Oldfield Partners

Newsletter
Q1 2005

This is our first quarterly newsletter. Oldfield Partners opened for business on Monday, 14th March, 2005, with approximately $1 billion under management in the form of global equity portfolios. The performance of these portfolios, which until Friday, 11th March had been managed by Richard Oldfield at his previous employer, Alta Advisers Ltd., is shown in the table below, and our commentary covers the full quarter, including the period before the appointment of Oldfield Partners.

The executive team at Oldfield Partners has four members:

Claus Anthon joined the S.G. Warburg & Co./Mercury Asset Management group (which later became Merrill Lynch Investment Managers – "MLIM") in 1982. He was a director and European portfolio manager, managing specialist European portfolios with high performance objectives, and previously a member of the Mercury global team headed by Richard Oldfield.

Jamie Carter joined Oldfield Partners from MLIM where he had been employed since 1998. At MLIM, he was a fund administrator for the global equity team and subsequently became a product specialist involved in marketing, sales and client reporting.

Richard Oldfield was Chief Executive of Alta Advisers Ltd. from 1997 to 2005. Before joining Alta, he was employed by S.G. Warburg/Mercury Group, which he joined in 1977 on graduating from Oxford. He headed the global team at Mercury, and was managing director of Mercury Asset Management International Ltd.

Nigel Waller joined Mercury in 1991 and was a member of the global team in 1994 when Richard Oldfield was its head. He was later a member of the emerging markets and European teams in London and the Asia team in Singapore before returning to the global team as a director and fund manager.

From June, 2005, we will have a website, www.oldfieldpartners.com

Performance Summary as at 31 March 2005

US$ terms	Global Composite [1]	MSCI World (NDR)
Since 14/03/05	-2.4%	-2.4%
Quarter	+3.9%	-1.1%
CY to date	+3.9%	-1.1%
Since inception *	+187.5%	+57.1%
Since inception pa *	+13.7%	+5.6%

[1] Composite of global equity portfolios managed by Oldfield Partners LLP from 14th March, 2005 and by Alta Advisers Ltd. before 14th March, 2005. * Inception 01 Jan 1997 Performance is calculated net of commissions, custody fees and investment management fees. Source of data: Alta Advisers Ltd. and Oldfield Partners LLP

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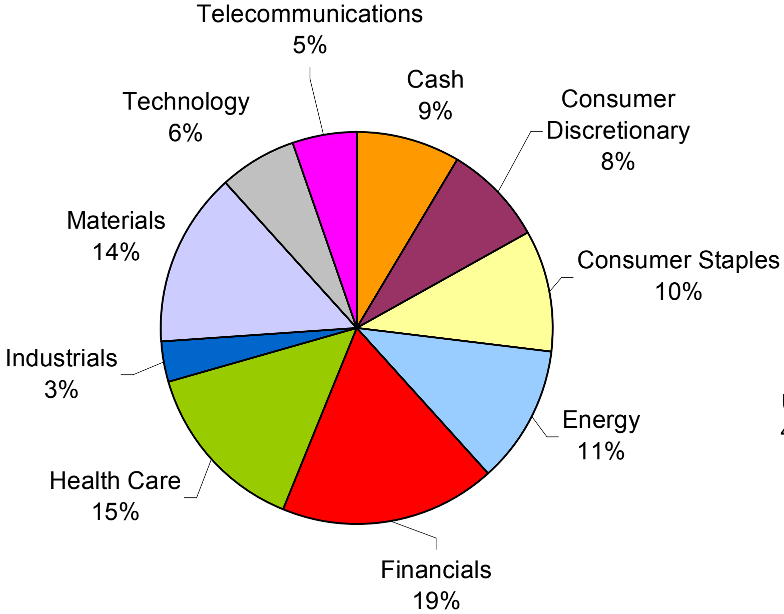
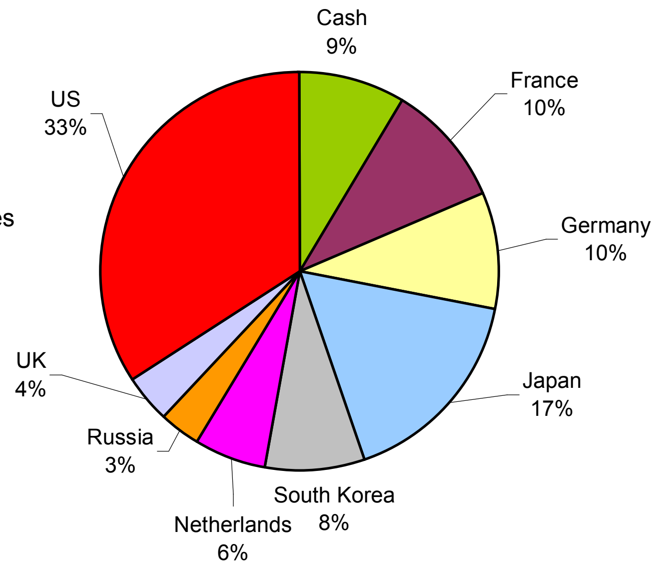
Sector and country breakdown as at 31 March 2005





Source of data: Oldfield Partners LLP

Performance of Five Largest Holdings *

	Portfolio Weighting * %	Quarterly Performance (local terms) %	Quarterly Performance (US$ terms) %
Anadarko Petroleum	8.2	+17.4	+17.4
Takeda Pharmaceutical	7.9	-1.0	-4.8
Posco (ADR)	7.8	+10.8	+10.8
Lafarge	6.7	+5.2	+0.6
Merck	6.5	+0.7	+0.7

* as at end of period (representative global equity portfolio)

Source: Oldfield Partners LLP

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Commentary

There were in summary three transactions during the quarter. In January we sold Matsushita Electric to make way for Munich Re, the latter with a market capitalisation about half the level of total insurance premium (in contrast with the hitherto more highly regarded US reinsurance specialists such as AIG). In early February we bought shares in Deutsche Borse and to fund this purchase sold some General Electric (the latter still in our view attractive but not likely to be as exciting as some other holdings).

Deutsche Borse is a typical investment in some respects (strong cash flow, low valuation) but untypical in others: one of the smallest market capitalisations and an investment which involved us on the fringes of corporate activism, in connection with which we wrote to the chief executive urging the board not to proceed with the planned bid for the London Stock Exchange but instead to make a major share buyback. The campaign of the leading activists seems to have been successful and it is a little surprising that the share price has not fully reflected this, though it is up significantly on our purchase price.

The other transaction was the sale of the holding in Orkla.

There were no real shocks in the portfolio during the quarter. The only serious fallers were Microsoft (-9.7%), suffering a relapse after the interest which resulted from its 10% special dividend paid in November 2004, and Mitsubishi Tokyo (-9.8%), always volatile.

Anadarko benefited from a further rise in energy prices. It remains as cheap– approximately 11 times earnings – as when we first bought it. The same is true of Posco, the Korean steel company, at 4 times earnings. Each of course would be vulnerable to a downturn in respectively oil and steel. After the recent strength of commodities, and in view of some signs of sogginess in various economies, such a downturn is a reasonable likelihood. However, the long term attractions of both these companies are strong.

We bought Morgan Stanley because its valuation was attractive, and we expected investment banking revenues to increase because the present climate is so attractive for acquisitions. We thought there was room for improvement in the return on equity. Some ex-Morgan Stanley employees think so too and there are moves to oust the chief executive, who has responded by deciding to sell the Discover credit card business – which was his pride and joy. We suspect there will be further activity helpful to the share price.

Tiffany, again bought because of an attractive valuation and a likely improvement in its sales in Japan and to Japanese, on which it is dependent, has also benefited from unexpected speculation (in Barrons) that other retailers might acquire the company.

We continue to regard Merck (in which we doubled the holding immediately after the withdrawal of Vioxx) as extremely attractive. It currently yields 4.7%.

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