

OLDFIELD PARTNERS LLP

EMERGING MARKETS INVESTMENT REPORT

SEPTEMBER 2010

Performance Summary as at 30th September 2010

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
September*	+7.9%	+11.1%
2010 to date	+10.0%	+10.8%
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**	+538.6%	+307.1%
Since inception pa**	+21.8%	+15.5%

* Estimate used for September 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**)
Samsung Electronics	7.7	+2.8%	+8.4%
Petroleo Brasileiro	6.8	+11.0%	+11.0%
SK Telecom	6.6	+9.1%	+9.1%
Yue Yuen Industrials	6.2	+12.7%	+13.0%
Gazprom	6.1	+1.4%	+1.4%

*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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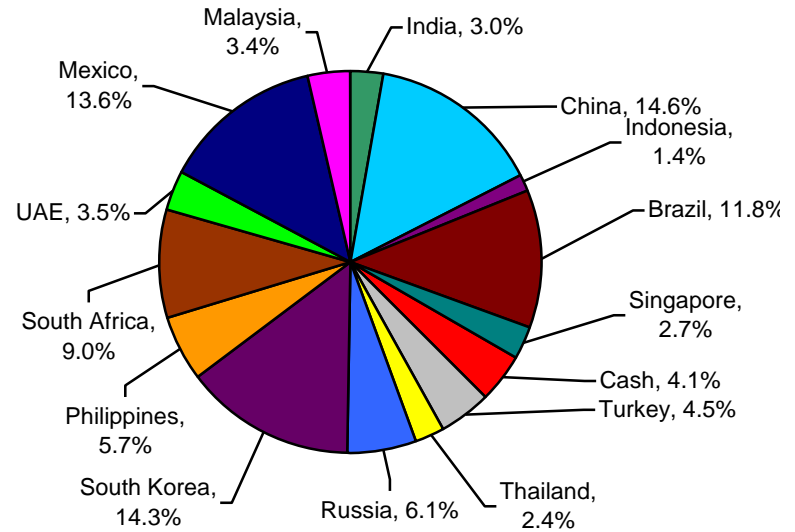
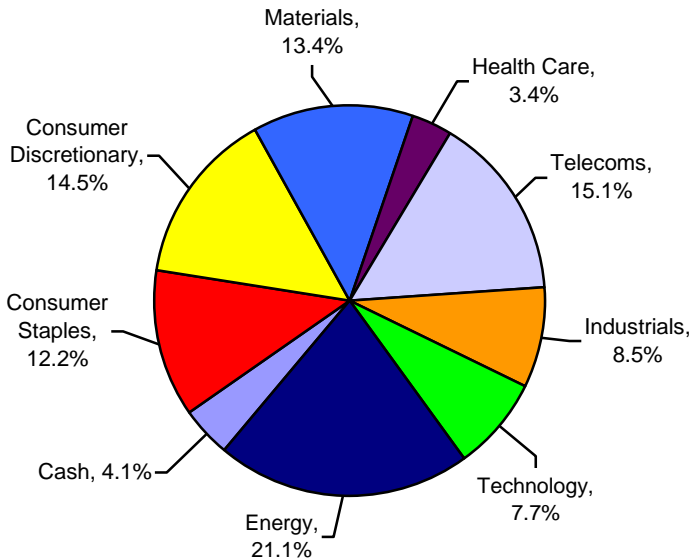
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Sector and country breakdown as at 30th September 2010



Source: Oldfield Partners. Overstone Emerging Markets Fund.

Commentary

Commentators have noted that equity markets are following an almost monthly pattern of 'risk on' and 'risk off' this year. Volatility can create opportunity. Most importantly valuations across emerging markets remain reasonable against a sanguine backdrop for the asset class.

The level of equity issuance, from initial public offerings and equity raisings, in emerging markets continues to concern. Petrobras completed its long awaited equity issue during the month. In the portfolio we have seen Petrobras, Chaoda, and Ezra use the market to raise equity recently. Where we can see the proceeds being used to fund sensible longer term growth strategies we remain supportive. However, generally our holdings in the portfolio have strong balance sheets to fund growth or increase shareholder returns. We view a bit more leverage from unusually low levels as a positive factor for these companies, and a supporting factor to the medium term performance of emerging markets.

The top two performers by contribution this month were First Pacific and Yue Yuen. **First Pacific** is a Hong Kong listed holding company with the bulk of its net asset value comprised of Philippine Long Distance Telephone (PLDT) and Indofood (Indonesian consumer foods). Both PLDT and Indofood are listed in their respective markets and have performed well in 2010. First Pacific has long been accused of neglecting its discount to net asset value and has begun to address this by instituting a formal

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dividend policy, a share buy-back programme, and communicating a more focused corporate growth strategy. We view the current 45% discount to net asset value as unreasonable. **Yue Yuen** (Hong Kong listed footwear manufacturer) had a good set of third quarter results showing solid demand for athletic and casual shoes. Rising costs in China are a concern in the near term, but Yue Yuen is able to pass on costs to its customers and remains well positioned in its industry.

The bottom two performers by contribution were **Top Glove** and Sino-Forest. Top Glove (Malaysian latex glove manufacturer) suffered as latex prices rose and the local currency strengthened. Top Glove has historically been able to pass on cost increases to its end customers. Industry inventory adjustment following the global flu pandemic has run its course, and end demand remains buoyant with greater healthcare awareness globally. There was no news flow about **Sino-Forest** (Chinese forestry) during the month, but the general picture for Chinese property remains downbeat.

During the month we sold our long standing holding in the Peruvian gold miner **Buenaventura**. Over the last two years the share price of Buenaventura has comfortably outpaced the gold price, and it has again been a strong performer in 2010. The stock had reached our price target, and we felt uncomfortable increasing our gold price assumptions further from this level. The gold price may well move higher from here, as there are many supporting factors, but it is already at historic highs.

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