



SEAFARER

Seafarer Overseas Growth and Income Fund

High Yield Bonds in the Emerging Markets

Second Quarter 2016

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This material must be accompanied or preceded by a prospectus. View the Fund's prospectus at www.seafarerfunds.com/prospectus.

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.

The views and information discussed in this presentation are as of the date of publication, are subject to change, and may not reflect the writer's current views. The views expressed represent an assessment of market conditions at a specific point in time, are opinions only and should not be relied upon as investment advice regarding a particular investment or markets in general. Such information does not constitute a recommendation to buy or sell specific securities or investment vehicles. It should not be assumed that any investment will be profitable or will equal the performance of the portfolios or any securities or any sectors mentioned herein. The subject matter contained herein has been derived from several sources believed to be reliable and accurate at the time of compilation. Seafarer does not accept any liability for losses either direct or consequential caused by the use of this information.

By investing in high yield bonds you may be subject to greater price volatility based on fluctuations in issuer and credit quality. When investing in bonds, you are subject, but not limited, to the same interest rate, inflation and credit risks associated with the underlying bonds owned by the Funds.

Size of the Emerging Market Bond Universe



Emerging Markets Bond Universe 3/31/16

	Size of the market (USD in trillions)	Number of bonds
Local currency emerging market sovereign bonds	\$11.5	8,000
USD and EUR emerging market sovereign bonds	\$1.2	1,100
Local currency emerging market corporate bonds	\$4.7	15,400
USD and EUR emerging market corporate bonds	<u>\$1.8</u>	<u>3,500</u>
	\$19.1	28,000

Sources: Bloomberg, Seafarer

Minimum issue size of USD\$100 million

Note: USD refers to United States dollar denominated bonds. EUR refers to euro denominated bonds.

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	<u>AAA-BBB</u>	<u>BB-B</u>	<u>CCC-C</u>	<u>D</u>	<u>NR</u>
USD and EUR emerging market corporate bonds	48%	20%	4%	1%	27%
		52%			

Sources: Bloomberg, Seafarer

Minimum issue size of USD\$100 million

Note: USD refers to United States dollar denominated bonds. EUR refers to euro denominated bonds.

Note: ratings are Bloomberg Composite Ratings

Global USD High Yield Bond Default Trends



Global USD High Yield Bond Default Trends 6/30/2008 – 3/31/2016

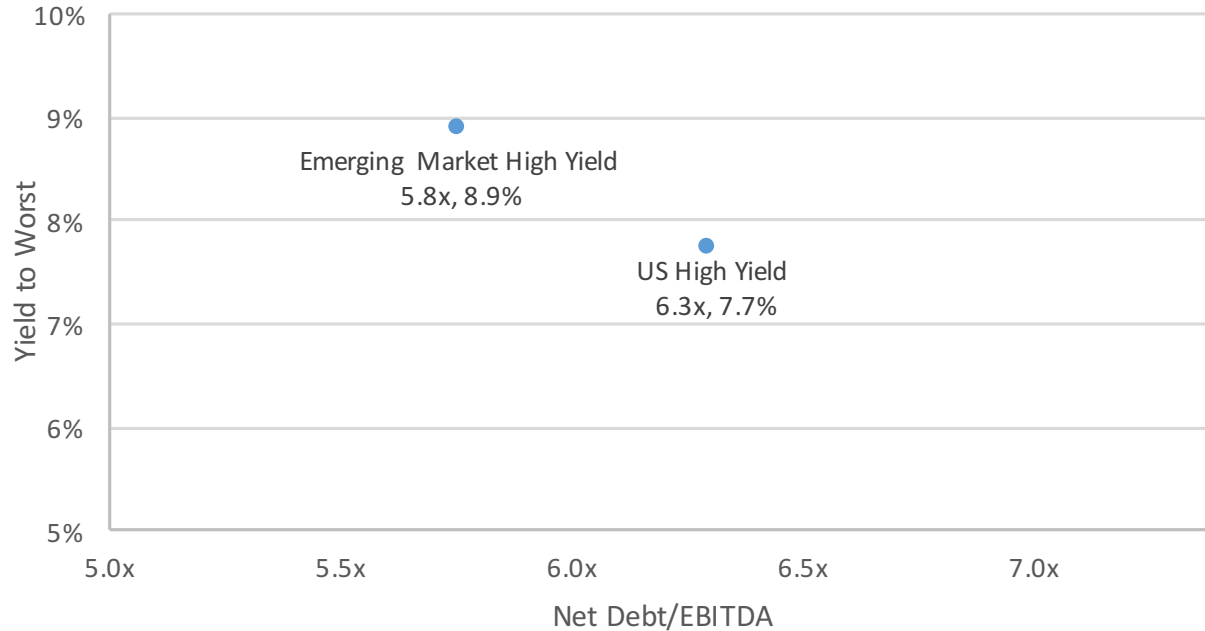


Sources: Bloomberg, BAML
Past performance does not guarantee future results.

Global USD High Yield Bond Risk / Return Trade Off



Global USD High Yield Bond Risk vs. Return
as of 5/03/2016

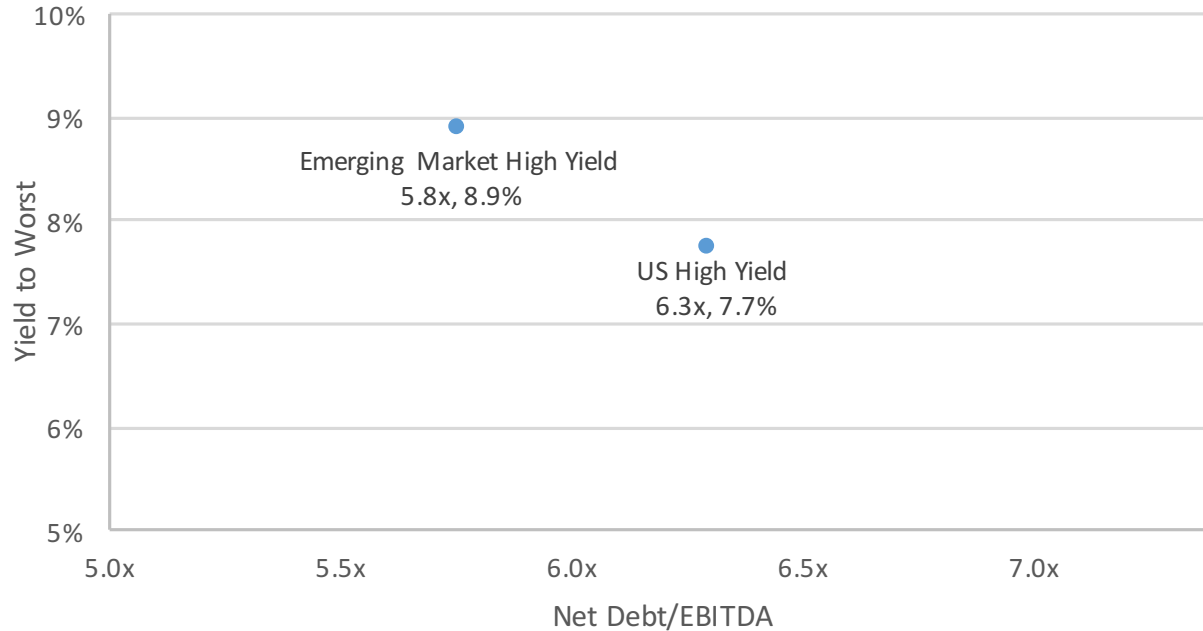


Emerging market high yield bonds have less leverage, yet offer 1.2% more yield than US high yield bonds

Global USD High Yield Bond Risk / Return Trade Off



Global USD High Yield Bond Risk vs. Return as of 5/03/2016



Potential reasons for this relationship:

- Less liquid market
- Micro foreign currency mismatches (i.e. – USD debt vs. local currency revenues)
- Sovereign ceiling caps
- Issuer unfamiliarity

Bloomberg Composite Rating

Bloomberg Composite Ratings are a composite of the bond ratings issued by four nationally recognized statistical ratings organizations: DBRS, Fitch Ratings, Moody's Investor Services, and Standard & Poor's. The composite is calculated as an evenly distributed weighting of the ratings of each of the agencies which has issued a rating for a bond. The composite is calculated by taking the average of the existing ratings, rounded down to the lower rating in situations where the composite is between two ratings. Bloomberg Composite Ratings range from AAA (the most credit worthy) to D- (defaulted) and NR (not rated). Bonds rated below BBB are considered "high yield". A composite is not calculated if the bond is rated by only one of the four ratings agencies. The composite rating is not intended to be a credit opinion. (Source: Bloomberg) More information on ratings methodologies can be found on the websites for each of the nationally recognized statistical rating organizations: www.dbrs.com, www.fitchratings.com, www.moodys.com, www.standardandpoors.com

Dominion Bond Rating Service (DBRS)

Dominion Bond Rating Service (DBRS) is one of the nationally recognized statistical rating organizations, headquartered in Toronto. DBRS, similar to the other nationally recognized statistical rating organizations, provides credit rating opinions and research on debt instruments and other securities.

Emerging Market High Yield

The BofA Merrill Lynch Emerging Market High Yield Index tracks the performance of USD denominated below investment grade emerging market corporate debt publicly issued in the domestic or eurbond markets. (Source: BofA Merrill Lynch, "BAML")

EBITDA

an acronym that refers to "Earnings Before Interest, Taxes, Depreciation and Amortization." It is calculated as follows:

$$\text{EBITDA} = \text{Operating Revenues} - \text{Operating Expenses (excluding interest, taxes, depreciation and amortization)}$$

EBITDA is used as a very rough proxy for a company's ability to produce gross cash flow (cash flow itself being a proxy for a company's profitability). Analysts often utilize EBITDA because it is easy to calculate, and because it is fairly comparable from one company to another. EBITDA is a very superficial, basic measure, and consequently it might not always serve as an accurate guide to a company's long-term profitability; however, one of its chief benefits is that it precludes many of the accounting and financial decisions that a company's management might utilize to influence (or even distort) ordinary operating profits.

European High Yield

The BofA Merrill Lynch European High Yield Index tracks the performance of EUR denominated below investment grade corporate debt publicly issued in the European markets. (Source: BofA Merrill Lynch, “BAML”)

Fitch Ratings, Inc.

Fitch Ratings, Inc. is one of the nationally recognized statistical rating organizations, headquartered in New York and London. Fitch, similar to the other nationally recognized statistical rating organizations, provides credit rating opinions and research on debt instruments and other securities.

Global High Yield

The BofA Merrill Lynch Global High Yield Index tracks the performance of USD and EUR denominated below investment grade corporate debt publicly issued in the major domestic or eurobond markets. (Source: BofA Merrill Lynch, “BAML”)

Moody’s Investor Services

Moody’s Investor Services is one of the nationally recognized statistical rating organizations, headquartered in New York City. Moody's, similar to the other nationally recognized statistical rating organizations, provides credit rating opinions and research on debt instruments and other securities.

Net Debt

total value of of debt instruments less cash and cash equivalents.

Standard & Poor’s

Standard & Poor’s is one of the nationally recognized statistical rating organizations, headquartered in New York City. Standard & Poor’s, similar to the other nationally recognized statistical rating organizations, provides credit rating opinions and research on debt instruments and other securities.

US High Yield

The BofA Merrill Lynch US High Yield Index tracks the performance of USD denominated below investment grade corporate debt publicly issued in the domestic markets. (Source: BofA Merrill Lynch, “BAML”)

Yield to Worst

the lowest yield an investor can expect from a bond, taking call provisions and other bond features into account.



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