

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

DECEMBER 2008 NEWSLETTER 2

Fund Summary

2 nd January 2009			
NAV of fund	US\$4.7m		
A share unit price	US\$98.62		
C share unit price	US\$98.63		
Performance			
	A Shares	C Shares	MSCI Emerging Markets (NDR)
December	+1.7%	+1.7%	+7.8%
Since inception *	-1.4%	-1.4%	-0.3%

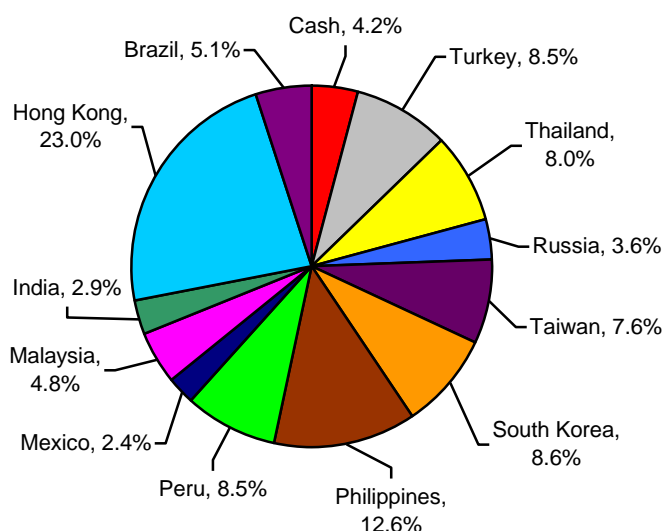
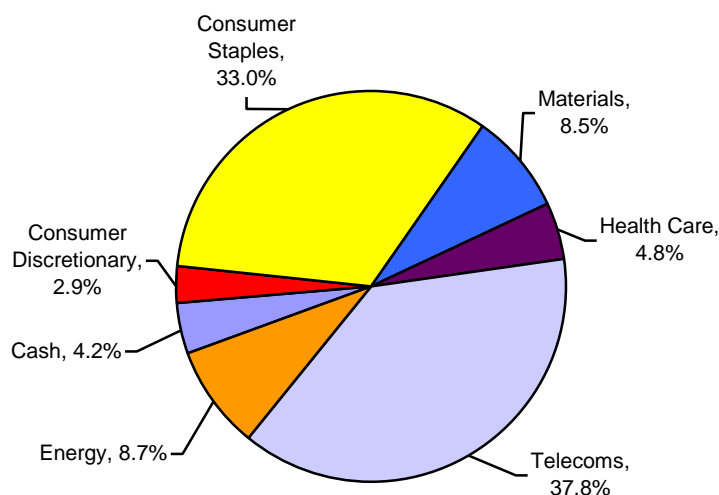
Top Five Holdings *

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Philippine Long Distance	8.7%	-2.1%
SK Telecom	8.6%	+12.2%
Cia de Minas Buenaventura	8.5%	+10.7%
Turkcell Iletisim Hizmet	8.5%	+5.8%
Thai Beverage	8.0%	-7.1%

* The fund commenced on 3rd November 2008
 Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Fiduciary Services (Ireland) Ltd.
 Performance is calculated net of expenses and on a total return basis.

* As at 31st December 2008
 Source: Oldfield Partners LLP and Bloomberg.
 ** Total return inclusive of dividends.

Sector and country breakdown as at 31st December 2008



Source: Oldfield Partners LLP

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Commentary

Emerging markets had a year end rally, which has spilled over into the early trading days of the New Year. We underperformed the index in December. We see continued volatility in 2009, as investors weigh up the benefits of stimulus packages and low valuations, against the subdued global economic back-drop and poor news flow in the forthcoming earnings season.

Emerging markets in US dollar terms were down 54% in 2008, the largest fall since the MSCI benchmark was created. This brings the index back down to levels last seen in 2005, and wipes out much of the bull run since 2003. This leaves emerging markets trading at a 20% discount to the MSCI World index price earnings ratio of 11. On historic valuation metrics the asset class is in attractive territory.

We expect corporate governance lapses and corporate failures to be part of the news flow for 2009. Avoiding the land-mines will be as important as picking the stellar outperformers. The market presents us with the opportunity to carefully accumulate some of the best companies in developing markets at attractive prices. The long term growth drivers for emerging markets, such as urbanisation and population growth, remain intact.

Our strategy is to continue to favour companies with strong franchises and solid business models. This includes looking to add 'world class' assets of out of favour cyclical stocks, where we have comfort that the valuation is sufficiently low. We bought Gazprom (Russian gas) in December which holds approximately 20% of the world's gas reserves. These reserves are valued at 50 cents per barrel of oil equivalent and the company is at three times earnings.

Two of the worst performers (by contribution) in the month were Eros (Indian film producer) and First Pacific (Hong Kong listed holding company). We met the management of Eros following their superb year end results and are confident of the outlook for this holding. Eros trades on a historic price earnings ratio of five. First Pacific is trading at a 60% discount to its net asset value, which we feel is unjustified even in these unusual markets.

Two of the best performers were Chaoda Modern (Chinese agriculture) and SK Telecom (Korean mobile). Chaoda Modern was a significant relative outperformer in 2008, as a beneficiary of continuing Chinese urbanisation, yet it trades on a price earnings multiple of six. SK Telecom has solid cash flows driven by its market leading franchise. We feel 2009 could see the irrational marketing war in Korea's mobile market subside to the benefit of SK Telecom.

The portfolio is a concentrated list of holdings we believe in and at cheap valuations. There are 16 holdings at month end. The average price earnings ratio is eight, the price to cash flow ratio seven, and the dividend yield over 4%.

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Fund Information as at 2nd January 2008			
Currency	US\$	Investment Manager	Oldfield Partners LLP
Liquidity	Monthly dealing	Administrator	Northern Trust Fiduciary Services (Ireland) Ltd
Benchmark	MSCI World (Net Dividends Reinvested)	Custodian	Northern Trust Custodial Services (Ireland) Ltd
Management Fees	A shs = 1.25% C shs = 0.75% plus 15% of out performance of benchmark MSCI Emerging Markets.	Auditor	Deloitte
TER	A shs = 2.00% C shs = 2.00%	Legal Advisers	Arthur Cox
Minimum Investment	The equivalent of €250,000	Admin & Custody Fees	0.15% on the first US\$75m 0.135% on the next US\$75m 0.12% on the next US\$150m 0.09% thereafter
A shares ISIN	IE00B3DDVH01	C shares ISIN	IE00B3DDVJ25
A shares sedol	B3DDVH0	C shares sedol	B3DDVJ2

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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