SEAFARER®

SEAFARER OVERSEAS GROWTH AND INCOME FUND

Portfolio Review

Third Quarter 2022

Andrew Foster
Chief Investment Officer and Portfolio Manager

Paul Espinosa
Portfolio Manager

Lydia So
Portfolio Manager

During the third quarter of 2022, the Seafarer Overseas Growth and Income Fund returned -9.21%.[1,2] The Fund's benchmark index, the Morningstar Emerging Markets Net Return USD Index, returned -9.95%. By way of broader comparison, the S&P 500 Index returned -4.88%.

The Fund began the quarter with a net asset value of $11.51 per share. It paid no distributions during the quarter and finished the quarter with a value of $10.45 per share.[3]

Performance

As is obvious from the performance statistics stated above, equities in the emerging markets suffered a sharp downturn during the quarter, and the Fund was not spared.

Normally, I am not one to find much meaning in the performance statistics for a single quarter: my experience leads me to believe that stock market outcomes over short horizons – especially very short horizons, such as a three month period – are largely noise. I know well that when substantial losses accrue over short horizons, dismissing them as "noise" is deeply unsatisfactory to investors in general, and shareholders of the Funds in particular. I know, and never forget, that "noise" is of no help at all to the shareholder who needs to redeem at quarter end, and finds their investment is worth 9% less than it was three months ago.

Yet, over the past 20 years, my job has been to research, develop, implement, observe and assess equity investment strategies. I firmly believe that any credible strategy requires a longer horizon to make factual, discerning assessments of its merits – in my experience, it requires a bare minimum of three years, and preferably five, to separate signal from noise, to parse luck from skill, and to determine meaningful outcomes from random chance.

With that substantial caveat: I think the Fund's performance this quarter was the exception to the rule. As dismal as it was, it was not merely noise; the Fund's drop in value masks a good deal of potentially vital information. Shareholders

This portfolio review addresses the third quarter of 2022 (7/1/22 to 9/30/22). As of 9/30/22 the annualized performance of the Fund's Institutional class was: 1 year -21.56%, 3 year 1.30%, 5 year 0.58%, 7 year 4.27%, 10 year 3.42%, and since inception (2/15/12) 4.05%[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.

might reasonably assume that all emerging markets were disastrous, and that the Fund slid lower amid the wreckage. Financial media suggests that emerging markets are experiencing dismal economic and corporate performance, and that emerging currencies are in steep decline. It was not exactly so.

The Fund's fall in the quarter was due nearly entirely to its holdings in only two countries: China (inclusive of Hong Kong) and South Korea. The Fund's holdings in those two countries accounted for a little over 8% of the Fund's -9.2% decline. Perhaps contrary to expectation, the Fund generated modest absolute gains among its holdings in Latin America, inclusive of currency movements. The Fund's holdings in Eastern Europe only fell marginally, even as the region is beset by the tumult of war between Russia and Ukraine.[4] Apart from China and South Korea, it was in my opinion a shockingly good quarter.

What is going on? Why were China and South Korea so weak, and why were other regions relatively stable, contrary to prevalent narratives? To reiterate: it is problematic to read too much into a short-term performance horizon; but I will venture an educated guess. China was weak because global investors are recognizing, belatedly, that the economy is set to deliver low growth — not just this year, and not only in 2023, but well beyond. The politicization of the Chinese economy by the Xi administration has structurally altered that market's potential investment risk and return, mostly for the worse — and yet I believe select opportunities persist there.

China was weak because global investors are recognizing, belatedly, that the economy is set to deliver low growth.

South Korean stocks fell sharply, and the Korean Won fell further still, because investors perceive the country to be highly dependent on external trade for growth. Many investors presume that the U.S. and Europe will experience sharp slowdowns in growth and consumption, and that this will in turn dampen Korean companies' performance. Further, investors perceive that South Korea is locked in a perpetual trade competition with Japan and, to lesser extent, China. As the Chinese Yuan has tumbled and the Japanese Yen has collapsed, traders have pushed the Won lower on the presumption that a cheap currency is the only means by which Korean companies can compete. Suffice to say, I think those traders will be proven very wrong over time. In my estimation, the Fund's Korean holdings that engage in global trade already surpass their Japan and China-based competitors, and that the Won's weakness will make them hyper-competitive. While a recession may loom, so far, results from Korean companies do not in my view indicate a major slowdown.

Meanwhile, most of the Fund's holdings in Latin America — particularly those in Brazil — have produced solid earnings, as have many of the Fund's holdings in Eastern Europe. I would argue that the Fund's stocks from these regions have held up well, contrary to narrative, because the shares are attractively priced and companies are performing reasonably well (particularly in light of the global and local stressors on their performance). The emerging markets outside China (and India, where the Fund has no holdings at present) are cheap, and growth persists despite the headwinds. I know not to read much meaning into three months – and yet I am optimistic, not pessimistic, about the quarter that just unfolded.

Most of the Fund's holdings in Latin America — particularly those in Brazil — have produced solid earnings, as have many of the Fund's holdings in Eastern Europe.

Allocation

During the third quarter, the Fund added one new position and deleted a handful of positions. Paul Espinosa's research into stocks suitable for the growth and income strategy, but with deep value characteristics, led him to introduce the shares of Siam Cement to the Fund. **Siam Cement** is based in Thailand, and despite its name, is not much of a cement company anymore – roughly one quarter of its revenues are derived from cement production. Rather, Siam Cement is an industrial holding company, one with interests that span a range of industries, particularly packaging, chemicals and plastics. Siam Cement is also no longer just a Thai company, as it possesses interests across Southeast Asia; some of its most promising opportunities lie in Vietnam. Paul has been impressed that despite the company's various industrial businesses, it is able to mitigate cyclicality in its financial performance – seemingly through steady, carefully-planned and timed investment decisions.

The Fund's primary exit during the period was **Avast**, a security software company based in the Czech Republic. During the quarter, Avast was acquired in a tender offer by the U.S. company **NortonLifeLock**. NortonLifeLock made an offer for Avast nearly one year ago, but the transaction was held up by regulatory review for antitrust concerns. The review was completed in the quarter, and the transaction concluded successfully. In exchange for its holding in Avast, the Fund received mainly cash, but a portion of the proceeds were paid "in kind" in the form of shares in NortonLifeLock. As you peruse the Fund's holdings, you will note the presence of NortonLifeLock shares; the Fund will exit them soon, as they are not ultimately compatible with the Fund's investment mandate.

Apart from Avast, the Fund exited three very small positions, cumulatively 0.2% of the Fund: **Bizlink**, a Taiwan-based manufacturer of specialized electrical couplers; **Koh Young**, a South Korea-based producer of specialized industrial machinery; and the preferred shares of **Samsung C&T**, a South Korea-based construction and engineering company (the Fund retains its holding in the common stock of Samsung C&T).

With only one entry and only one meaningful exit, the Fund was quiet in terms of its activity during the quarter. However, our team is engaged in a number of new research projects, and I suspect the Fund will seek to take advantage of the recent decline in stock prices. In all likelihood, the Fund's construction will undergo greater change during the fourth quarter.

Outlook

At present, I am optimistic about investment prospects for the emerging markets. Before I explain why I am optimistic, I must first dispense with a number of critical caveats: there are "macro" risks that presently weigh heavily on the emerging market asset class, risks that if manifest could derail the Fund's strategy.

> China is slipping into its first modern, large-scale financial crisis, with the all-important housing industry at its center.

The first and foremost is China. As noted briefly above, and in other communications from Seafarer, the Chinese economy is poised for low growth over the next decade, with greater attendant cyclicality and uncertainty. Adding to the country's woes, China is slipping into its first modern, large-scale financial crisis, with the all-important housing industry at its center. Most concerning of all, the probability of open conflict between China and Taiwan – and the U.S. – has increased materially under the Xi administration. Seafarer has the skills and experience to attempt to navigate China's financial markets, and the resulting opportunities for risk and return; it does not have the specialized skill to predict the onset of military conflict between nations. Though China's weighting within the asset class has diminished dramatically over the past two years, it remains the largest and most important country within the emerging markets; the country and its challenges cast a long shadow over the developing world.

Second, I am concerned about India for reasons that are mundane by comparison. India's economy has performed quite well through the past few years; indeed it may be the only large country in the developing world that can grow at a fast clip for some time to come. Corporate performance has mostly followed suit. These conditions – and growing rejection of China – have prompted fund managers to push billions of dollars to India. As the market's liquidity is (by comparison to China) relatively small, the flood of foreign capital has pushed share prices to high and concerning levels. The surge in share prices has been further exacerbated by loose monetary policy by the Reserve Bank of India (RBI). Inflation has been rising in the country. If and when the RBI begins to adopt a more conventional monetary policy, the resulting contraction in liquidity might dampen perceptions of growth, and undermine share prices. This is all a fancy way of stating that generally speaking, shares in India are not "cheap," and that the risk of a material correction is higher there than most other markets. Investors should be wary. That stated, our team has three ongoing research projects in India now, and therefore I strongly suspect the Fund will reintroduce exposure to India in the coming months. While liquidity in India might be comparatively low, the market is broad and deep – there are a multitude of active industries and many, many publicly-listed companies – and our team believes it can find pockets of opportunity in such a deep market, against the grain of elevated valuation risk.

Lastly, I have opinions but no particular insight into the nature or likely outcome of the war between Russia and Ukraine. As I mentioned above, the Fund's holdings in the Eastern Europe region have, thus far, mostly fared well. However, if the conflict escalates, the impacts are unknown, but surely they will be terrible not only for the people of Ukraine, but financial markets the world over.

So my concerns boil down to slow growth in China, elevated risk of financial crisis in China, and the risk of rising hostility over Taiwan; the risk of market correction due to high valuations in India; and the risk that Russia's actions provoke an even greater and terrible conflict for the world.

Obviously, these are not trivial concerns. Seafarer is qualified to manage only a portion of them: financial and economic risks. We cannot predict when or how political hostilities might lead to war – nor can any money manager in my view, reliably. Shareholders that invest for the long term must be prepared to monitor and shoulder such macro risks according to their own preferences and needs.

Despite all of this, I would like to share why I have a positive outlook. I am optimistic about long-term investment returns from the emerging markets because I have a deliberately narrow gaze: at Seafarer, we concentrate on evaluating corporate performance alongside security valuation (corporate performance and valuation are often referred to as "the fundamentals" in the investment industry). We do not concern ourselves much with the vagaries of politics or war: not because they do not matter, but because they are entirely unpredictable by mere mortals. To the extent we observe such conditions, we do so entirely thorough the lens of the Fund's holdings and prospective investment candidates. We ask ourselves: what do these risks mean for the Fund's positions? How will the Fund's holdings fare amid conflict, financial crisis, market correction? We do not concern ourselves much with broader questions because we simply cannot answer them, and doing so would constitute a distraction from our job. I have learned by hard experience that this is the only way to make sound, repeatable investment decisions over time.

When I look at the fundamentals right now, I am optimistic. Valuations are quite low: emerging market stocks are trading, in aggregate, at less than ten times their trailing earnings (i.e., the earnings they produced last year). In aggregate, they offer dividend yields in excess of 3.5% – a fairly attractive figure, in my estimation. Perhaps most importantly, their aggregate price to book value ratio hovers around 1.4.[5] This is fairly low and attractive – especially considering that balance sheets in the developing world are replete with cash and retained earnings, and not much debt (except for a few outlying industries, such as the disastrous home-building industry in China). Despite rising rates, defaults have been relatively muted (again, outside the terrible China housing sector) – I think this is a mark of relatively strong solvency and liquidity.

Emerging currencies, as represented in the Bloomberg Emerging Markets Large, Mid, and Small Cap Currency Implied Yield Index, have fallen precipitously against the U.S. dollar this year: -7.2% in aggregate, when measured year-to-date through the end of September. Yet it is important to note that they fell from a nearly all-time high versus the dollar – indeed it has been the dollar, not emerging currencies, that has been slowly weakening over the past decade. Some strategists are astonished that emerging market currencies have "held up" better versus the dollar than the Yen, the Pound or the Euro; I am not. For a long time now, the developing world has evolved to become less dependent on the dollar and the monetary policy of the U.S. Federal Reserve (both are still important, but no longer economically critical).

Most important in my view is the fact that as of now, growth persists. By consensus, investment strategists and analysts have forecast that aggregate earnings from the emerging markets will decline nearly 10% this year in U.S. dollar terms (measured relative to earnings at the end of 2021).[5] Yet earnings actually expanded 5% in dollar terms through June, inclusive of the impact of currency movements.[6] By and large, companies are growing, the corporate fundamentals are improving, and valuations are low.

I keep my gaze narrow on purpose: but for the caveats above, I am optimistic for any investor willing and able to hold for the long term. Such investors must prepare themselves to hold despite the worst kind of "macro" risks, which understandably may be too much for some. Seafarer's work will continue regardless — working now for the shareholders that share my optimism, and working later for those that might depart for a time given such macro concerns, but return later, if and when my present optimism is clearly warranted.

> By and large, companies are growing, the corporate fundamentals are improving, and valuations are low.

In closing, I am pleased to report that my colleague Lydia So has joined Paul Espinosa and me as a Lead Manager of the Growth and Income Fund. Lydia is responsible for the Fund's growth-oriented securities. For more information, view the Message to Shareholders – Portfolio Manager Update.[7]

Thank you for entrusting us with your capital despite trying market conditions. We are honored to be the recipient of your trust and to serve as your investment adviser in the emerging markets.

Andrew Foster
Chief Investment Officer and Portfolio Manager

with

Paul Espinosa
Portfolio Manager

and

Lydia So
Portfolio Manager

October 28, 2022

[1] References to the "Fund" pertain to the Fund's Institutional share class (ticker: SIGIX). The Investor share class (ticker: SFGIX) returned -9.27% during the quarter. All returns are measured inclusive of Fund distributions paid (in relation to Fund performance) or dividends paid (in relation to index performance), reinvested in full (exclusive of any U.S. taxation) on the pertinent ex-date.

[2] 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.

[3] The Fund's Investor share class began the quarter with a net asset value of $11.44 per share; it finished the quarter with a value of $10.38 per share.

[4] Sources: ALPS Fund Services, Inc., Bloomberg, Seafarer.

[5] Source: J.P. Morgan, "Emerging Markets Equity Strategy Steering Board," 29 September 2022.

[6] Source: J.P. Morgan.

[7] www.seafarerfunds.com/mts/2022/08

Glossary

Dividend Yield (Trailing 12-Mo): a measure of the sum of the dividends paid per share during the trailing 12 months divided by the current share price.

Japanese Yen (JPY): the official currency of Japan.

Liquidity: the ability to buy or sell an asset readily and with reasonable volumes without affecting the asset's price. (Sources: Seafarer and Barron's Dictionary of Finance and Investment Terms, 1995)

Price to Book Value (P/BV) Ratio: the market price of a company's common shares divided by the company's book value per share.

Price to Earnings (P/E) Ratio: the market price of a company's common shares divided by the earnings per common share. The Price to Earnings ratio may use the earnings per common share reported for the prior year or forecast for this year or next year (based on consensus earnings estimates). (Source: Barron's Dictionary of Finance and Investment Terms, 1995)

Renminbi (RMB): the official currency of the People's Republic of China. The name literally means "people's currency." The yuan (sign: ¥) is the basic unit of the renminbi, but is also used to refer to the Chinese currency generally, especially in international contexts.

Retained Earnings: net profits kept to accumulate in a business after dividends are paid.

Solvency: the ability of a borrower to meet its long-term debt obligations.

South Korean Won (KRW): the official currency of South Korea.

SEAFARER®
seafarerfunds.com

For More Information

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

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

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 Morningstar Emerging Markets Net Return USD Index measures the performance of emerging markets targeting the top 97% of stocks by market capitalization. The index does not incorporate Morningstar's environmental, social, or governance (ESG) criteria. Index code: MEMMN. The Bloomberg Emerging Markets Large, Mid, and Small Cap Currency Implied Yield Index is an index that tracks the performance of a representative basket of emerging market currencies relative to the U.S. dollar. The index aims to reflect the performance of deposits in foreign currency accounts, at interest rates determined using the covered interest rate parity relationship and weighted to each currency following the weights of the Bloomberg Emerging Markets Large, Mid, and Small Cap Price Return Index. Index code: EMLSFX. 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.

The views and information discussed in this commentary are as of the date of publication, are subject to change, and may not reflect Seafarer'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.

As of September 30, 2022, Siam Cement PCL comprised 0.8% of the Seafarer Overseas Growth and Income Fund, and NortonLifeLock, Inc. comprised 0.1% of the Fund. The Fund did not own shares in Avast PLC, Bizlink Holding, Inc., Koh Young Technology, Inc., or Samsung C&T Corp., Pref. 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.

The Seafarer Overseas Growth and Income Fund is not sponsored, endorsed, sold, or promoted by Morningstar, Inc. Morningstar, Inc. makes no representation or warranty, express or implied, to the shareholders of the Fund or any member of the public regarding the advisability of investing in the Fund or the ability of the Morningstar Emerging Markets Net Return U.S. Dollar Index to track general equity market performance of emerging markets.