Oldfield Partners LLP
Emerging Markets Investment Report
January 2010

Performance Summary as at 29th January 2010

US$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
January*	-1.4%	-5.6%
2009	+83.9%	+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**	**+512.3%**	**+247.1%**
Since inception pa**	**+22.1%**	**+14.7%**

* Estimate used for January 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 *

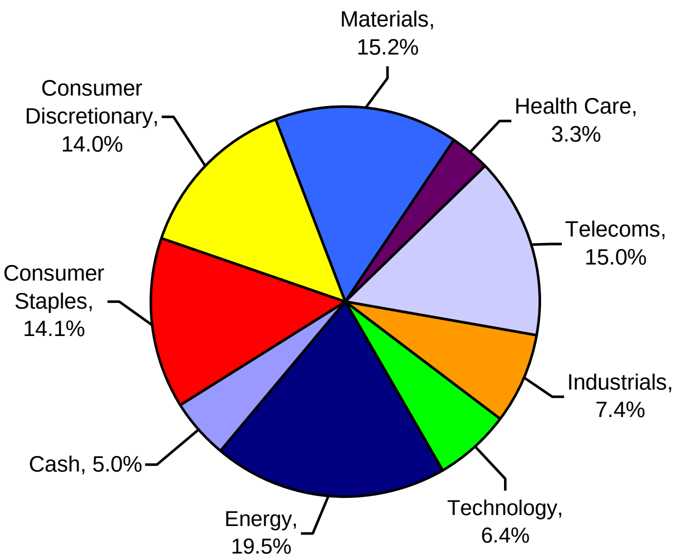
	Portfolio Weighting * %	Monthly Performance (local terms**)	Monthly Performance (US$ terms**)
Gazprom	7.4	-3.5%	-3.5%
Samsung Electronics	6.4	-1.9%	-1.4%
First Pacific	5.8	-8.4%	-8.6%
Yue Yuen Industrial	5.5	+7.6%	+7.4%
Corp GEO SAB	5.3	-0.1%	+0.3%

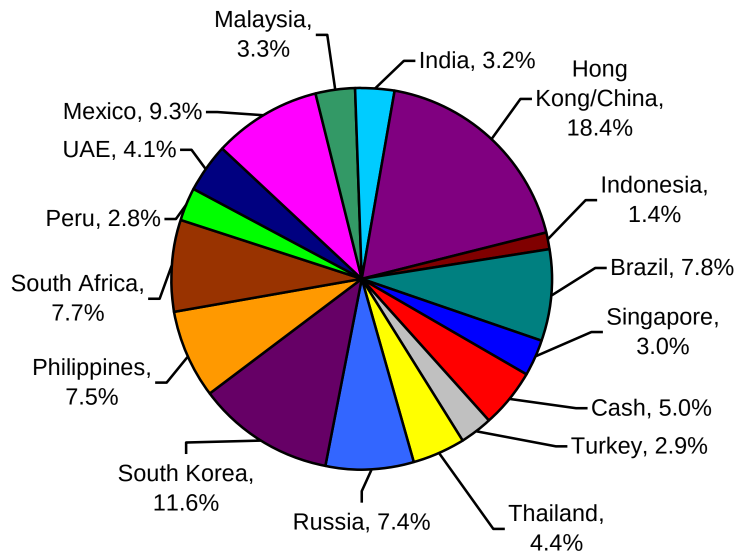
*As at end of period, using the Overstone Emerging Equity Fund.
**Total return inclusive of dividends.
Source: Oldfield Partners LLP and Bloomberg

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
Emerging Markets Investment Report
January 2010

Sector and country breakdown as at 29th January 2010





Source: Oldfield Partners. Overstone Emerging Markets Fund.

Commentary

Equity markets have had a shaky start to the New Year. We highlighted monetary tightening and equity issuance last month as factors that may weigh on investor sentiment. Added uncertainty from the fiscal position of Greece, lack of direction from the World Economic Forum in Davos, increased bank regulation in the US, and an incident with Google in China added to investor nerves. Chinese macroeconomic data releases formed the backdrop for the start of the year, notably the fourth quarter economic growth figure of 10.7%, buoyant trade data, an uptick in inflation, and curbs on bank lending practices.

We sold two positions in the month, Asian Citrus and Sinotrans Shipping. **Asian Citrus** (Chinese orange grower) has been a wonderful performer rising over 230% last year and reached our price target. The company is the largest listed grower of oranges in China. In stark contrast to its local peers it operates modern orchards that it acquired from Tropicana following its takeover by PepsiCo. An additional listing in Hong Kong in November 2009 has attracted a new investor audience to the merits of the stock. When we value Asian Citrus we strip out the gains from biological assets in the profit and loss account, as we feel this item is not a true reflection of the profit generation of the company in the year. Gain on biological assets is an accounting entry reflecting the growth of the valuation of the trees over the year and can have a notable affect on the profit figure. The headline price earnings ratio for the stock is around 9, but adjusted for biological asset gain the price earnings ratio is 18. **Chaoda Modern**

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

(Chinese vegetable grower) still holds 28% of the company and so the portfolio retains a small indirect exposure. As part of our due diligence on Chaoda we were one of the first investors to visit the assets before its listing in 2005 and have remained impressed by the management, the business model, and assets since.

Sinotrans Shipping (Chinese ship operator) has been a volatile holding, although rewarding, and we were able to exit at our price target. We were not sufficiently nimble on the previous two very brief opportunities we had to exit. The company reached an unreasonably low valuation in the downturn – trading at the value of its net cash. The young fleet operated by the company remained profitable despite the collapse in freight rates. This outweighed our concerns on excess capacity in the industry and the likelihood that freight rates will remained subdued. We prefer to play the normalisation of global trade through the port operator DP World with its wide spread of emerging market port assets.

The top three performers by contribution during the month were DP World, Top Glove and Yue Yuen. **DP World** (Dubai port operator) understandably performed poorly last year because of the events in Dubai. The company has reassured investors that it is ring-fenced from the restructuring at its parent and able to meet its financial obligations. During the month we attended an investor day in Dubai hosted by the management team detailing its growth strategy skewed to the growth on emerging market trade. **Top Glove** (Malaysian latex gloves) and **Yue Yuen** (Hong Kong footwear manufacturer) performed well on the back of their steady earnings characteristics. There was no news flow in Top Glove, and latex gloves continued to be used in the medical and food preparation industries regardless of shaky equity markets. Yue Yuen had full year results that were reassuringly solid and trades on a price earnings ratio of 12 and a 3.5% dividend yield.

The bottom three performers by contribution during the month were Ternium, Petrobras, and First Pacific. Materials and commodity sectors performed poorly in the month, which hurt **Ternium** (Mexican steel) and **Petrobras** (Brazilian oil). Investors continue to worry about the upcoming energy bills in Brazil, and especially the process to value the five billion barrels of oil reserves in the pre-salt area the government will exchange for Petrobras shares. Although it looks like all parties will behave correctly, coming in an election year this adds an extra level of uncertainty. **First Pacific** (Hong Kong holding company) trades at a 55% discount to its net asset value, which largely comprises of two liquid listed stocks. Although we feel this discount is unwarranted there is no catalyst on the horizon to narrow it.

Emerging markets accounted for 21% of global GDP in US$ terms in 1999 and are forecast by the IMF to be 36% in 2010. Emerging markets continue to increase their share of global equity market capitalisation (as defined by the MSCI ACWI), which has risen from 4% in 2002 to 13% in 2009. Developing countries account for about 80% of the world's population, and their working age population continues to increase as do their levels of urbanisation. The trend rather than the numbers are the important part though, and point to the increasing role that emerging markets will play in the world. China and India were one quarter the size of US oil demand only in 2001, but will likely exceed the US by 2021. The growth in consumer demand for automobiles and personal computers in developing countries far exceeds the growth in developed countries, coming from a low base. Global growth indicators continue to point to recovery, with developing markets' economic growth expected to be around 6.5% and 2% for the developed world in 2010. Emerging markets have over $6 trillion worth of reserves and importantly their banking systems are functioning (if not best in class at credit allocation). None of the above necessarily translates into equity market performance, but it does add a helpful tail wind, and importantly this is from a reasonable level of equity market valuation. In the past we have found that when people have a look of pity when you say you are in emerging markets or laugh at an individual stock choice this has been a good guide to future outperformance. However, it is of some concern that this happens less often of late.

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