

OLDFIELD PARTNERS LLP

EMERGING MARKETS INVESTMENT REPORT

OCTOBER 2010

Performance Summary as at 29th October 2010

US\$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
October*	+3.2%	+2.9%
2010 to date	+13.6%	+14.0%
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**	+605.5%	+319.0%
Since inception pa**	+22.0%	+15.7%

* Estimate used for October 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	7.4	-4.1%	-2.9%
SK Telecom	7.0	+5.5%	+5.5%
Petroleo Brasileiro	6.5	-5.0%	-5.0%
Gazprom	6.0	+4.4%	+4.4%
Sino-Forest	5.7	+17.6%	+19.0%

*As at end of period, using a representative portfolio.

**Total return inclusive of dividends.

Source: Oldfield Partners LLP and Bloomberg

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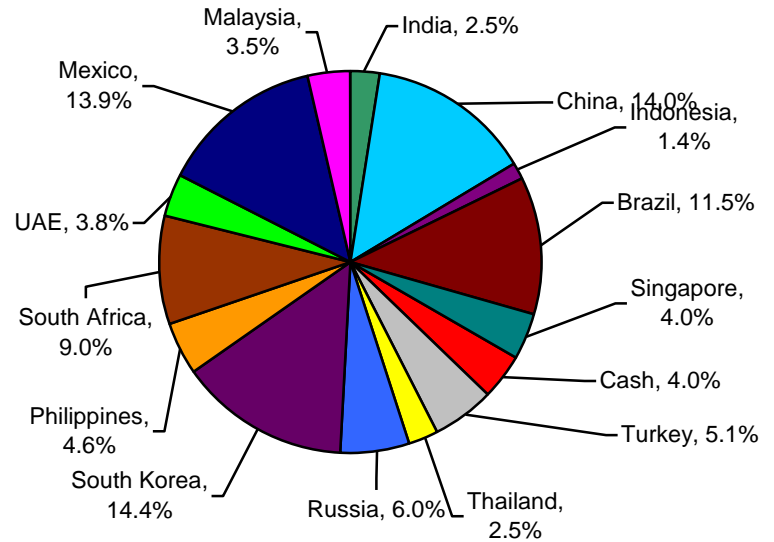
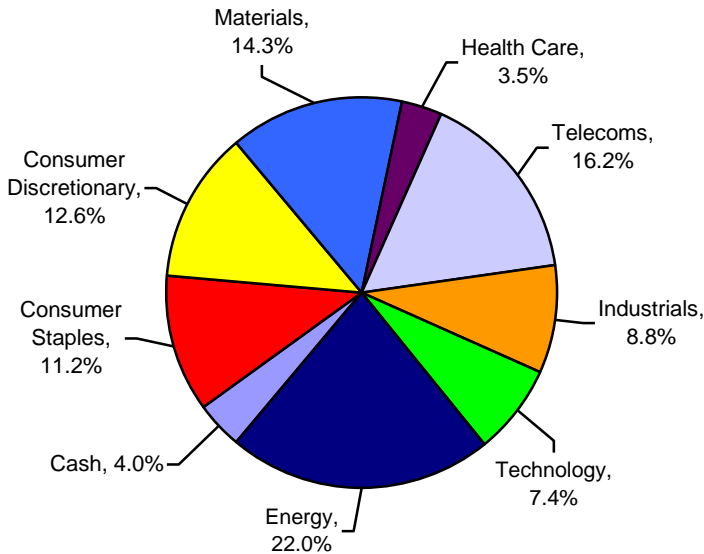
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Sector and country breakdown as at 29th October 2010



Source: Oldfield Partners. Overstone Emerging Markets Fund.

Commentary

Liquidity continues to find its way to emerging markets prompting several countries to increase interest rates and others to dabble with capital controls. Currency and burgeoning inflation pressures continue to be hot topics. China is an interesting case in point. The Chinese authorities raised interest rates and we will see over the coming year if this is followed through with further increases. If the Chinese are serious about changing their growth model, then the currency will be allowed to appreciate (and be internationalised), and wage growth will continue; but this is likely to be a long and carefully trodden path. Many other emerging market countries will be reluctant to change policies and models that they view as having served them well in recent history.

The bottom three performers during the month by contribution were **Eros International**, **Petrobras**, and **Samsung Electronics**. Eros (Bollywood films) succumbed to profit taking following its successful Indian listing. We remain positive on the long term potential of this company. It trades on an undemanding price earnings ratio of 10. Petrobras (Brazilian oil) continued to flounder as investors digested the capital raising exercise from the previous month, needed, in part, to fund the company's substantial capital expenditure programme. The opportunity presented to Petrobras by the prolific and still largely

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unexplored Santos basin in Brazil is such that we feel the share price is undervalued. It trades on a price earnings ratio of 9. Samsung Electronics (Korean semiconductors/consumer electronics) has executed well in its key divisions this year and retains solid global leadership in most of the areas it competes in. The company has warned that semiconductors will be weaker for the remainder of the year, and into early 2011, following a strong performance this year. The telecom division continues to perform well with the successful launch of its smartphone offerings. It trades on a forward price earnings ratio of 7.

The top three performers during the month by contribution were Sino-Forest, DP World and Geo. There was little new news on **Sino-Forest** (Chinese forestry), so it looks like the share price played catch up following a poor prior month. It trades on a price earnings ratio of 14. **DP World** (Dubai ports) had a solid third quarter trading update showing strong growth in volumes particularly relating to Asian trade, and management delivered an upbeat assessment for the full year. **Geo** (Mexican home builder) had a very good set of third quarter results highlighting the continued solid demand for affordable housing and strong positioning of Geo in this segment. Earlier in the month management gave a bullish update to investors on its strategic growth plans to 2015. It trades on a price earnings ratio of 12.

We have sold our position in **Universal Robina** (Philippino consumer snack foods) as it had reached our price target. The company retains solid market positions in its key product areas in the Philippines. Even the disappointing international business has now begun to perform better. The share price benefited from the local Philippino consumer having been more resilient to the global downturn than many would have thought possible. The company is now facing head winds from rising input prices. URC has been a stunning performer, increasing over 175% this year, and over seven-fold since its lows in late 2008. This can happen in markets that are off the radar screen of many investors.

Despite continued interest in and solid performance of emerging markets year to date, the valuations in a historical context for the MSCI Emerging Markets index remain very much at reasonable levels. The forward price earnings multiple of the portfolio is around 11.

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