

OLDFIELD PARTNERS LLP

EMERGING MARKETS INVESTMENT REPORT

FEBRUARY 2010

Performance Summary as at 26th February 2010

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
February*	+0.0%	+0.4%
2010 to date*	-1.6%	-5.2%
2009	+83.8%	+78.5%
2008	-46.6%	-53.3%
2007	+32.0%	+39.4%
2006	+30.9%	+32.2%
2005	+35.9%	+34.0%
2004	+14.1%	+25.6%
2003	+101.4%	+55.8%
2002	+5.9%	-6.2%
2001	+10.8%	-2.6%
Since Inception**	+511.09%	+248.3%
Since inception pa**	+21.9%	+14.6%

* Estimate used for February 2010.

** Inception 01 Jan 2001.

Performance figures are of the Emerging Markets Equity Composite, calculated net of all fees and expenses and on a total return basis inclusive of dividends, inclusive of all distributions to unit holders.

Source: Rawlinson & Hunter, Alta Advisers Ltd, Oldfield Partners LLP, MSCI © and Bloomberg.

Performance of Five Largest Holdings *

	Portfolio Weighting * %	Monthly Performance (local terms**)	Monthly Performance (US\$ terms**)
Gazprom	7.3	-9.6%	-9.6%
Samsung Electronics	6.3	-5.1%	-4.7%
First Pacific	5.7	-3.9%	-3.9%
Corp GEO SAB	5.6	+8.4%	+10.6%
Yue Yuen Industrial	5.5	-2.1%	-2.1%

*As at end of period, using the Overstone Emerging Equity Fund.

**Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg

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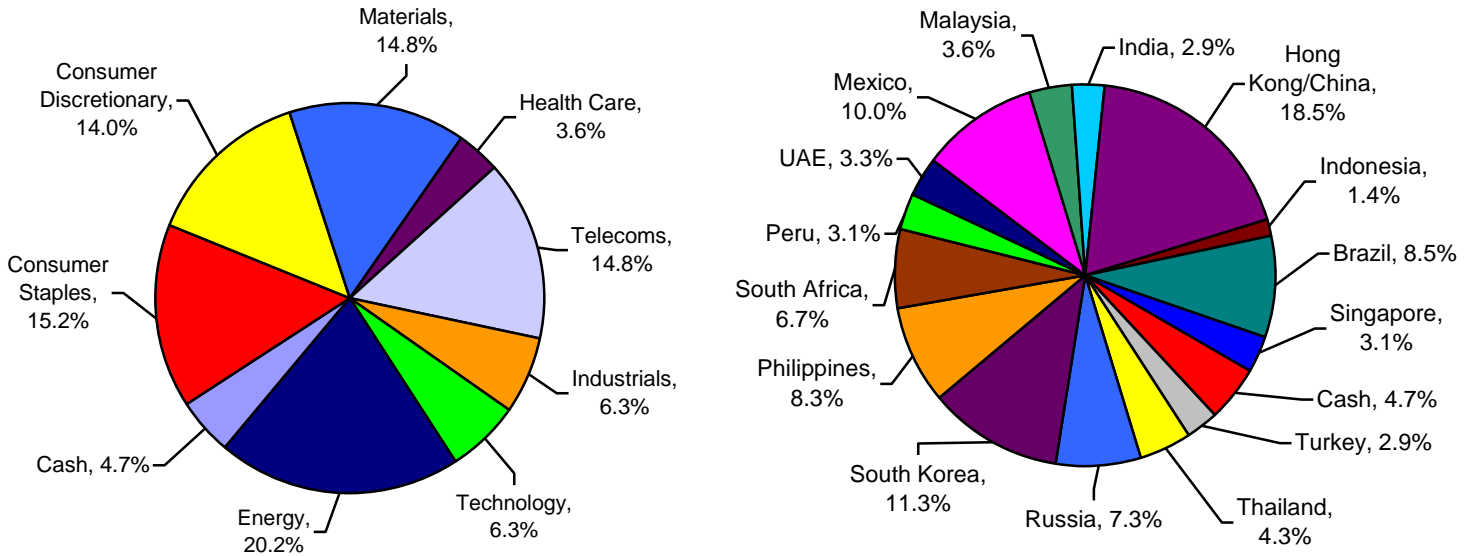
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Sector and country breakdown as at 26th February 2010



Source: Oldfield Partners. Overstone Emerging Markets Fund.

Commentary

Equity markets had a lot of news to digest in the month from the fiscal crisis in Greece, Turkish and Thai political tensions, Dubai simmering in the background, and even the Dalai Lama's US visit sparking tension in US/China relations. The US dollar continued to strengthen throughout the month and noises about monetary tightening in numerous markets continued to weigh on sentiment.

The top three performing stocks by contribution during the month were Universal Robina, Ternium, and Chaoda Modern. **Universal Robina** (Philippino consumer foods) had a stunning set of first quarter results showing solid sales and profit growth. The stock has number one or two market positions in most of the domestic consumer categories it operates in. It was pleasing to see the foreign operations performing well. Margins improved partly on lower input prices, and management remained upbeat on the margin being sustainable into 2010. Management have proposed an increase in the dividend and continue share buy backs. The stock trades on a price earnings ratio of 13 and has no net debt. **Ternium** (Mexican steel producer) had solid fourth quarter results. Management gave positive near term guidance based on stable margins and improving shipments, but remained wary of forecasting the year ahead. Drama came from a late payment of an instalment owed by Venezuela for the confiscated asset Ternium had in the country. Venezuela is half way in the agreed payment plan for the confiscated asset. Ternium has a solid balance sheet regardless of whether any further payments are made. Importantly Ternium produces 60% of its own iron ore requirements insulating it from any increase in the raw material. **Chaoda Modern** (Chinese

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agriculture) repaid the last of its debt during the month, which should raise management credibility, although leaving the company with an overly strong balance sheet. We applaud the move towards a more balanced approach to growth and cash flow generation. Chaoda trades on a price earnings ratio of 7 and at a hefty discount to peers focused on Chinese agriculture.

The bottom three performing stocks by contribution during the month were DP World, Gazprom, and Turkcell. **DP World** (Dubai Ports) continues to be volatile on the news flow from the city state. **Gazprom** (Russian gas) had its third quarter results and an upbeat investor day during the month. Management believe the current demand supply imbalance to the European market will be resolved by 2011. The company trades on a price earnings ratio of 5 and at \$1 per barrel of oil equivalent in the ground. **Turkcell** (Turkish mobile) was caught by the political issues in Turkey and gave back its gains from January. Tension mounted between the military and the ruling AKP party regarding a number of arrests of military personnel allegedly involved in a coup attempt in 2003. Turkcell trades on a price earnings ratio of 10, a dividend yield of 5.5%, and has a strong balance sheet.

China continues to be a topic on investors' radar and we often get asked about our exposure to this country. The MSCI China index trades on a slight discount to the MSCI Emerging Markets benchmark index on a price earnings basis and on a price to book ratio of 2.5. In the mid- 1990s the communist party took three significant steps. First, it recognised a command economy was no longer viable and sacked some 45 million state workers between 1995 and 2001. Second, it privatised the housing market, moving rapidly to 70% urban homeownership. Third, it encouraged entrepreneurs, allowing the private sector to grow from 17% of GDP in 1990 to nearer 70% today. These and other measures have created a consuming urbanised middle class in China, and more recent measures have promoted the rural population and created a basic social safety net. We believe that China is slowly and steadily moving from an export model towards a more balanced model with greater domestic consumption.

There are some concerns that near term the high growth rates in China are no longer sustainable against a backdrop of slower global growth and as the stimulus packages wane. The evidence for this case is bank lending growth, overcapacity in some industries, and asset price growth due to the government's stimulus measures. Lending looks to have been focused on the old state owned enterprises and local governments. Some commentators have noted an implied promise by Beijing to absorb bad loans by the banks akin to the recapitalisations we saw some years ago. Premier Wen has highlighted at the highest level the imbalances in the Chinese economy and society, whilst continuing to target 8% economic growth per annum. The background to the Chinese economy looks positive with low inflation, rising real incomes, strong personal, corporate, and government balance sheets (albeit arguably less so at the provincial level), and an optimistic urbanising population. One quarter of properties are sold for cash, half of all buyers are required to pay 40% in cash, and about 20% of properties are sold to investors. The percentage of the population living in urban areas has increased to 47% in 2009 and this will likely continue to increase over time to levels seen in other Asian countries. Fantastic infrastructure is not ubiquitous in China and so continued spending in this area can be justified over the longer term. The GDP/capita in China is approximately \$3,000 (or \$6,000 on a purchasing power parity basis) so this is still a country building from a low base. Our Chinese exposure is based on stock selection, rather than a need

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to be in China, and currently focused on agriculture, forestry, satellites, and shoe manufacture. Chaoda Modern (agriculture) is trading on 7 times earnings, Sino-Forest (forestry) on 15 times earnings, Asia Satellite (communications) on 8 times earnings and Yue Yuen (footwear) on 12 times earnings. Sino-Forest is the most economically sensitive of our stocks. Although there may be areas of over excitement in Chinese equities we are happy with the prospects and valuation of our Chinese stocks.

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