Excerpt from the *Seafarer Funds Semi-annual Report*

Letter to Shareholders

Period Ended October 31, 2019

Paul Espinosa
Portfolio Manager

Dear Fellow Shareholders,

I appreciate the opportunity to address you on behalf of the Seafarer Funds. This semi-annual report covers the first half of the Funds' 2019–2020 fiscal year (May 1, 2019 to October 31, 2019).

Team Update

The common practice at Seafarer Capital Partners, LLC ("Seafarer," the adviser to the Funds), and my own personal preference, is to address issues head on. Thus, on October 11, 2019, Seafarer announced the departure[1] of one of the Seafarer Overseas Growth and Income Fund's portfolio managers, Inbok Song. An esteemed colleague and human being, Inbok and her work during her 13-month tenure as a Lead Manager of the Fund will be missed. The Fund continues to pursue its objective following Seafarer's distinctive investment approach, which remains in the custody of the Seafarer team and does not go out the door with one person. As such, Andrew Foster and I continue our roles as Lead Managers of the Fund, working with the rest of the Seafarer investment team.

As an organization, Seafarer remains true to its founders' vision: a small, employee-owned investment management firm, with employees that self-select to remain at the firm, attracted by the rare opportunity to create a distinctive investment approach to better serve the needs of savers, and to build an asset management firm with an equally unique ethos.

Navigating Challenges to Investors and to Seafarer – Common Cause, Common Solution

Seafarer's investment approach and culture differentiate themselves not for the sake of doing so, but out of necessity, as these characteristics address the challenges faced by investors in the Funds and by Seafarer as an organization. The primary challenge to an investor's objective of increasing the long-term purchasing power of savings is the ever-decreasing rate of return on capital promulgated by central banks around the globe, as this policy transfers value from savers to debtholders. At the same time, the primary long-term challenge to Seafarer as an active asset manager is the as-yet-unabated migration of savings from active investment strategies to passively managed ones. In my opinion, the primary cause of said migration shares the same root as the transfer of value from savers to debtholders: progressively lower rates of return on capital. Indeed, the result of ever-rising debt associated with its progressively lower cost is the apparent suspension of the business cycle, as demonstrated by the unprecedented longevity of the expansionary phases of gross domestic product (GDP) growth in recent economic cycles. The reason this effect is relevant to Seafarer is that active managers thrive on the changes in company business prospects associated with the natural business cycle. Now that central banks appear to have successfully suppressed the natural economic cycle, non-discriminating benchmark-oriented investment strategies have outperformed at the expense of active managers – for the same root cause that has transferred value from savers to debtholders.

Alas, shareholders and Seafarer find themselves on the same boat. Seafarer chooses to navigate the winds of change sticking to the sailboat it knows how to command best (a small and nimble asset management organization), with a crew that shares the same ethos (a small group of investment professionals committed to this type of vessel and who know what they are looking for on the investment horizon). While Seafarer has clarity of mind regarding the type of vessel and crew it employs, what deserves a more extended discussion is the waters it chooses to navigate. The Funds' shareholders have good reason to question the captain's choice of route. The MSCI Emerging Markets Index has underperformed the S&P 500 Index since the 2008 financial crisis, with its valuation on traditional multiples perennially cheaper than that of the S&P 500 with little prospect of revaluation.

My purpose in this letter is not to argue in favor of emerging markets or delve into an intricate explanation of the underperformance of the investment universe over the past decade. My objective is far more complex, thus requiring a simpler explanation: to explain how Seafarer thinks about the companies it invests in and why the Funds' investors should care, given the foregoing headwinds to increasing the future purchasing power of present savings.

The first hint as to why investors should care is in the name of the two strategies Seafarer manages at present: the Overseas Growth and Income strategy and the Overseas Value strategy. "Growth and Income" and "Value" point to the fact that in selecting securities, Seafarer's crew prioritizes financial attributes over countries, sectors, or benchmarks. Furthermore, the use of the term "overseas" hints at the idea of diversifying U.S. dollar savings into securities denominated in other currencies. Thus, Seafarer's frame of mind extends beyond the traditional approach of investing in the emerging markets because the countries that comprise said universe grow faster than the U.S. Seafarer approaches non-U.S. dollar overseas markets by searching for companies (not countries) that issue securities bearing "growth and income" and "value" characteristics.

It is difficult to overstate the importance of this difference in approach. It means that the Funds' shareholders free themselves from the false premise that they must predict the relative performance of the S&P 500 Index versus the emerging markets over the next ten years before making an allocation. That quixotic prediction is something with which only investors in passive, benchmark-oriented strategies need to preoccupy themselves. Indexes do not add value to the world; individual companies do. The same way that Argentina and Turkey do not define the entire emerging markets, the fact that the latter has underperformed the S&P 500 Index over the past decade does not mean that all individual emerging market companies have also underperformed their U.S. counterparts. Therein lies the beauty of an active, bottom-up strategy that seeks to identify and invest in individual companies, thus obviating futile questions without answer, such as predicting stock indexes' relative performance or the future path of benchmark interest rates.

From this perspective, the more meaningful allocation decision centers on savers' allocation to U.S. dollar vs non-U.S. dollar investments. As explained in Seafarer's Emerging Markets Briefing,[2] one approach is as follows: investors measure the portion of their assets that are principally denominated in U.S. dollars versus those assets that are not. After matching U.S. dollar assets against U.S. dollar liabilities, a portion of the surplus capital could be allocated to the emerging markets.

In summary, both the Funds' investors and Seafarer find themselves at the same crossroads. In Seafarer's opinion, the answer to the challenge posed by the transfer of value from savers to debtholders, and to the shift from active management to passive strategies, is the same: to derive investment returns from individual companies (not indexes) that display specific Growth and Income or Value characteristics (as opposed to characteristics that relate to geography or sector). I find it important to convey to the Funds' shareholders that Seafarer has the crew to stay the course because we have self-selected to man this type of vessel and know what we are pursuing on the investment horizon.

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

Sincerely,

Paul Espinosa
Portfolio Manager
Seafarer Capital Partners, LLC

November 15, 2019

[1] www.seafarerfunds.com/message-to-shareholders/2019/10/11

[2] www.seafarerfunds.com/commentary/emerging-markets-briefing/2019/10

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.

Seafarer®
seafarerfunds.com

For More Information

Individual Investors
(855) 732-9220
seafarerfunds@alpsinc.com

Investment Professionals
(415) 578-5809
clientservices@seafarerfunds.com

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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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.