

OLDFIELD PARTNERS LLP

EMERGING MARKETS INVESTMENT REPORT

OCTOBER 2009

Performance Summary as at 30th October 2009

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
October*	-0.6%	+0.1%
2009 to date*	+66.3%	+64.7%
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**	+461.9%	+239.1%
Since inception pa**	+21.6%	+14.8%

* Estimate used for October 2009.

** Inception 01 Jan 2001.

Performance figures are of the Emerging Markets Equity Composite, calculated 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	7.5	+3.9%	+3.9%
Petroleo Brasileiro	6.4	+2.6%	+2.6%
Chaoda Modern Corp GEO	5.9	+29.5%	+29.5%
Corp GEO	5.2	-4.4%	-2.4%
Samsung Electronics	5.1	-11.3%	-12.3%

*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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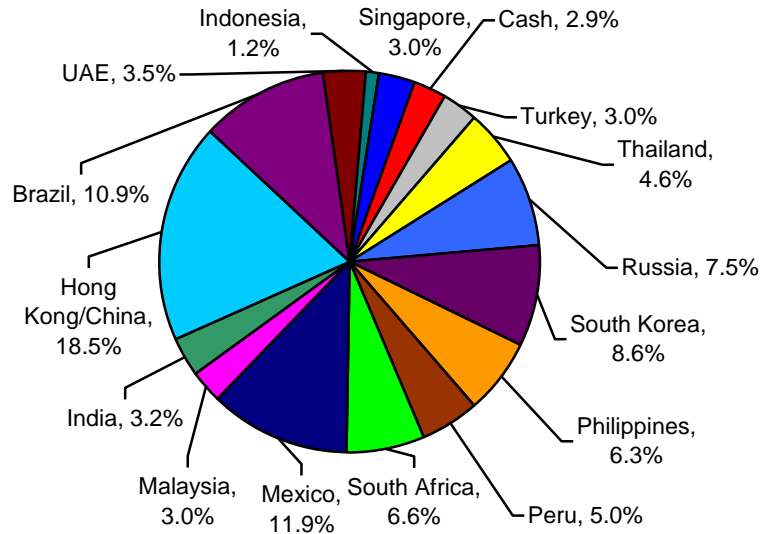
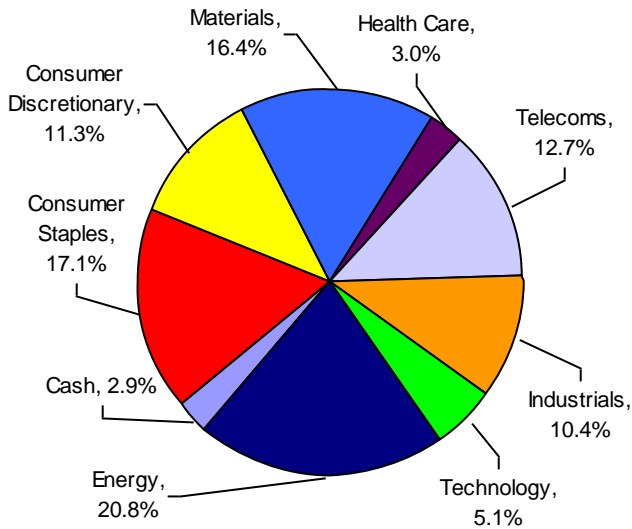
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Sector and country breakdown as at 30th October 2009



Source: Oldfield Partners. Overstone Emerging Markets Fund.

Commentary

October proved to be a volatile month for Emerging markets with the index rallying 7% by mid month only to fall back to its starting point by the month end. Broadly speaking macro conditions in the world remain positive for emerging market equities, with central banks likely to remain biased towards stimulus and valuations looking reasonable.

The top three performing stocks (by contribution) during the month were Chaoda Modern, Asian Citrus and Top Glove. **Chaoda Modern** (Chinese vegetables) had another solid set of full year results with sales increasing 22% and recurring profit increasing 9%. Headline profit was far higher due to exceptional items. The management reiterated the strong growth strategy. The company has a solid balance sheet to meet capital expenditure and a debt repayment in February 2010. The results went a long way to reassure investors following communication hiccups earlier in the year surrounding its capital raising. The stock trades at book value and on a price earnings ratio of 5, which is half the valuation of its closest peers. **Asian Citrus** (Chinese orange grower) continued its steady share price rise ahead of a stock split and proposed additional listing on the Hong Kong stock exchange. **Top Glove** (Malaysian latex gloves) had a stunning set of full year results with sales increasing 11% and net profit increasing 56%. A net cash position and solid free cash flow allowed management to reward shareholders with a 100% increase in the

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dividend. Not wishing to detract from management's excellent performance, but end demand has been helped by the spread of swine flu and cost control by a well behaved rubber price. The stock trades on a price earnings of 14.

The bottom three performing stocks (by contribution) during the month were Samsung Electronics, Embraer and Sino-Forest. **Samsung Electronics** (Korean consumer electronics) had risen in anticipation of good third quarter results. The results released at the end of the month showed Samsung's competitive advantages in its main divisions, and we were particularly pleased to see the semiconductor business bounce back meaningfully. **Embraer** (Brazilian regional jet aircraft) fell sharply at month end on a disappointing third quarter set of results. Management had addressed the cost base in earlier quarters, but deterioration in the product mix hurt the top line. Embraer has a sizeable order book to cushion itself through the downturn, but management were downbeat on the recovery prospects for the jet business. The stock is facing considerable headwinds. There was no news on **Sino-Forest** (Chinese forestry) and the month end sell-off looks to have been market related rather than company specific, as the stock has rebounded sharply in early November.

We wrote in July that the market was satisfied with the cost cutting initiatives being delivered by companies, but at some point growth in sales would be needed. In a low growth world 'growth' will likely become more attractive to investors. Emerging markets offer investors growth potential. This does not come at an unreasonable valuation. The portfolio trades on a historic price earnings ratio of 10.5. We still see considerable upside in the portfolio. The weighted average of the upside to our holdings price guides is over 50%.

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