

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

DECEMBER 2009 NEWSLETTER 14

Fund Summary

4 th January 2010				
NAV of fund	US\$39.2m			
A share unit price	US\$175.46			
C share unit price	US\$175.94			
I Share unit price	US\$109.93			
Performance				
	A Shares	C Shares	I Shares	MSCI Emerging Markets (NDR)
December	+5.3%	+5.3%	+5.3%	+3.9%
2009	+77.9%	+78.4%	-	+78.5%
2008*	-1.4%	-1.4%	-	-0.3%
Since inception*	+75.5%	+76.0%	-	+77.9%
Since inception**	-	-	+9.9%	+8.5%

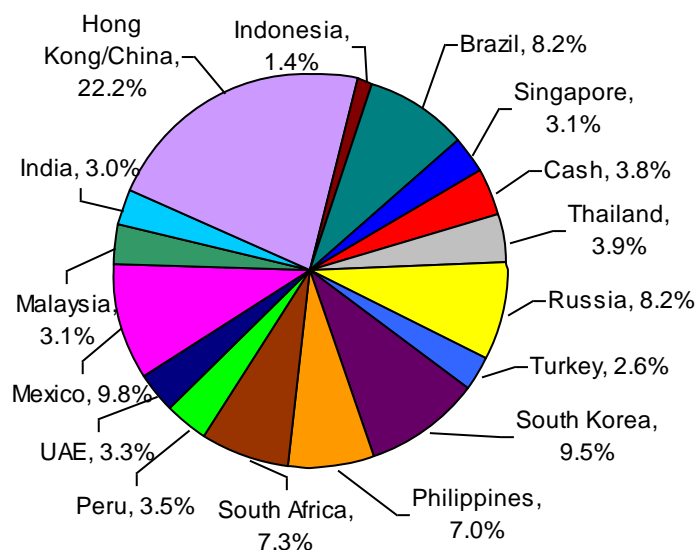
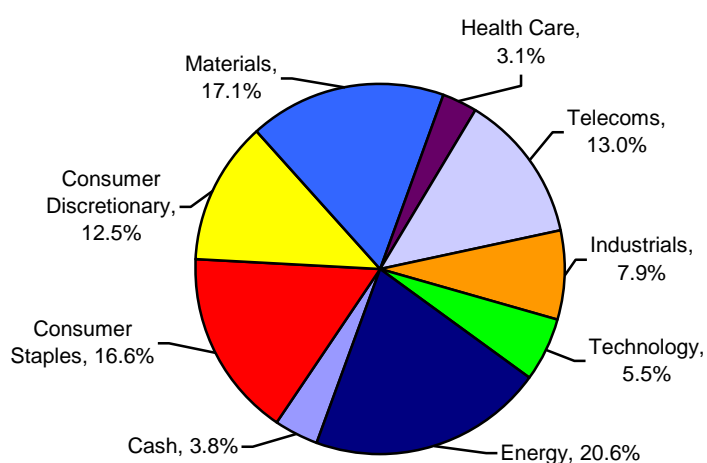
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Fiduciary Services (Ireland) Ltd.
 Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.
 * The fund commenced on 3rd November 2008.
 ** Inception October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

Top Five Holdings *

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Gazprom	8.2%	+12.2%
Chaoda Modern	7.3%	+21.9%
Sino-Forest	5.9%	+4.9%
Samsung Electronics	5.5%	+11.0%
First Pacific	5.4%	+5.6%

Source: Oldfield Partners LLP and Bloomberg.
 * As at 31st December 2009
 ** Total return inclusive of dividends.

Sector and country breakdown as at 31st December 2009



Source: Oldfield Partners LLP

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Commentary

Emerging markets performed well in December and in 2009. The combination of stimulus spending, accommodative monetary policy globally, and the overall good financial health of emerging markets (notably with functioning banking systems) gave a positive backdrop to 2009 and remain in place as we begin 2010. In December the MSCI indices in dollar terms showed Asia to be up 4.3% for the month, Latin America up 1.6%, and Eastern Europe up 1.7%.

With the impressive performance of emerging markets over the last twelve months we are naturally drawn to ponder on where the current positive backdrop could change. As always there is plenty that could go wrong. The unusually accommodative global monetary policy will at some point need to be addressed and quite likely in emerging markets before the key Western markets. There is the chance that protectionism may become more of an issue than the minor skirmishes we saw in 2009. The amount of equity issues (IPOs and capital raising) is likely to increase in 2010, acting as a drag in the market. We have written in earlier newsletters that the valuation of the MSCI Emerging Markets index has anticipated strong earnings growth for 2010. It is not at all unusual to have multiple expansion at this stage of a recovery, and the valuation does not look stretched in this context, but it gives scope for potential disappointment on timing. The flows into the emerging market equity asset class were approximately \$75 billion for 2009, more than making up for the \$50 billion outflow in 2008, and in contrast to the much reduced flows into developed market equity funds. Although we have a positive outlook for emerging markets this year, and still see significant upside in the portfolio, the biggest challenge to emerging markets performance in 2010 could be a revival of interest in developed market equities.

During December we sold **Grupo Televisa** (Mexican media) as it had reached our price target and traded on a price earnings ratio of 20. Grupo Televisa has a wonderful media franchise spanning the Mexican market, solid cash generation, and no debt. However, much of its merits had been reflected in the share price and we saw better opportunities elsewhere.

The bottom two performers by contribution in December were Buenaventura (Peruvian gold miner) and Petrobras (Brazilian oil). **Buenaventura** was negatively impacted by the correction in the gold price as the US dollar staged a year-end rally in December. The Brazilian market and oil were weak in early December, but recovered to the year-end. **Petrobras** failed to keep pace with the rally. There was no specific news flow in Petrobras.

The top two performers by contribution in December were Chaoda Modern (Chinese agriculture) and Gazprom (Russian gas). These are the two largest portfolio holdings. The strong performance of **Chaoda Modern** is the combination of several factors – heavy snow fall in China, a backdrop of rising food pricing globally, and a cheap valuation. The UN Food and Agriculture World Food Price Index has risen 20% from its March 2009 low. Food prices have the potential to become a hot topic in 2010. **Gazprom** is a natural beneficiary of the cold weather across Europe this winter, with gas demand well above normal, helping to offset the decline in usage and build in inventories from the economic slowdown. Ukraine has not caused a dispute this winter and polls suggest a pro-Kremlin candidate will be elected in their presidential elections in January.

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Fund Information as at 4th January 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% C shs = 0.75% plus 15% of out performance of benchmark MSCI Emerging Markets. I shs = 0.9%	Auditor	Deloitte
TER	A shs = 2.00% C shs = 2.00% I shs = 1.65%	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
Minimum Investment	The equivalent of €250,000	A shares ISIN	IE00B3DDVH01
Legal Advisers	Arthur Cox	A shares sedol	B3DDVH0
		C shares ISIN	IE00B3DDVJ25
		C shares sedol	B3DDVJ2
		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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