Oldfield Partners LLP
Emerging Markets Investment Report
August 2010

Performance Summary as at 31st August 2010

US$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
August	-3.1%	-1.9%
2010 to date	+2.0%	-0.3%
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**	**+533.5%**	**+266.4%**
Since inception pa**	**+21.0%**	**+14.4%**

** 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	7.0	-6.7%	-7.8%
SK Telecom	6.6	-2.2%	-2.2%
Gazprom	5.9	-4.1%	-4.1%
Yue Yuen Industrials	5.8	+1.2%	+1.0%
Turkcell	5.4	+9.3%	+9.3%

*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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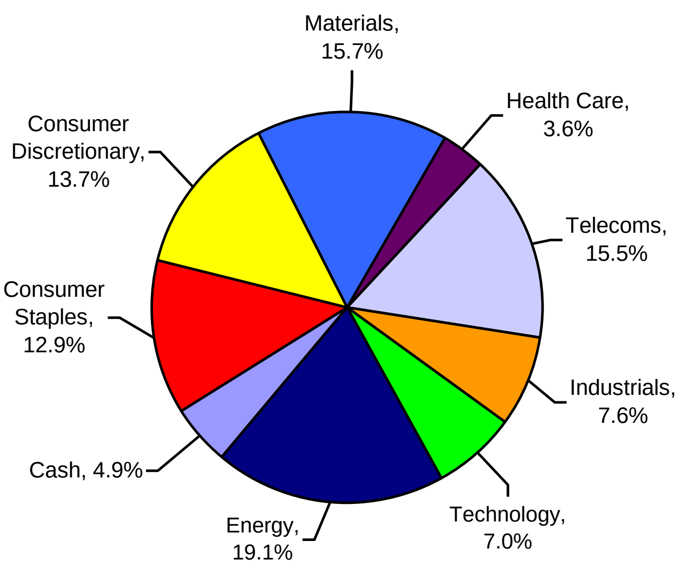
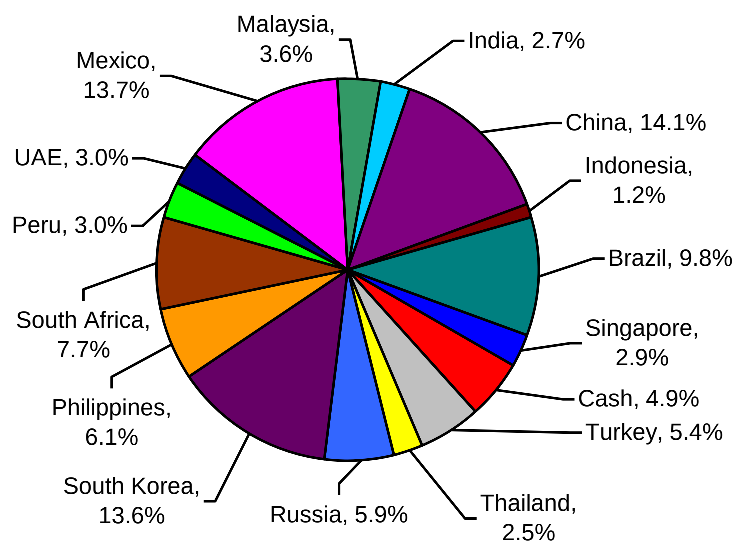
Sector and country breakdown as at 31st August 2010





Source: Oldfield Partners. Overstone Emerging Markets Fund.

Commentary

The bottom three performers during the month by contribution were **Chaoda** (Chinese agriculture), **Samsung Electronics** (Korean electronics), and **Ternium** (Mexican steel producer). Chaoda was the largest disappointment, unexpectedly raising new equity for expansion. This is despite giving the firm impression from last year that its strategy was to grow at a moderate pace compared with past history and having a clean balance sheet. Raising debt would have been preferred. The surprise move looks to have been prompted by government concern over increasing vegetable prices (partly due to weather events). This concern has led to top level government meetings on supply and even rumours of a vegetable reserve being established. Management met with local officials to discuss the problem and this seems to have led to the return to a growth strategy. The Chairman is of a generation that responds to official suggestion. Unfortunately this occurred against a background of a peer delaying its annual results on request of the auditor for further clarification. This is another instance of bungled communication with investors and casts doubt over management credibility. The annual results are mid-October where the management will clarify the strategy. Chaoda trades on a price earnings ratio of 5.

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The top three performers during the month by contribution were Sino-Forest, Turkcell, and Eros International. **Eros** (Bollywood films) has attracted interest ahead of its Indian listing and proposed move from the London AIM market to a full listing. **Sino-Forest** (Chinese forestry) had a solid set of results, easing concerns over the effect of the property slowdown in China. **Turkcell** (Turkish telecoms) reported solid second quarter results and gained as Vodafone looks to be shifting to a less aggressive marketing strategy in Turkey.

We currently have 22 holdings in the portfolio. August saw a continuation of the volatile trading pattern we have seen in 2010. Our trading activity year to date has been limited. We have sold three of our smaller positions (Asia Satellite, Sinotrans Shipping, and Asian Citrus) and bought a new position in **Femsa** (Mexican beverage) which has three main businesses: beer, cola, and convenience stores. Femsa owns 54% of Coca-Cola Femsa, 20% of Heineken, and 100% of the convenience store operator Oxxo. Coca-Cola Femsa is the largest global Coke bottler outside of the US serving the Latin American markets. Oxxo is a fast growing operator of convenience stores in Mexico, which remains under-penetrated and characterised by ‘mom & pop’ operations. The company has no debt, declining capital expenditure needs, and solid free cash flow. Over time we see Femsa reviewing its corporate structure and strategy, which could see increased returns or spin-offs coming to shareholders.

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