

OLDFIELD PARTNERS LLP

OVERSTONE EMERGING MARKETS EQUITY FUND

DECEMBER 2012 NEWSLETTER 50

Fund Summary

31 st December 2012			
NAV of fund	US\$307.6m		
A share unit price	US\$187.96		
I Share unit price	US\$118.75		
Performance			
	A Shares	I Shares	MSCI Emerging Markets*
December	+3.7%	+3.7%	+4.9%
2012	+17.8%	+18.2%	+18.2%
Since inception A**	+90.5%	-	+104.0%
Since inception A per annum**	+16.8%	-	+18.7%
Since inception I**	-	+20.5%	+24.4%
Since inception I per annum**	-	+5.9%	+7.0%

*Net Dividends Reinvested.

**A shares commenced on 3rd November 2008 and I shares on 1st October 2009.

Performance is calculated net of all fees and expenses and on a total return basis, inclusive of all distributions to unit holders.

Source: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Intl. Fund Administrator Services (Ireland) Ltd.

Top Five Holdings*

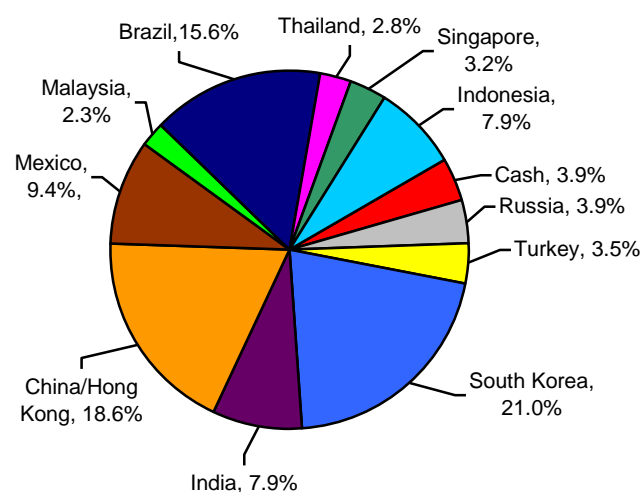
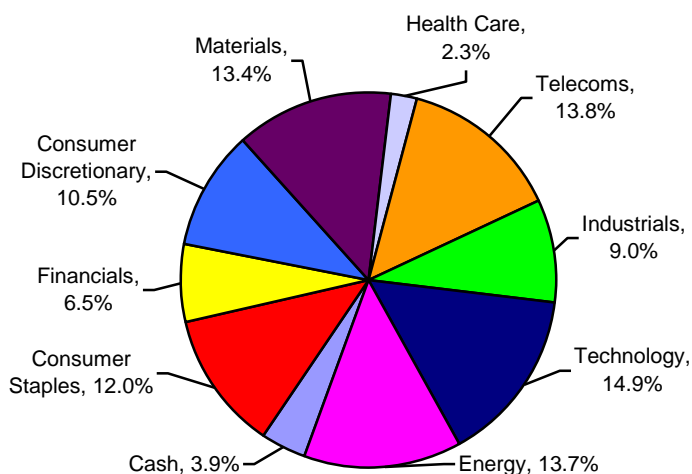
Stock	Portfolio Weighting	Monthly Performance (local terms)**
Samsung Electronics	9.5%	+8.3%
Embraer	8.8%	+14.8%
Lee & Man Paper	7.1%	+5.8%
Petrobras	6.8%	+10.0%
First Pacific	6.5%	+4.5%

*As at end of period.

**Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg.

Sector and country breakdown as at 31st December 2012



Source: Oldfield Partners LLP.

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Commentary

December was a strong month for the MSCI Emerging Markets Index. Despite a helpful cyclical bias to the portfolio it underperformed for the month. For the year Asia solidly outperformed the other emerging market regions, followed by Eastern Europe, and lastly Latin America. The recovery of investor sentiment towards China, following a successful leadership transition, and the fall in investor sentiment towards Latin America, with interventionist rhetoric spreading, was notable.

The bottom three performers during the month by contribution were KT&G, Infosys, and Yue Yuen. **Infosys** (Indian IT services) cautioned that recovery in IT services could be slow and that 2013 would be another challenging year. Pricing has held up, but the industry remains competitive with fewer and more delayed deals. Investors knew the recovery would be slow. On the positive side Infosys has been competing harder for deals recently and has scope to reduce headcount if needed. **Yue Yuen** (Hong Kong footwear manufacturer) announced full year results at the end of November. Over the last year the company has sought to improve long term competitiveness by moving further inland in China, which has led to short term margin pressure from lower productivity, overtime costs, and logistic challenges, but should see gross margins normalising over the next year.

The top three performers during the month by contribution were Embraer, Petrobras, and Samsung Electronics. **Embraer** (Brazilian regional jet manufacturer) and **Petrobras** (Brazilian oil & gas) had good December performances reversing the poor performances of the prior month. There was little news to report. A positive comment by the Brazilian Finance Minister led hopes for a fuel price rise early in 2013 to benefit Petrobras. **Samsung Electronics** (Korean consumer electronics) continued to perform well as investors look to the fourth quarter results, and the year ahead looks to be positive on solid smartphone sales, recovery in semiconductors, and stabilisation in the screens businesses.

The portfolio is trading on a price to book ratio of 1.8 and a forward price to earnings ratio of 11 based on expected earnings growth of 15% over the year. We see 53% upside to the weighted average of the price targets of the holdings in the portfolio. With a reasonable valuation and solid growth backdrop the outlook for emerging markets in 2013 remains attractive.

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Fund Information as at 31 st December 2012			
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 = 1.45% I shs = 1.10%	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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