SEAFARER OVERSEAS GROWTH AND INCOME FUND

Portfolio Review

First Quarter 2019

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During the first quarter of 2019, the Seafarer Overseas Growth and Income Fund gained 11.56%.[1] The Fund's benchmark, the MSCI Emerging Markets Total Return Index, returned 9.95%. By way of broader comparison, the S&P 500 Index returned 13.65%.

The Fund began the quarter with a net asset value of $10.29 per share. It paid no distributions during the quarter and finished the period with a value of $11.48 per share.[2]

Performance

During the first quarter of 2019, emerging market stocks swung to gains, reversing the trend of the prior quarter. However, most of the gains during the three-month period occurred in January; stocks gained only marginally, cumulatively, over the subsequent two months. If the markets' rebound is any meaningful indication, it suggests that the price declines that took place in the second half of 2018 (predominately in September and October) were either unwarranted or overdone. Measurements of earnings growth in 2018 fell below the over-hyped forecasts of strategists and pundits, and perhaps that gave cause for correction – but in the end, growth was still a respectable 10% for the year – and the rally in the first quarter of 2019 suggests that conditions are not as bad as feared.

Apart from the rather sharp rebound in January, the quarter was a relatively quiet one. The Fund outperformed its benchmark by approximately 1.5%; there was no particularly discernable reason for its slight gain over the index, though individual stocks within the Core, Growth, and Value components of the Fund (as defined in Figure 1) made notable contributions to performance.

Figure 1: Seafarer Overseas Growth and Income Fund – Portfolio Components

Core Holdings	Moderately underappreciated growth; Moderately elevated current yield
Growth Holdings	Higher growth potential; Lower current yield
Value Holdings	Lower growth potential; Higher current yield

As of 3/31/19 the annualized performance of the Fund's Institutional class was: 1 year -8.45%, 3 year 5.10%, 5 year 3.64%, and since inception annualized (2/15/12) 5.36%[1]; the gross expense ratio was 0.87%. The performance data quoted represents past performance and does not guarantee future results. Future returns may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. View the Fund's most recent month-end performance at www.seafarerfunds.com/performance.

One of the largest contributions to gains within the **Core component** of the Fund's portfolio came from Venture Manufacturing. Venture performs specialized design and contract manufacturing services for clients that produce high-value machinery, equipment and consumer devices. The same company was partly responsible for the Fund's weak performance in the fourth quarter of 2018: some investors sold off the shares, violently, over fears that earnings growth at the company might decelerate. Now it appears those fears were grossly exaggerated: Venture's results demonstrated substantial cash on hand, excellent margins, and substantial investments in research and development, predominantly undertaken to accommodate prospective clients in the life and health sciences. The company hiked dividends to unexpected levels, continued to buy back its shares, and the stock rose substantially in the first quarter in response.

Within the **Growth component** of the Fund, the shares of Techtronic lifted performance. Techtronic produces power tools for retail and commercial use; it has acquired and rebuilt several global brands, and it has developed its own proprietary battery management technology which has advanced the company's success. Techtronic has apparently gained market share based on improvements in distribution and its core product technologies, allowing the company to enjoy steady revenue growth even as demand in the power tool industry has weakened and competition has stiffened. The company has also paid off debts and managed working capital carefully such that it now enjoys a "net cash position" on its balance sheet – in other words, its balance sheet has more cash on hand than it does outstanding debts. With overall good performance in both operational and financial management, the shares performed well, and the Fund gained as a result.

Within the **Value component**, athletic and leisurewear brand Xtep helped lift performance. The company saw its share price rise when it produced over 60% earnings growth in 2018, even as the rest of the industry grew more slowly. We suspect this strong earnings performance resulted from a focus on higher operational efficiency. Over the past few years, the company has implemented an "enterprise resource planning" tool, a software suite that helps businesses better manage resources. In Xtep's case, the company has managed inventories more effectively, and this has apparently allowed it to restructure relationships with stores and other distributors on more favorable terms.

Allocation

During the quarter, the Fund undertook several allocative changes, all of which were driven by events specific to the individual companies and stocks in question (as opposed to broader secular or macro-economic events).

The **Core component** of the portfolio exited Hengan, a China-based manufacturer of diapers and sanitary napkins. We re-evaluated Hengen's merit in light of the company's decision to "vertically integrate" its supply chain by purchasing a stake in a Finnish pulp factory. That acquisition, along with some related funding decisions of questionable merit, have compromised the company's balance sheet in our view. The proceeds from the sale of this stock have been directed to the Growth and Value components of the Fund's portfolio.

The **Growth component** of the portfolio initiated a new position in Bank Rakyat of Indonesia. Rakyat is one of the country's largest-scale retail banks; it is known for its capillary-like "micro-lending" franchise. Basically, the bank has kiosks and mobile banking units that offer credit and deposit-taking services to nearly every corner of Indonesia's far-flung archipelago. The franchise is so extensive and granular that it has rendered Rakyat a sustained advantage over its competitors, particularly with respect to gathering bank deposits and related funding costs. The bank's investment in fast-developing financial technologies, including infrastructure such as satellite connections, may also give the bank an advantage in customer acquisition within the country's burgeoning digital payments businesses.

The **Value component** made several shifts. It exited a long-held position in Pou Chen, a Taiwan-based holding company with key subsidiaries in athletic apparel production (predominantly shoes) and athletic wear retailing. Despite difficult operating conditions in the subsidiaries' core business, Pou Chen (the holding company) had seen its value uplifted by growing contributions from a non-core investment stake in one of Taiwan's largest life insurance companies, Nan Shan. However, our assessment was that despite Nan Shan's improved contribution, challenges would persist for the core athletic businesses, and thus we took advantage of the current opportunity to exit the stock.

Several new positions were also added: Moneta, a Czech bank, and Pacific Basin, a specialized shipping company operating in East Asia. We believe Moneta is conservatively capitalized and operating in a stable macroeconomic environment. The company has undergone an ownership restructuring in recent years, but might now resume loan growth and recover pricing power in its consumer lending business. The company has paid substantial dividends in the recent past; dividends paid in April of 2019 were equivalent to over 8% of its share price (as of the date of this report).

As a shipping company, Pacific Basin is partially entangled in the swirling sentiments over global trade and U.S.-China relations. Yet the company's management team has focused the company on niche market segments that allow Pacific Basin to operate somewhat independently of such exogenous shocks, with greater pricing resilience. Meanwhile, we suspect that the global trade disputes will stall capacity additions in the maritime industry, and this may help shipping to achieve better balance between demand and supply in the future, even if trade is curtailed.

Outlook

Concerns over politics and trade continue to hang heavily over the emerging markets, driving day-to-day price movements and market volatility. Yet when we assess the situation from the ground up, it does not look all that bad.

2018 finished up with very decent earnings growth, around 10% across the developing world. This was far below the grossly overhyped forecasts that existed in the first half of the year, and profit growth decelerated in the fourth quarter; yet taken as a whole, the year was a good one, especially for those who had calibrated their expectations for slower-than-expected growth.

Economic conditions have also quietly stabilized across much of the developing world, with China leading the way. Rather than engage in a large-scale, credit-fueled stimulus to stabilize weak conditions at the end of last year, China has wisely enacted a large number of smaller-scale, industry-specific reforms that are generally in keeping with market-based policies. Meanwhile, the country has enacted tax reforms, ostensibly designed to boost private consumption in lieu of centralized government spending; and it has continued to roll out reforms intended to promote greater access to its domestic capital markets by foreign investors. In short, this is the first quarter under Xi Jinping in which China's former market-based reforms quietly crept to the fore. A few short months does not a counter-trend make; yet after six years of ideologically-driven policies, China's turn was encouraging.

Other countries in the developing world generally seem to enjoy low-to-moderate levels of growth, coupled with low levels of inflation. This may leave room for many countries to undertake rate cuts ahead, regardless of the rate decisions enacted by the U.S. Federal Reserve. Indeed, in our view, emerging market currencies are becoming less responsive to the Fed over time: they rose even as the Fed hiked rates multiple times in 2017, counter to prediction; they fell in 2018 as the Fed hiked rates, but then suddenly resumed their rise in September of last year, well before the Fed declared its intention to stand pat for the foreseeable future. Measured as a basket, they are up marginally this year.[3] Given that emerging market currencies are operating contrary to perception, the Fed's sway may be on the decline – and this hints that the former "coupling" of the emerging market asset class to the developed world is changing.

Thank you for entrusting us with your capital. We are honored to serve as your investment adviser in the emerging markets.

Andrew Foster *Chief Investment Officer and Portfolio Manager*	Paul Espinosa *Portfolio Manager*	Inbok Song *Portfolio Manager*

April 5, 2019

[1] References to the "Fund" pertain to the Fund's Institutional share class (ticker: SIGIX). The Investor share class (ticker: SFGIX) returned 11.61% during the quarter.

[2] The Fund's Investor share class began the quarter with a net asset value of $10.25 per share; it finished the quarter with a value of $11.44 per share.

[3] All references to currency movements are based on the MSCI Emerging Markets Currency Index (index code: MXEF0CX0).

Glossary

Current Yield: a security's annual income (interest or dividends) divided by its current price.

Working Capital (WC): funds invested in a company's cash, accounts receivable, inventory and other current assets, minus current liabilities. (Source: *Barron's Dictionary of Finance and Investment Terms*, 1995)

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The performance data quoted represents past performance and does not guarantee future results. Future returns may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. View the Fund's most recent month-end performance at www.seafarerfunds.com/funds/ogi/performance.

The MSCI Emerging Markets Total Return Index, Standard (Large+Mid Cap) Core, Gross (dividends reinvested), USD is a free float-adjusted market capitalization index designed to measure equity market performance of emerging markets. Index code: GDUEEGF.

The MSCI Emerging Markets Currency Index tracks the performance of emerging market currencies relative to the U.S. dollar. The Currency Index measures the total returns of the currencies of countries in the corresponding MSCI equity index (i.e. MSCI Emerging Markets Index). Index code: MXEF0CX0.

The S&P 500 Total Return Index is a stock market index based on the market capitalizations of 500 large companies with common stock listed on the NYSE or NASDAQ.

It is not possible to invest directly in an index.

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As of March 31, 2019, Venture Corp., Ltd. comprised 4.1% of the Seafarer Overseas Growth and Income Fund, Techtronic Industries Co., Ltd. comprised 2.5% of the Fund, Xtep International Holdings, Ltd. comprised 1.5% of the Fund, Bank Rakyat Indonesia Persero Tbk PT comprised 0.5% of the Fund, Moneta Money Bank AS comprised 0.4% of the Fund, and Pacific Basin Shipping, Ltd. comprised 0.4% of the Fund. The Fund did not own shares in Hengan International Group Co., Ltd., Pou Chen Corp., or Nan Shan Life Insurance Co., Ltd. View the Fund's Top 10 Holdings at www.seafarerfunds.com/funds/ogi/composition. Holdings are subject to change.

ALPS Distributors, Inc. is the distributor for the Seafarer Funds.

Investors should consider the investment objectives, risks, charges and expenses carefully before making an investment decision. This and other information about the Funds are contained in the Prospectus, which is available at www.seafarerfunds.com/prospectus or by calling (855) 732-9220. Please read the Prospectus carefully before you invest or send money.

Important Risks: An investment in the Funds involves risk, including possible loss of principal. International investing involves additional risks, including social and political instability, market and currency volatility, market illiquidity, and reduced regulation. Emerging markets are often more volatile than developed markets, and investing in emerging markets involves greater risks. Fixed income investments are subject to additional risks, including but not limited to interest rate, credit, and inflation risks. Value investments are subject to the risk that their intrinsic value may not be recognized by the broad market. An investment in the Funds should be considered a long-term investment.