

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

DECEMBER 2011 NEWSLETTER 38

Fund Summary

30 th December 2011			
NAV of fund	US\$246.6m		
A share unit price	US\$159.90		
I Share unit price	US\$101.14		
Performance			
	A Shares	I Shares	MSCI Emerging Markets (NDR)
December	-1.5%	-1.5%	-1.2%
2011	-25.0%	-24.7%	-18.4%
2010	+22.8%	+23.2%	+18.9%
Since inception A*	+61.7%	-	+72.6%
Since inception A pa*	+16.5%	-	+18.9%
Since inception I**	-	+2.0%	+5.3%
Since inception I pa**	-	+0.9%	+2.3%

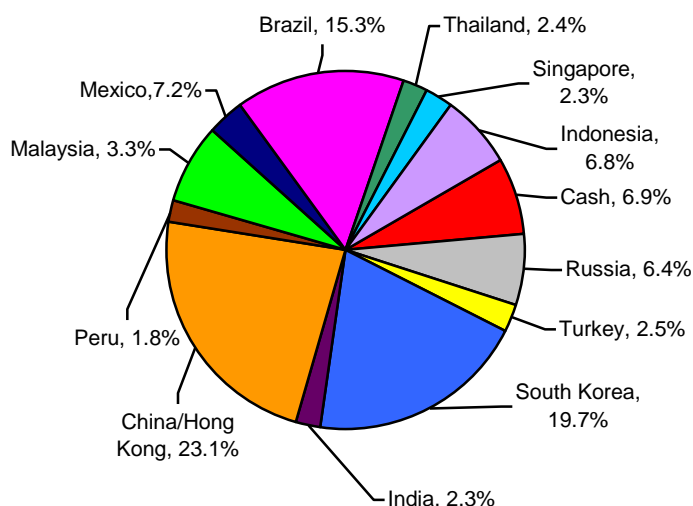
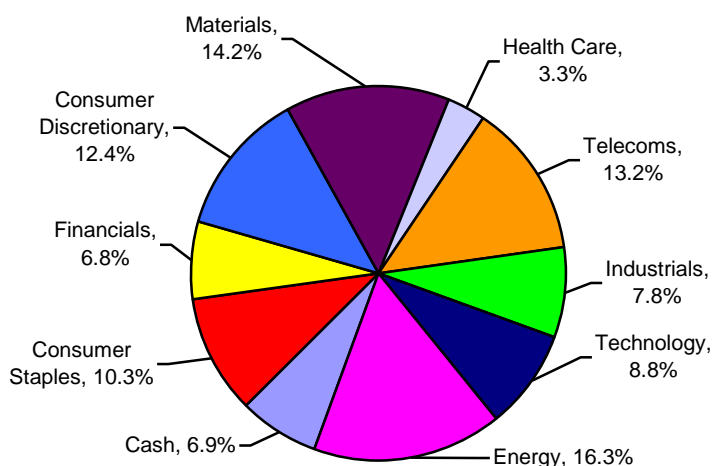
Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd. Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.
 *A shares commenced on 3rd November 2008.
 **I shares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

Top Five Holdings*

Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	8.8%	+5.4%
Embraer	7.8%	-1.2%
Petrobras	7.5%	-6.3%
First Pacific	6.8%	-4.2%
Gazprom	6.4%	-7.3%

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

Sector and country breakdown as at 30th December 2011



Source: Oldfield Partners LLP

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Commentary

It was a disappointing 2011 for the fund as well as for emerging market equities. The main detractors from performance were our Chinese holdings and our Mexican house builder Geo, which we have covered in earlier reports. Overall emerging markets remain in solid financial health, and with inflationary pressures looking to ease in 2012 there is scope for monetary policy initiatives.

Among the top performers by contribution during the month was Yue Yuen and over the fourth quarter Samsung Electronics stood out. **Yue Yuen** (Hong Kong footwear manufacturer) reported subdued full year results with margins under pressure from Chinese labour costs. Growth momentum remains buoyant across its key products and markets despite the global economic backdrop, and 2012 will be helped by the European Cup and the Olympics. The stock trades on a price earnings ratio of 11 and a dividend yield of 3.5%. **Samsung Electronics** (Korean consumer electronics) is performing well across most of its divisions, but the telecom business is excelling with a leading range of products and industry leading margins. In semiconductors Samsung again looks to distance itself from its peer group this cycle. The only negative is the lacklustre television business, but this is a sector wide problem. Samsung trades on a price earnings ratio of 11 and has net cash.

Among the bottom performers by contribution during the month were Huabao International and SK Telekom. **Huabao** (Chinese flavour & fragrances) was weak following its first half results which showed a slowdown in the growth of the core tobacco flavourings business. We view the company's increase in its interim dividend payout ratio to 50% (including a special dividend) as a positive and sustainable. It trades on a price earnings ratio of 8.5, with net cash, and a historic dividend yield of 3.5% (excluding special dividends). **SK Telekom** (Korean telecom) fell as it went ex-dividend during the month and it has a 6.5% dividend yield. In the background sentiment was pressured by corruption charges being brought against the son of the SK Group founder who holds the position of Vice Chairman of SK Holdings and the death of the North Korean leader Kim Jong-il.

The portfolio has a historic price earnings ratio of 10, price to book ratio of 1.5, and net debt to equity of 10%. There are always worries in emerging markets, and further afield, but the present valuation provides a cushion and suggests upside potential.

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Fund Information as at 30 th December 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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