Oldfield Partners LLP
Emerging Markets Investment Report
December 2009

Performance Summary as at 31st December 2009

US$ terms	Emerging Markets Equity Composite	MSCI Emerging Markets (NDR)
December*	+5.5%	+3.9%
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**	**+521.3%**	**+267.6%**
Since inception pa**	**+22.5%**	**+15.6%**

* Estimate used for December 2009.
** 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.

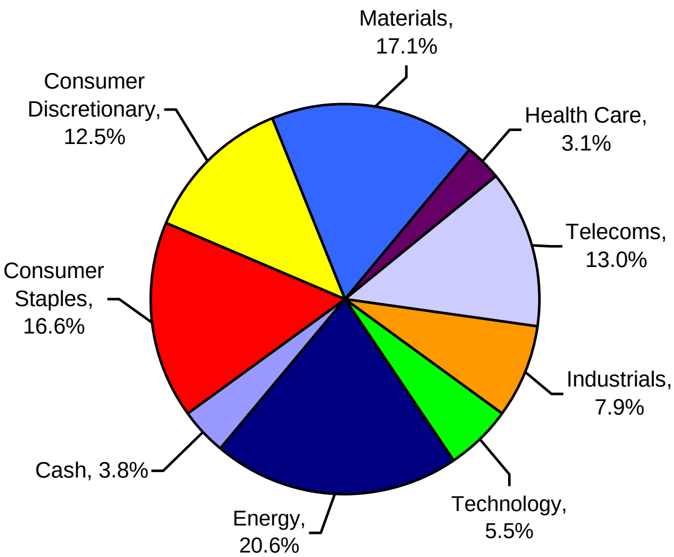
Performance of Five Largest Holdings *

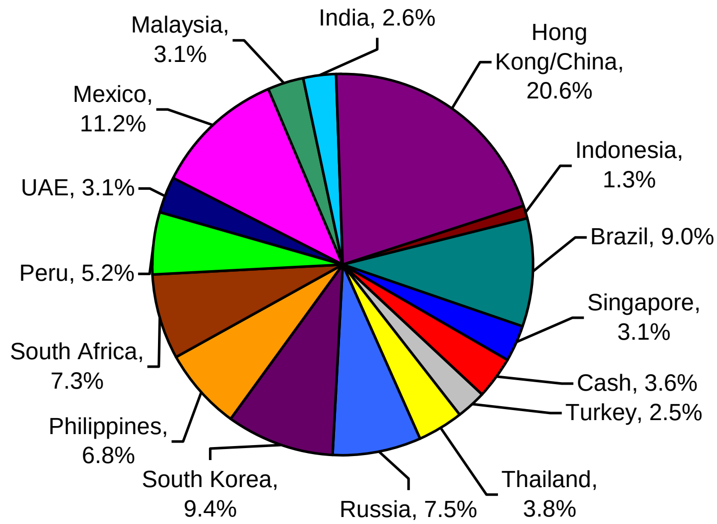
	Portfolio Weighting * %	Monthly Performance (local terms**)	Monthly Performance (US$ terms**)
Gazprom	8.2	+12.2%	+12.2%
Chaoda Modern	7.3	+21.9%	+21.8%
Sino-Forest	5.9	+4.9%	+6.1%
Samsung Electronics	5.5	+11.0%	+11.1%
First Pacific	5.4	+5.6%	+5.5%

*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

Sector and country breakdown as at 31st December 2009





Source: Oldfield Partners. Overstone Emerging Markets Fund.

Commentary

Emerging markets performed well in December and in 2009. The combination of stimulus spending, accommodative monetary policy globally, and the overall good financial health of emerging markets (notably with functioning banking systems) gave a positive backdrop to 2009 and remain in place as we begin 2010. In December the MSCI indices in dollar terms showed Asia to be up 4.3% for the month, Latin America up 1.6%, and Eastern Europe up 1.7%.

With the impressive performance of emerging markets over the last twelve months we are naturally drawn to ponder on where the current positive backdrop could change. As always there is plenty that could go wrong. The unusually accommodative global monetary policy will at some point need to be addressed and quite likely in emerging markets before the key Western markets. There is the chance that protectionism may become more of an issue than the minor skirmishes we saw in 2009. The amount of equity issues (IPOs and capital raising) is likely to increase in 2010, acting as a drag in the market. We have written in earlier newsletters that the valuation of the MSCI Emerging Markets index has anticipated strong earnings growth for 2010. It is not at all unusual to have multiple expansion at this stage of a recovery, and the valuation does not look stretched in this context, but it gives scope for potential disappointment on timing. The flows into the emerging market equity asset class were approximately $75 billion for 2009, more than making up for the $50 billion outflow in 2008, and in contrast to the much reduced flows into developed market equity funds. Although we have a positive outlook for emerging markets this year, and still see significant upside in the portfolio, the biggest challenge to emerging markets performance in 2010 could be a revival of interest in developed market equities.

During December we sold **Grupo Televisa** (Mexican media) as it had reached our price target and traded on a price earnings ratio of 20. Grupo Televisa has a wonderful media franchise spanning the Mexican market, solid cash generation, and no debt. However, much of its merits had been reflected in the share price and we saw better opportunities elsewhere.

The bottom two performers by contribution in December were Buenaventura (Peruvian gold miner) and Petrobras (Brazilian oil). **Buenaventura** was negatively impacted by the correction in the gold price as the US dollar staged a year-end rally in December. The Brazilian market and oil were weak in early December, but recovered to the year-end. **Petrobras** failed to keep pace with the rally. There was no specific news flow in Petrobras.

The top two performers by contribution in December were Chaoda Modern (Chinese agriculture) and Gazprom (Russian gas). These are the two largest portfolio holdings. The strong performance of **Chaoda Modern** is the combination of several factors – heavy snow fall in China, a backdrop of rising food pricing globally, and a cheap valuation. The UN Food and Agriculture World Food Price Index has risen 20% from its March 2009 low. Food prices have the potential to become a hot topic in 2010. **Gazprom** is a natural beneficiary of the cold weather across Europe this winter, with gas demand well above normal, helping to offset the decline in usage and build in inventories from the economic slowdown. Ukraine has not caused a dispute this winter and polls suggest a pro-Kremlin candidate will be elected in their presidential elections in January.

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