

OLDFIELD PARTNERS LLP

NEWSLETTER Q3 2008

Oldfield Partners has a total of \$2.2 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, Tom Taylor, Nigel Waller, and Robert White.

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

We manage global equity portfolios, emerging market portfolios, a European equity fund, a smaller companies global equity fund, a Japanese equity fund, and a fund of funds. Overstone Fund plc includes the following:

	<u>Start date</u>	<u>Assets at end September 2008</u>
Overstone Global Equity Fund	June, 2005	\$934m
Overstone European Equity Fund	October, 2005	\$19m
Overstone Opportunity Multi Fund	November, 2005	\$30m
Overstone Japanese Equity Fund	October, 2007	\$3m
Overstone Smaller Companies Fund*	October, 2007	\$2m

*Overstone Smaller Companies Fund changed its name from Overstone All Cap Equity Fund on 13th October 2008.

On the 3rd November 2008 Overstone Emerging Markets Equity Fund will open.

We also advise two pooled funds, with assets of \$112 million, for US taxable investors, and we manage a number of separate portfolios.

We produce monthly newsletters for each of the pooled funds. 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, managed by Richard Oldfield, is long-only, no leverage, value-focused, large-cap, index-ignorant, highly concentrated, and anti-short-term. The portfolio has never had more than 22 holdings and currently has 19. The focus is on investing in individually attractive companies rather than on considering the respective attractions of different countries. With rare exceptions the country weightings are the result of stock selection. The largest holdings include Barrick Gold, Microsoft and Hitachi.

The European fund, managed by Claus Anthon, has much the same features and philosophy, except that it digs deeper in terms of company size, and generally has a bias towards under-researched markets such as those in Scandinavia. Current holdings include Carrefour, Storebrand, AP Moller-Maersk and Siemens. The fund has 23 holdings.

Overstone Smaller Companies Fund (previously known as Overstone All Cap Equity Fund), managed by Nigel Waller, focuses on interesting and undervalued small and mid-sized companies. The approach is, as with the other funds at Oldfield Partners, concentrated and index-ignorant, with the usual emphasis on cash flow and value. Holdings include Credit Saison, KAS Bank and M&C Saatchi. The fund has 20 holdings.

Overstone Japanese Equity Fund, managed by Robert White, invests exclusively in Japanese equities. The fund is index-ignorant in its sector allocation and seeks to outperform the TOPIX

[Oldfield Partners LLP](#),

130 Buckingham Palace Road, London, SW1W 9SA.

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. © 2008 Partnership No. OC309959. GIPS® is a registered trademark of the CFA institute.

OLDFIELD PARTNERS LLP

NEWSLETTER Q3 2008

benchmark combining a thematic approach with the identification of significantly undervalued assets. There are currently 20 holdings, the maximum targeted level, predominantly in medium and large stocks with a capitalization above US\$1 billion. These include Heiwa Corp, Ryohin Keikaku and ORIX.

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, concentrated), but who are operating in areas some of which are too specialized for us to be investing in directly – for example, property shares, European micro cap, the water industry and gold shares.

Overstone Emerging Markets Equity Fund will be managed by Tom Taylor, who already manages emerging markets equity portfolios with a concentrated, index ignorant, value-focused approach similar to that of the other funds. The portfolios invest globally across the market cap range, focusing on stock selection rather than a comparison of the attributes of different countries. The portfolios currently hold 18 stocks including Thai Beverage, Chaoda Modern Agriculture and Turkcell.

Performance Summary as at 30th September 2008

Global Equity

US\$ terms	Global Equity Composite 1	MSCI World (NDR)
Q3 2008	-14.1%	-15.3%
2008 to date	-17.6%	-24.2%
Since inception *	+91.5%	-4.0%
Since inception per annum *	+7.7%	-0.5%

1 The performance shown is of a composite of global equity portfolios. Performance is calculated on a total return basis, net of all fees and expenses. **Estimate** return used for September 2008. A full GIPS® compliant presentation of the global equity composite performance is available from Oldfield Partners.

* Inception 1 Jan 2000. Source of data: Alta Advisers Ltd, Pictet, Oldfield Partners LLP, MSCI © and Bloomberg.

US\$ terms	Overstone Global Equity Fund 2	MSCI World (NDR)
Q3 2008	-14.4%	-15.3%
2008 to date	-17.3%	-24.2%
Since inception *	+21.5%	+10.3%

2 The performance shown is that of the ‘A’ shares in the Overstone Global Equity Fund and is calculated on a total return basis, net of all fees and expenses.

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

[Oldfield Partners LLP](http://www.oldfieldpartners.com),
 130 Buckingham Palace Road, London, SW1W 9SA.
 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. © 2008 Partnership No. OC309959. GIPS® is a registered trademark of the CFA institute.

OLDFIELD PARTNERS LLP

NEWSLETTER Q3 2008

European Equity

Euro terms	Overstone European Equity Fund ³	MSCI Europe (NDR)
Q3 2008	-13.4%	-11.4%
2008 to date	-30.6%	-28.1%
Since inception *	-3.6%	-7.9%

³ The performance shown is that of the 'A' shares in the Overstone European Equity Fund and is calculated on a total return basis, net of all fees and expenses.

* Inception 3 October 2005. Source of data: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Intl Fund Administration Services (Ireland).

Smaller Companies

US\$ terms	Smaller Companies Composite ⁴	MSCI Small & Mid-Cap (NDR)	MSCI World (NDR)
Q3 2008	-15.4%	-17.1%	-15.3%
2008 to date	-26.2%	-24.5%	-24.2%
Since Inception *	+8.5%	+8.9%	+9.8%

⁴ The performance shown is of a composite of smaller companies portfolios. Performance is calculated on a total return basis, net of all fees and expenses. A full GIPS® compliant presentation of the smaller companies composite performance is available from Oldfield Partners

* Inception 1st April 2005. Source of data: Oldfield Partners LLP, MSCI ©, Bloomberg, Rawlinson & Hunter (Jersey) and Northern Trust Intl Fund Administration Services (Ireland).

Japanese Equity

US\$ terms	Overstone Japanese Equity Fund ⁵	Topix TR
Q3 2008	-17.9%	-20.6%
2008 to date	-28.8%	-20.3%
Since Inception *	-32.2%	-25.9%

⁵ The performance shown is that of the 'A' shares in the Overstone Japanese Equity Fund and is calculated on a total return basis, net of all fees and expenses.

* Inception 1st October 2007. Source of data: Oldfield Partners LLP, MSCI ©, Bloomberg and Northern Trust Intl Fund Administration Services (Ireland).

Fund of Funds

US\$ terms	Overstone Opportunity Multi Fund ⁶	MSCI World (NDR)
Q3 2008	-19.0%	-15.3%
2008 to date	-27.6%	-24.2%
Since inception *	+2.9%	+4.8%

⁶ The performance shown is an **estimate** of the performance of the Overstone Opportunity Multi Fund, using provisional prices of the underlying funds as at 30 September 2008. Performance is calculated on a total return basis, net of all fees and expenses.

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

Oldfield Partners LLP,

130 Buckingham Palace Road, London, SW1W 9SA.

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. © 2008 Partnership No. OC309959. GIPS® is a registered trademark of the CFA institute.

OLDFIELD PARTNERS LLP

NEWSLETTER Q3 2008

Emerging Markets Equity

US\$ terms	Emerging Markets Equity Composite 7	MSCI Emerging Markets (NDR)
Q3 2008	-18.6%	-27.0%
2008 to date	-29.5%	-35.5%
Since inception *	344.2%	+184.4%

⁶ The performance shown is of a composite of all emerging markets equity portfolios. Performance is calculated on a total return basis, net of all fees and expenses. A full GIPS® compliant presentation of the emerging markets equity composite performance is available from Oldfield Partners.

* Inception 1 January 2001. Source of data: Alta Advisers Ltd, Pictet, Rawlinson & Hunter (Jersey), Oldfield Partners LLP, MSCI © and Bloomberg.

Commentary

What a difference a month makes. September was pretty awful, but it appeared positively halcyon compared with the middle of October. J.K. Galbraith said about the Great Depression that one of its characteristics was that just as the worst seemed to have arrived, it got worse. This has been true of the financial system and of markets in the last few months. Every attempt to restore confidence has had no more than a momentary effect.

In early October, we had to eat the words which we had written just a few days before in the earliest of our monthly reports, deciding to sell RBS in our Global and European portfolios when it became clear that existing bank shareholders would be heavily diluted by the provision of capital by the Government. We thought RBS's valuation so low that it catered for most eventualities; the eventuality which it did not cater for was recapitalisation of this sort.

The virtual disappearance of AIG, and the virtual nationalisation of banks in the UK and elsewhere, are not things that we would have predicted. We have little confidence at the best of times in our own or other people's prognostications (there were a few far-sighted people who saw how serious this financial crisis might become, but we were not among them). In current circumstances we are more doubtful even than usual about prediction. We will confine this commentary to just a few observations.

We have recently been reading the speech which Ben Bernanke made in December 2002, before he became Chairman of the Fed. It was this speech which gave him the nickname "Helicopter Ben". Although he did not in fact mention helicopters (scattering dollar bills), what he did say was that it was wrong to suppose that a central bank which, in the face of the threat of deflation, has reduced interest rates to zero has no ammunition left. Even if interest rates at zero had had no stimulatory effect, the Fed would still be able to make use of the fact that it has a printing press.

The point about this is not just the analysis but the analyser: it is reassuring that Bernanke, student of the Great Depression, should be so focussed on avoidance of deflation or depression. If, as seems probable - but who knows? - we are now through the storm in the financial system itself, the next question is just how severe the economic recession is likely to be. It seems likely that the Fed, and probably other central banks in pursuit, will add liquidity and go on adding. The monetary base in the US has recently leapt, growing now at

Oldfield Partners LLP,

130 Buckingham Palace Road, London, SW1W 9SA.

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. © 2007. Partnership No. OC309959. GIPS® is a registered trademark of the CFA institute.

OLDFIELD PARTNERS LLP

NEWSLETTER Q3 2008

a 20% annual rate. For much of the '80's and early '90's its growth was around 7.5%, less in the last few years. The determination of governments and banks to provide as much liquidity as is needed to prod the economy along cannot be doubted. If depression is two years of negative GDP growth, or a 10% fall in GDP, it seems unlikely given the scale of governments' action so far and their, and central banks', determination.

The other observation we would make is that equities are now at their cheapest levels for many years, price-earnings ratios often under 10 and in several markets dividend yields higher than government bond yields. The latter is almost unprecedented in the lifetime of all of us here. It was so, briefly, in March 2003, as it happens a wonderful time to buy equities.

We have no doubt that there will continue to be huge jumps up and down in share prices from day to day. Volatility not only obscures value; it also, because it makes investors much more nervous about being invested, tends to push prices down, thus providing more value. When markets are gyrating as furiously as they have been, fewer investors concentrate on the long term potential of businesses at their current prices. That is what we try to do, sometimes ineffectually, sometimes effectually. We had not expected the falls that have occurred this year; but when we review each company whose shares we hold in the various portfolios we manage, we see large potential upside. Many of the holdings are in companies (all of them substantial and liquid) with very little leverage – for example, Barrick Gold, Microsoft, Canon, Johnson & Johnson – with strong cash flow and high profit margins, and even with severely reduced earnings over the next year or two, cash flow would still be positive.

The level of valuations leads us to believe even more firmly in the opportunities there now are to make strong returns over the next few years, no doubt with continuing hard knocks from time to time.

On 3rd November Overstone Emerging Markets Equity Fund starts. There was no timing in the decision to start this fund. It simply follows naturally the arrival here of Tom Taylor, a colleague of Richard Oldfield at Alta Advisers where he managed, with great success, emerging market portfolios. The renowned emerging markets manager Mark Mobius once said that the time to invest in emerging markets is when you have cash. Although, again, shy of prediction, we do feel that this cautious reason can be stated more strongly at a time when emerging markets valuations have plummeted.

Oldfield Partners LLP,

130 Buckingham Palace Road, London, SW1W 9SA.

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. © 2007. Partnership No. OC309959. GIPS® is a registered trademark of the CFA institute.