

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

DECEMBER 2010 NEWSLETTER 26

Fund Summary

4 th January 2011			
NAV of fund	US\$302.5		
A share unit price	US\$214.12		
I Share unit price	US\$135.37		
Performance			
	A Shares	I Shares	MSCI Emerging Markets (NDR)
December	+8.0%	+8.0%	+7.1%
2010	+22.8%	+23.2%	+18.9%
Since inception A*	+115.5%		+111.5%
Since inception A pa*	+42.7%		+41.5%
Since inception I**	-	+35.4%	+29.0%
Since inception I pa**	-	+27.5%	+22.6%

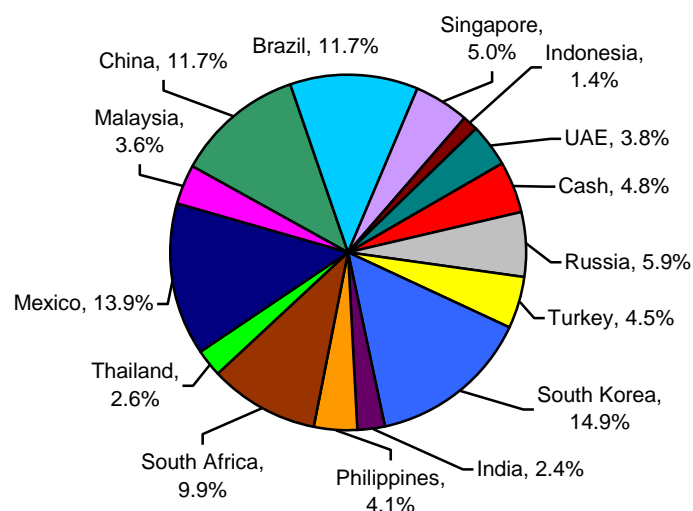
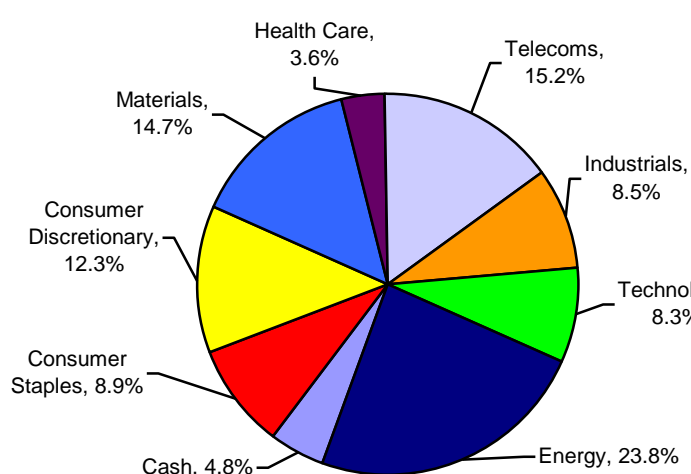
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Fiduciary Services (Ireland) Ltd. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.
 * A shares commenced on 3rd November 2008.
 ** I shares Inception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

Top Five Holdings *

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	8.3%	+14.9%
Petrobras	7.0%	+17.6%
SK Telecom	6.5%	+3.6%
Sasol	5.9%	+9.8%
Gazprom	5.9%	+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 December 2010



Source: Oldfield Partners LLP

Oldfield Partners LLP,
 130 Buckingham Palace Road, London, SW1W 9SA.
 Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
 www.oldfieldpartners.com

Oldfield Partners LLP is authorised and regulated by the Financial Services Authority

Oldfield Partners LLP has approved and issued this communication for private circulation only; it must not be distributed to private customers. Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This is not an invitation to subscribe for any of the funds mentioned herein. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. The value of all investments and the income from them can go down as well as up; this may be due, in part, to exchange rate fluctuations. Past performance is not a guide to future performance. Oldfield Partners LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. © 2011. Partnership No. OC309959

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

DECEMBER 2010 NEWSLETTER 26

Commentary

Global equity markets rallied strongly to the close of 2010, coinciding with the Federal Reserve initiating a second phase of monetary easing. The Chinese authorities have estimated that 40 cents in the dollar of quantitative easing in the US ends up in China. It is little wonder that inflation and currency controls are the topics of the moment in emerging markets. How the key emerging markets deal with inflation and liquidity inflows will be an important test for the asset class in 2011. To date inflation across the key emerging market countries is between 5% and 8% per annum, despite solid economic growth, and policy responses have been well measured.

We believe that valuations remain attractive in emerging markets trading at a forward price earnings ratio of 12 and a price to book ratio of 2. This is in line with average historic valuations for the asset class. The return on equity for emerging markets remains healthy at 15% and has been achieved without recourse to leverage; in fact the net debt to equity ratio in emerging markets remains historically low at 20%. There is ample scope for emerging market companies to increase returns to shareholders by increasing dividends or share buy backs. Arguably currencies in emerging markets remain relatively undervalued given the attractive economic fundamentals and may see the next phase of readjustment. Longer term we view the inflows into and expansion of emerging market equity as a healthy move to address its under-representation in the world; with emerging markets contributing 50% of global gross domestic product (on a purchasing power parity basis) against its approximate 14% weight in global equity indices.

The top three performers this month by contribution were Samsung Electronics, Ternium, and Petrobras. **Samsung Electronics** (Korean consumer electronics) continued its solid performance in the last two months of 2010 and we wrote about the merits of this company last month. The valuation remains attractive on a forward price earnings ratio of 8.5 and with net cash. **Ternium** (Mexican steel producer) announced terms had been reached with Venezuela for the payment of the final tranche of its compensation (US\$250 million) following the nationalisation of Sidor in 2008. The valuation of Ternium remains attractive on a forward price earnings ratio of 11 and with net cash. **Petrobras** (Brazilian oil producer) responded to gains in the oil price, but also positive company specific news on a strong increase in production growth for November and December, and an upgrade to the estimated recoverable reserves in the Tupi area (the first of the discoveries in the prolific deepwater Santos basin).

The bottom three performers this month by contribution were Top Glove, Chaoda, and Eros. **Top Glove** (Malaysian rubber glove manufacturer) continues to be negatively impacted by the rise in the natural rubber price to an all time high. The rubber price has increased by 60% in 2010. Top Glove has a history of passing on raw material price increases with a short lag, although this may be complicated by the speed of the rubber price rise and inventory accumulation from the swine flu pandemic. **Chaoda** (Chinese agriculture) has continued to lag following its surprise equity issuance earlier in the year, despite the background of news flow on increasing vegetable prices in China. **Eros** (Indian Bollywood films) did not participate in the year-end rally, and there was little news flow on the stock. We remain attracted to the solid long term fundamentals and valuation of the stock trading on a price earnings ratio of 9.

Oldfield Partners LLP,

130 Buckingham Palace Road, London, SW1W 9SA.

Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com

www.oldfieldpartners.com

Oldfield Partners LLP is authorised and regulated by the Financial Services Authority

Oldfield Partners LLP has approved and issued this communication for private circulation only; it must not be distributed to private customers. Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This is not an invitation to subscribe for any of the funds mentioned herein. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. The value of all investments and the income from them can go down as well as up; this may be due, in part, to exchange rate fluctuations. Past performance is not a guide to future performance. Oldfield Partners LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. ©2011. Partnership No. OC309959

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

DECEMBER 2010 NEWSLETTER 26

The valuation of the portfolio remains attractive on a forward price earnings ratio of 12, a price to book ratio of 1.8, and with our expectations of 21% earnings growth for this year. The portfolio turnover in 2010 was a little over 30% and we ended the year with 20 holdings.

Fund Information as at 4 th January 2011			
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 = 0.90%	Auditor	Deloitte
TER	A shs = 1.48% I shs = 1.13%	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.

Oldfield Partners LLP,
130 Buckingham Palace Road, London, SW1W 9SA.
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
www.oldfieldpartners.com

Oldfield Partners LLP is authorised and regulated by the Financial Services Authority

Oldfield Partners LLP has approved and issued this communication for private circulation only; it must not be distributed to private customers. Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This is not an invitation to subscribe for any of the funds mentioned herein. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. The value of all investments and the income from them can go down as well as up; this may be due, in part, to exchange rate fluctuations. Past performance is not a guide to future performance. Oldfield Partners LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. ©2011. Partnership No. OC309959