

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

OCTOBER 2011 NEWSLETTER 36

Fund Summary

31 st October 2011			
NAV of fund	US\$266.2m		
A share unit price	US\$169.27		
I Share unit price	US\$107.02		
Performance			
	A Shares	I Shares	MSCI Emerging Markets (NDR)
October	+9.8%	+9.8%	+13.2%
2011 to date	-20.5%	-20.3%	-11.5%
2010	+22.8%	+23.2%	+18.9%
Since inception A*	+71.2%	-	+87.1%
Since inception A pa*	+19.7%	-	+23.3%
Since inception I**	-	+7.9%	+14.2%
Since inception I pa**	-	+3.7%	+6.6%

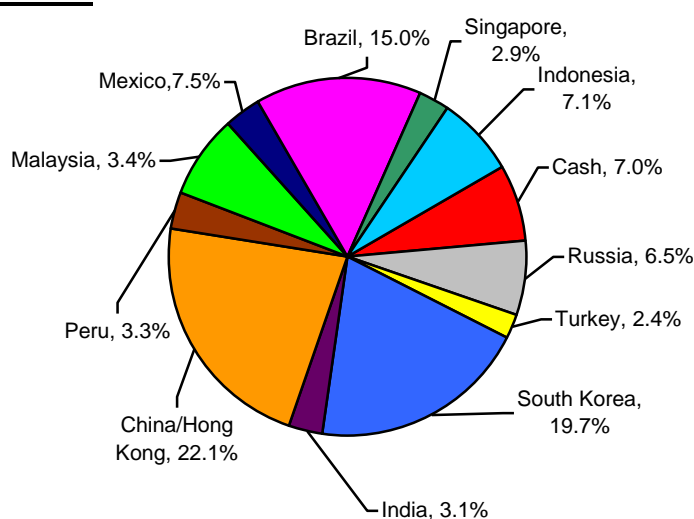
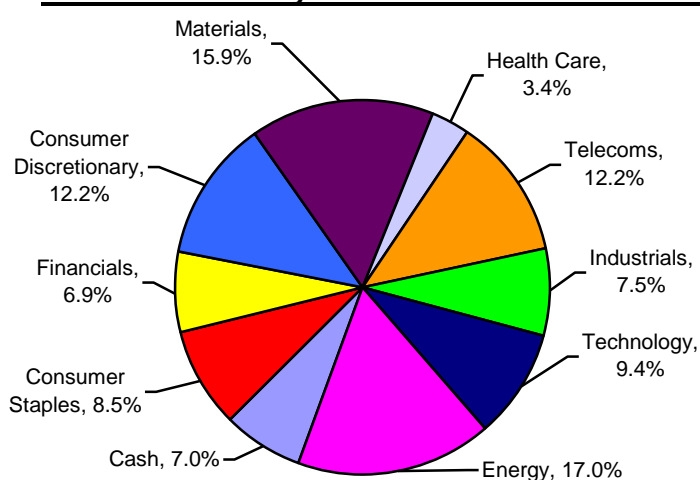
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.
 *A shares commenced on 3rd November 2008.
 **I shares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

Top Five Holdings*

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	9.4%	+15.2%
Embraer	7.5%	+9.7%
Petrobras	7.5%	+22.1%
First Pacific	6.9%	+17.7%
Gazprom	6.5%	+20.4%

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

Sector and country breakdown as at 31st October 2011



Source: Oldfield Partners LLP

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Commentary

October saw emerging market equities perform strongly following a weak September. All regions performed well, but Latin America and Eastern Europe more so than Asia. Although the macro-economic environment remains uncertain and equity markets are volatile, the valuation of the MSCI Emerging markets index is attractive versus its historic averages, trading on a price to book ratio of 1.5 and a historic price earnings ratio of 12.

The top three performers by contribution during the month were Samsung Electronics, Petrobras, and Gazprom. **Samsung Electronics** (Korean consumer electronics) is executing well in most of its divisions. In the telecom division its new smartphone offerings are selling well, and Samsung is now the global leader in terms of market share for smartphone handsets, a close second in overall global handset market share, whilst producing at industry leading operating margins. Samsung is the clear leader in semiconductors globally, both in commodity and specialty semiconductors, and generating a profit even at the trough of the cycle in stark contrast to its peers. **Petrobras** (Brazilian oil & gas) rose with the oil price, but also reacted positively to news it had increased domestic prices for diesel and petrol. Petrobras aims to maintain stability in domestic fuel prices whilst still reflecting the trend in international oil prices, which translates into periods of discount or premium to international spot prices, and allows analysts to endlessly debate the topic. **Gazprom** (Russian gas) performed well on hopes that its payout ratio may increase and potentially mark a trend of higher dividends for the company. This would be a more palatable method to return funds to the government, its largest shareholder, than increasing taxes on the gas industry. As we head into the winter season we may see a tight gas market in Europe with LNG supplies continuing to be diverted to Asian markets. Gazprom trades on a price earnings ratio of 4.

The laggard in the month by contribution was **Huabao International** (Chinese flavour & fragrances). We wrote about this holding last month following its strong performance. It trades on a price earnings ratio of 9.5, with net cash, and a dividend yield of 3.5%.

During the month we sold the remainder of our holding in **Sasol** (South African energy & petrochemicals). The South African rand and oil prices play an important role in shaping the performance of the company. We had become concerned about cost increases in South Africa and to a lesser extent over the drive for geographic expansion by the company. There are many merits to the stock, such as its progressive dividend policy, and many concerns, such as its high carbon emissions; but in the end the valuation of Sasol became stretched versus our other energy holdings.

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Fund Information as at 31st October 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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