

OLDFIELD PARTNERS LLP

NEWSLETTER Q2 2006

This quarterly newsletter is the companion to our monthly reports on clients' portfolios and the pooled funds which we manage.

Within Overstone Fund plc we manage three pooled funds:

	<u>Start date</u>	<u>Assets</u>
Overstone Global Equity Fund,	June, 2005	\$277m
Overstone European Equity Fund	October, 2005	\$5m
Overstone Opportunity Multi Fund	November, 2005	\$26m

In addition we advise two pooled funds, with assets of \$64 million, for US taxable investors, and we manage a number of separate portfolios.

We produce monthly newsletters for each of the pooled funds so if you do not currently receive a newsletter for any of these but want to in the future, please email info@oldfieldpartners.com.

Our approach in the management of global equity portfolios is long-only, no leverage, value-focused, large-cap, index-ignorant, highly concentrated, and anti-short-term. The European fund has much the same features except that it digs deeper in terms of company size. Overstone Opportunity Multi Fund ("OOMF") is a fund of funds, aiming at return without much concern with volatility, and focused eclectically on a few (6-18) funds with managers who have a philosophy similar to our own (value-focused, index-ignorant, highly concentrated), but who are operating in areas some of which are much too specialized for us to be investing in directly – for example, Taiwan, the water industry, gold shares.

Oldfield Partners has a total of \$1.5 billion under management for families, individuals, charities, trusts, endowment funds and pension funds, either through separate portfolios or through pooled funds. The executive partners are Claus Anthon, Jamie Carter, Richard Oldfield, and Nigel Waller.

Oldfield Partners LLP,
144 Buckingham Palace Road, London, SW1W 9TR.
Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com
www.oldfieldpartners.com

Oldfield Partners LLP is authorised and regulated by the Financial Services Authority

Oldfield Partners LLP has approved and issued this communication for private circulation only; it must not be distributed to private customers. Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This is not an invitation to subscribe for any of the funds mentioned herein. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. The value of all investments and the income from them can go down as well as up; this may be due, in part, to exchange rate fluctuations. Past performance is not necessarily a guide to future performance. Oldfield Partners LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. © 2005

OLDFIELD PARTNERS LLP

NEWSLETTER Q2 2006

Performance Summary as at 30 June 2006

Global Equity

US\$ terms	Global Equity Composite ¹	MSCI World (NDR)
Q2 2006	+1.0%	-0.5%
CY to date	+9.3%	+6.1%
Since 11/03/05	+18.7%	+14.6%
Since inception *	+249.4%	+84.5%
Since inception per annum *	+14.1%	+6.7%

¹ The performance shown is of a composite of all US dollar denominated global equity portfolios managed by Richard Oldfield at Alta Advisers from 1997 to 11th March 2005 and at Oldfield Partners since 14th March 2005. Before 2000 the performance of two portfolios is excluded from the composite because their returns were inflated by the inclusion, in those portfolios only, of an unquoted investment which, following its flotation, had a large favourable impact on returns. Performance is net of investment management fees and expenses. Before 11th March 2005 fees were substantially lower, in broad terms close to 1% less, than those charged by Oldfield Partners.

* Inception 01 Jan 1997. Source of data: Alta Advisers Ltd, Pictet, Oldfield Partners LLP, MSCI (Copyright) and Bloomberg.

European Equity

Euro terms	Overstone European Equity Fund ²	MSCI Europe (NDR)
Q2 2006	-3.0%	-2.6%
CY to date	+5.7%	+5.1%
Since inception *	+7.8%	+9.0%

² The performance shown is that of the 'A' shares in the Overstone European Equity Fund.

* Inception 01 October 2005. Source of data: Oldfield Partners LLP, MSCI (Copyright), Bloomberg and Northern Trust Intl Fund Administration Services (Ireland).

Fund of Funds

US\$ terms	Overstone Opportunity Multi Fund ³	MSCI World (NDR)
Q2 2006	-0.2%	-0.5%
CY to date	+6.3%	+6.1%
Since inception *	+19.7%	+12.0%

³ The performance shown is an **estimate** of the performance of the Overstone Opportunity Multi Fund, using provisional prices of the underlying funds.

* Inception 1 November 2005. Source of data: Oldfield Partners LLP, MSCI (Copyright), Bloomberg and Northern Trust Intl Fund Administration Services (Ireland).

Oldfield Partners LLP,

144 Buckingham Palace Road, London, SW1W 9TR.

Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com

www.oldfieldpartners.com

Oldfield Partners LLP is authorised and regulated by the Financial Services Authority

Oldfield Partners LLP has approved and issued this communication for private circulation only; it must not be distributed to private customers. Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This is not an invitation to subscribe for any of the funds mentioned herein. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. The value of all investments and the income from them can go down as well as up; this may be due, in part, to exchange rate fluctuations. Past performance is not necessarily a guide to future performance. Oldfield Partners LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. © 2005

OLDFIELD PARTNERS LLP

NEWSLETTER Q2 2006

Commentary

There was little or nothing in news terms to account, during the quarter, for the falls in the share prices of four of the top five holdings. Shinsei remains among the most agile and best positioned of the smaller banks in Japan at a time when the position of the economy bodes well for banking. Microsoft is continually pummelled (most recently by another adverse EU decision), but for such a giant these are small blows. People wonder if the giant can get any bigger, to which a facetious answer is that the same question might have been asked about the Bill and Melinda Gates Foundation three weeks ago. Quasi-monopolistic companies tend to keep their supremely dominant position for longer than many expect. Nokia has had nothing but good news. Munich Re, a remarkably cheap stock, is probably being held back by the fact that we are now in hurricane season.

In all of these, the valuations are attractive. In Agatha Christie novels the vital clue is sometimes to be found in the most obvious place, propped up on the mantelpiece rather than hidden under a carpet or behind a sofa. Similarly, we think that the best opportunities in equity markets these days are the most obvious ones. The largest, best quality, companies (of which Microsoft, Nokia, Pfizer, IBM, Vodafone and Wal-Mart, all of which we hold, are prime examples) are trading at valuations which appear to us to be not only depressed relative to those of smaller companies (in general) and lesser quality companies, but also attractive in absolute terms.

Markets are nervy. Investors are concerned about inflation or growth or both. Volatility is back. We cannot be sure that these fears will turn out to be exaggerated, but we do not think that volatility itself is something to be fearful of. If the nervousness of investors generally has increased, that provides opportunity.

One of the strange things about the strong equity markets which there have been since the beginning of 2003 is that this strength has not been accompanied by tremendous enthusiasm on the part of ordinary equity investors. Surveys of the expectations on equity investors have shown consistent caution. The latest readings of the Investors' Intelligence Survey of Advisory Sentiment show the highest proportion of gloomy advisors (36%) since October 2002 (advisors have a bias towards being optimistic about markets). This is good news: the survey is an inverse indicator at extremes, for the simple reason that if everyone is bullish they are already invested and if everyone is bearish they are not.

There is also solace in overall valuation figures. We began our last quarterly commentary: "there is a lot of froth about". After the moves of the last few months, particularly in emerging markets, there is much less to be worried about.

Oldfield Partners LLP,

144 Buckingham Palace Road, London, SW1W 9TR.

Telephone: +44 (0)20 7259 1000 Email: info@oldfieldpartners.com

www.oldfieldpartners.com

Oldfield Partners LLP is authorised and regulated by the Financial Services Authority

Oldfield Partners LLP has approved and issued this communication for private circulation only; it must not be distributed to private customers. Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This is not an invitation to subscribe for any of the funds mentioned herein. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. The value of all investments and the income from them can go down as well as up; this may be due, in part, to exchange rate fluctuations. Past performance is not necessarily a guide to future performance. Oldfield Partners LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. © 2005