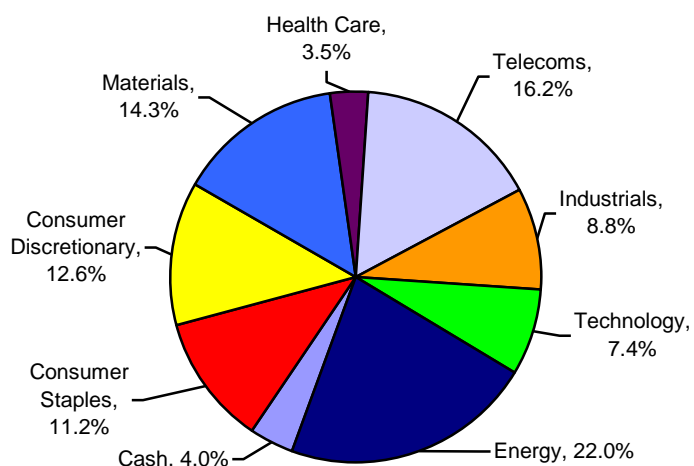
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Fiduciary Services (Ireland) Ltd.
 Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.
 * A shares commenced on 3rd November 2008.
 ** I shares Inception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

Top Five Holdings *

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	7.4%	-4.1%
SK Telecom	7.0%	+5.5%
Petroleo Brasileiro	6.5%	-5.0%
Gazprom	6.0%	+4.4%
Sino-Forest	5.7%	+17.6%

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

Sector and country breakdown as at 29th October 2010



Source: Oldfield Partners LLP

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Commentary

Liquidity continues to find its way to emerging markets prompting several countries to increase interest rates and others to dabble with capital controls. Currency and burgeoning inflation pressures continue to be hot topics. China is an interesting case in point. The Chinese authorities raised interest rates and we will see over the coming year if this is followed through with further increases. If the Chinese are serious about changing their growth model, then the currency will be allowed to appreciate (and be internationalised), and wage growth will continue; but this is likely to be a long and carefully trodden path. Many other emerging market countries will be reluctant to change policies and models that they view as having served them well in recent history.

The bottom three performers during the month by contribution were Eros International, Petrobras, and Samsung Electronics. **Eros** (Bollywood films) succumbed to profit taking following its successful Indian listing. We remain positive on the long term potential of this company. It trades on an undemanding price earnings ratio of 10. **Petrobras** (Brazilian oil) continued to flounder as investors digested the capital raising exercise from the previous month, needed, in part, to fund the company's substantial capital expenditure programme. The opportunity presented to Petrobras by the prolific and still largely unexplored Santos basin in Brazil is such that we feel the share price is undervalued. It trades on a price earnings ratio of 9. **Samsung Electronics** (Korean semiconductors/consumer electronics) has executed well in its key divisions this year and retains solid global leadership in most of the areas it competes in. The company has warned that semiconductors will be weaker for the remainder of the year, and into early 2011, following a strong performance this year. The telecom division continues to perform well with the successful launch of its smartphone offerings. It trades on a forward price earnings ratio of 7.

The top three performers during the month by contribution were Sino-Forest, DP World and Geo. There was little new news on **Sino-Forest** (Chinese forestry), so it looks like the share price played catch up following a poor prior month. It trades on a price earnings ratio of 14. **DP World** (Dubai ports) had a solid third quarter trading update showing strong growth in volumes particularly relating to Asian trade, and management delivered an upbeat assessment for the full year. **Geo** (Mexican home builder) had a very good set of third quarter results highlighting the continued solid demand for affordable housing and strong positioning of Geo in this segment. Earlier in the month management gave a bullish update to investors on its strategic growth plans to 2015. It trades on a price earnings ratio of 12.

We have sold our position in **Universal Robina** (Philippino consumer snack foods) as it had reached our price target. The company retains solid market positions in its key product areas in the Philippines. Even the disappointing international business has now begun to perform better. The share price benefited from the local Philippino consumer having been more resilient to the global downturn than many would have thought possible. The company is now facing head winds from rising input prices. URC has been a stunning performer, increasing over 175% this year, and over seven-fold since its lows in late 2008. This can happen in markets that are off the radar screen of many investors.

Despite continued interest in and solid performance of emerging markets year to date, the valuations in a historical context for the MSCI Emerging Markets index remain very much at reasonable levels. The forward price earnings multiple of the portfolio is around 11.

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Fund Information as at 1 st November 2010			
Currency	US\$	Investment Manager	Oldfield Partners LLP
Liquidity	Daily 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% I shs = 0.9%	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 €250,000	A shares ISIN	IE00B3DDVH01
		A shares sedol	B3DDVH0
Legal Advisers	Arthur Cox	I shares ISIN	IE00B4N0BT09
		I Shares sedol	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 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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