SEAFARER®

SEAFARER OVERSEAS VALUE FUND

Portfolio Review

Third Quarter 2019

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During the third quarter of 2019, the Seafarer Overseas Value Fund returned -1.61%.[1] The Fund's benchmark, the MSCI Emerging Markets Total Return Index, returned -4.11%. By way of broader comparison, the S&P 500 Index gained 1.70%.

The Fund began the quarter with a net asset value of $11.83 per share. It paid no distributions during the quarter and finished the period with a value of $11.64 per share.[2]

Performance

In the third quarter of 2019, the standout feature of the Value Fund's performance was the resilience of portfolio holding valuations in the face of the Hong Kong protests and the U.S.-China trade dispute. Importantly, the Fund offset the negative contribution to total return from its holdings in Hong Kong and China with positive contributions derived primarily from stocks that realized their value potential for company-specific reasons, and to a lesser extent through geographic diversification. More specifically, the Value strategy's objective of seeking diversification across the seven categories of value identified in the white paper *On Value in the Emerging Markets*,[3] proved not only effective, but in my opinion, was more beneficial than the traditional approach of diversification across geographies.

Indeed, the largest contributor to the Fund's total return during the third quarter was Asia Satellite Telecommunications Holdings (Deleveraging source of value; see Figure 1 for definitions of the sources of value referenced in this review). Ironically in the context of recent protests, Asia Satellite is a Hong Kong-based company that owns and operates satellites. Contradicting the widespread belief that markets are efficient, the company's share price languished since the Value Fund purchased the stock at the Fund's inception. Market participants seemed to ignore the company's cash flow from operations, which management used to reduce debt and restart a dividend. Attuned to this market oversight, the controlling shareholders tendered for the publicly-traded shares of the company, which

As of 9/30/19 the annualized performance of the Fund's Institutional class was: 1 year 4.94%, 3 year 6.85%, and since inception (5/31/16) 7.15%[1]; the net expense ratio was 1.05% and the gross expense ratio was 1.50%. 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.

Figure 1. A Working Definition of Value

Seafarer has identified seven distinct sources of value in emerging markets that may give rise to viable opportunities for long-term, value-oriented investments.

Opportunity Set	Source of Value	
Balance Sheet	Balance Sheet Liquidity	Cash or highly liquid assets undervalued by the market
	Breakup Value	Assets whose liquidation value exceeds their market capitalization
	Management Change	Assets that would become substantially more productive under a new owner / operator
	Deleveraging	Shift of cash flow accrual from debt holders to equity holders
	Asset Productivity	Cyclical downturn following a period of asset expansion
	Structural Shift	Shift to a lower growth regime, but still highly cash generative
Income Statement / Cash Flow	Segregated Market	Productive, cash-generative assets trading in an illiquid public market

Source: Seafarer Sources of value are highlighted in this document using This Style.

Additional information is available in the white paper *On Value in the Emerging Markets* at www.seafarerfunds.com/value-in-em.

delisted in September of 2019, thus permanently locking in the Fund's capital gain in the stock.

Another portfolio holding that appreciated against the headwind of a mediocre performance of its home country stock market index was **Qatar Gas Transport** (Deleveraging), an owner and operator of liquefied natural gas (LNG) vessels. In the absence of significant company developments during the quarter, I attribute the stock price appreciation to the divergence between a share price that had declined following the Gulf Cooperation Council (GCC) feud that begun in June of 2017 and the likely expansion of the company's fleet as it seeks to accommodate an expected ramp up in Qatar's gas output, the country's primary national asset.

Lastly, the share price of **Qualicorp** (Structural Shift), a Brazilian life insurance broker, continued to appreciate strongly, ranking the company among the top contributors to Fund performance for the second quarter in a row. The company's stock was propelled higher by persistent and substantial free cash flow generation in spite of difficult operating conditions in Brazil; return of capital to shareholders; and business development potential following the acquisition of a ten percent stake in the company by a strategic shareholder. Qualicorp's share price rose despite factors impinging on the performance of its home market equity index.

To reiterate, in my opinion, it is unlikely that geographic diversification alone would have delivered a performance matching that of the foregoing cases of value realization. This observation is important when considering the meaningful impact on performance of the Fund's exposure to Hong Kong-listed stocks, whose valuations suffered during the third quarter as a result of the prolongation and intensification of the Hong Kong protests and the U.S.-China trade dispute.

In particular, the stock prices of portfolio holdings **Shangri-La** (Breakup Value), a hotel owner and operator, and **Giordano** (Structural Shift), an apparel manufacturer and retailer, deteriorated meaningfully during the quarter for reasons related to their substantial profit derivation from Hong Kong. Similarly, the stock price of **WH Group** (Management Change), a Chinese meat processor and owner of U.S.-based Smithfield Foods, fluctuated with the sentiment around a potential resolution of the U.S.-China trade dispute. Neither geography nor speculation about the trade dispute motivate the Fund's investment in these three companies. As their respective category of value designations indicate, each holding contributes different drivers and risks to the overall Value strategy, even if at present, each company's stock price is besieged by the same geopolitical force.

Allocation

The Value Fund exited two holdings during the quarter: **SIA Engineering** (Asset Productivity), a Singaporean provider of maintenance, repair, and overhaul (MRO) services to the aircraft industry; and **PFNonwovens**[4] (Segregated Market), a Czech manufacturer of nonwoven, absorbent textiles.

In exiting SIA Engineering, the Fund took advantage of a sharp share price rise driven by speculation that the company's parent, Singapore Airlines, might take it private. The Fund had long held the position on the view that the industry's maintenance cycle would return to normal after the initial aging of new generation aircraft, and the company would successfully increase employee productivity as maintenance, repair, and operations (MRO) processes became increasingly automated. While a potential privatization was not the Value strategy's targeted driver of share price appreciation, the sharp price increase lowered the expected investment return to the Fund from taking on said cycle and business risks. Thus, the Fund exited its holding of SIA Engineering.

The Fund sold its entire holding of PFNonwovens due to the meaningful decline in share liquidity after a new controlling shareholder acquired an 88% interest in the company in the fourth quarter of 2017. While the Fund continued to hold its stake in PFNonwovens after the acquisition, to capitalize on the long-term value the new controlling shareholder planned to create, the lower share liquidity did not meet the Fund's requirements.

During the quarter the Value Fund did not add new securities.

Outlook

There is a palpable sense of fear in the market, as evidenced by the volatility of the MSCI Emerging Markets Index during the third quarter and over the past year. While the benchmark declined -4.11% during the quarter, it swung intra-quarter from approximately flat to down -8%. Similarly, for the 12-month period ended September 30, 2019, the index declined -1.63% with an interim appreciation of approximately 5% and depreciation of -10%.

Thoughtful investors, which naturally includes all readers of this portfolio review, may question the attractiveness of investing in the emerging markets based on the recent benchmark performance track record. Alas, this is a good time to remind the reader that the Seafarer Overseas Value Fund aims to derive investment returns from the change in valuation multiple of a company's stock as well as the income distributions of said company, which may minimize the impact of broader market forces on Fund performance. In this manner, the Value strategy aims to differentiate itself from passive approaches to investing, which by definition are subject to the whims of change in growth expectations for the market benchmark.

Thus, while the financial press endlessly chases its tail by engaging in the futile exercise of linking ex-post market moves to economic or political headlines, it should be remembered that companies remain focused on their operations. More importantly, companies constantly adapt to a fluid reality. Thus, while Singapore's gross domestic product (GDP) growth is indeed decelerating, which may motivate growth-oriented investors to shun companies that operate there, what is more important is that the Fund's Singapore-based holding HRnetGroup (Balance Sheet Liquidity and Segregated Market) is taking steps to increase employee productivity, diversify business offerings, and gain scale in new jurisdictions by deploying a war chest of cash it has retained for just such circumstances. I expect the work HRnetGroup engages in – not the vagaries of what other investors think of the Singaporean economy – will generate value for its shareholders. To reiterate the point, portfolio holding Wilmar International (Asset Productivity and Breakup Value) is a Singapore-headquartered processor of edible oils with meaningful operations in China. This company presents a trifecta of reasons to avoid investing in the stock. It is based in Singapore, operates in China – another economy that is slowing, and its earnings are impacted by the U.S.-China trade dispute and the volatility of palm oil prices. And yet, the stock has contributed positively to the Fund's NAV – not because the foregoing factors are attractive to a growth-oriented investor, but because the company may crystalize the value created by management in China that is currently hidden in its balance sheet, and which an expected listing of its Chinese operations will help realize.

This is a time of perceived uncertainty, judging by the benchmark's performance, and even confusion, based on numerous quandaries around the globe: unprecedented fiscal deficits and central bank balance sheet expansion in the U.S., while GDP is growing and inflation is close to target; negative interest rates in Europe; and emerging market central banks lowering rates while the U.S. dollar is strong. In this perplexing context, it is important to remember that companies are more flexible than policymakers to adapt to a changing reality. By remaining focused on the work of individual companies and on deriving investment returns based on the seven categories of value, the Seafarer Overseas Value Fund seeks to carve its own path.

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

Paul Espinosa
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Seafarer Capital Partners, LLC

October 10, 2019

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[1] References to the "Fund" pertain to the Fund's Institutional share class (ticker: SIVLX). The Investor share class (ticker: SFVLX) returned -1.69% during the quarter.

[2] The Fund's Investor share class began the quarter with a net asset value of $11.82 per share; it finished the quarter with a value of $11.62 per share.

[3] www.seafarerfunds.com/value-in-em

[4] Formerly known as Pegas Nonwovens.

Glossary

Gross Domestic Product (GDP): a macroeconomic measure of the value of a country's economic output. GDP includes only those goods and services produced domestically; it excludes goods and services produced abroad, even if such goods and services are produced by factors of production (i.e. companies) owned by the country in question.

Gulf Cooperation Council (GCC): a regional political and economic union consisting of all Arab states of the Persian Gulf, except Iraq. Established in 1981, the GCC is also known as the Cooperation Council for the Arab States of the Gulf.

Net Asset Value (NAV): a fund's net asset value per share; for an open-end mutual fund, the net asset value is equivalent to the fund's price per share. A fund's net asset value per share is calculated by summing the fund's assets (including portfolio securities and cash), netting off the fund's liabilities, and then dividing the residual balance by the number of fund shares outstanding.

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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/ovl/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 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 September 30, 2019, Qatar Gas Transport Co., Ltd. comprised 4.1% of the Seafarer Overseas Value Fund, Qualicorp Consultoria e Corretora de Seguros SA comprised 4.9% of the Fund, Shangri-La Asia, Ltd. comprised 3.4% of the Fund, Giordano International, Ltd. comprised 2.2% of the Fund, WH Group, Ltd. comprised 4.3% of the Fund, HRnetgroup, Ltd. comprised 3.2% of the Fund, and Wilmar International, Ltd. comprised 3.3% of the Fund. The Fund did not own shares in Asia Satellite Telecommunications Holdings, Ltd., Smithfield Foods, Inc., SIA Engineering Co., Ltd., PFNonwovens SA, or Singapore Airlines. View the Fund's Top 10 Holdings at www.seafarerfunds.com/funds/ovl/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.

