SEAFARER

SEAFARER OVERSEAS VALUE FUND

Portfolio Review

Fourth Quarter 2022

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During the fourth quarter of 2022, the Seafarer Overseas Value Fund returned 9.86%.[1,2] The Fund's benchmark index, the Morningstar Emerging Markets Net Return USD Index, returned 9.28%. By way of broader comparison, the S&P 500 Index increased 7.56%.

The Fund began the quarter with a net asset value (NAV) of $11.74 per share. During the quarter, the Fund paid a distribution of approximately $0.215 per share. This payment brought the cumulative distribution, as measured from the Fund's inception, to $2.082 per share.[3] The Fund finished the period with a value of $12.68 per share.[4]

During the calendar year, the Fund returned -0.71%, whereas the benchmark index, the Morningstar Emerging Markets Net Return USD Index, returned -18.29%.[5]

Performance

What is important about the Value Fund's performance this quarter is that the NAV appreciated meaningfully in absolute terms, following a period of defensive performance compared to the benchmark. The Fund's outperformance relative to the benchmark during the first three quarters of the 2022 calendar year (albeit a negative one in absolute terms) demonstrated the defensiveness of the NAV, at least for that period of time, and raised the question of whether the Fund could also appreciate in value in a more benign market environment. The fourth quarter of 2022 represented that more benign environment, and the Value Fund grew its NAV meaningfully.

China's relaxation of its zero-Covid policies contributed to significant appreciation of several China-related holdings.

Please note: this portfolio review encompasses only the fourth quarter of 2022, and does not offer a thorough discussion of the entire calendar year. The Fund operates on a fiscal year that concludes April 30; as such, Seafarer offers comprehensive performance reviews for the Fund's annual and semi-annual periods, which are published in the Fund's Shareholder Reports in late June and December, respectively. Previous Shareholder Reports are available at www.seafarerfunds.com/archives.

The Fund's appreciation this quarter appears to relate to the combination of low valuations and improving profit prospects of the Fund's holdings. China's relaxation of its zero-Covid policies contributed to significant appreciation of several China-related holdings. Specifically, the share price of Melco International (Asset Productivity and Breakup Value source of value; see Figure 1 for definitions

This portfolio review addresses the fourth quarter of 2022 (10/1/22 to 12/31/22). As of 12/31/22 the annualized performance of the Fund's Institutional class was: 1 year -0.71%, 3 year 4.36%, 5 year 3.59%, and since inception (5/31/16) 6.47%[1]; the net expense ratio was 1.05% and the gross expense ratio was 1.35%. 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.

of the sources of value referenced in this review), a casino owner and operator in Macau, rose 38.69% in U.S. dollar terms during the fourth quarter, on the expectation that the relaxation of travel restrictions in China would increase the number of visitors to Macau, which had fallen to an all-time low. The share prices of **Shangri-La** (Breakup Value and Asset Productivity), a hotel owner and operator, and **DFI Retail** (Management Change and Asset Productivity), a multi-format retailer operating in Asia, rose for the same reason.

Although the timing of China's partial re-opening caught many investors by surprise, its impact on the valuations of Chinese stocks was predictable. What was less predictable was the strong performance of other stocks, such as **Anheuser-Busch Inbev** (Asset Productivity and Deleveraging), a global brewer that derives most of its revenue from emerging markets, which contributed to the Fund's appreciation this quarter despite continued concerns over margin pressure related to input cost inflation. **Samsung SDI** (Breakup Value), a South Korean battery manufacturer, outperformed the benchmark despite concerns over the global auto sector. **Siam Cement Group** (Asset Productivity and Breakup Value), a Thailand-based industrial conglomerate that operates in Southeast Asia, ranked among the top contributors to Fund performance this quarter, despite the global deceleration in gross domestic product (GDP) growth. Finally, **Moneta Money Bank** (Asset Productivity), a bank operating in the Czech Republic, appreciated meaningfully despite the government's announcement of a windfall tax on banks and energy firms to help finance measures to support consumers affected by soaring electricity and gas prices stemming from the Russian invasion of Ukraine.

On the negative side of the ledger, **XP, Inc.** (Structural Shift), a Brazilian investment management company, detracted from the Fund's performance after the market inferred that high interest rates in Brazil would persist in light of the deeper fiscal deficit proposed by Brazil's newly elected president, Luiz Inácio Lula da Silva. High interest rates divert savings to fixed income securities at the expense of equities, the more profitable segment for XP.

Within the context of the cyclical companies discussed above, it is interesting that two of the Fund's more operationally defensive holdings underperformed in the fourth quarter. **Qatar Gas Transport** (Deleveraging), an owner and operator of transport vessels for liquefied natural gas (LNG) under long-term service contracts, and **China Yangtze Power** (Structural Shift), the world's largest hydroelectric utility, both contributed negatively to performance even in the absence of meaningful company developments.

Allocation

During the fourth quarter, the Fund established a new position in **Petronet** (Asset Productivity), India's largest import terminal operator for LNG, making it the Fund's first India holding. Petronet earns a high return on equity (in the 20% range), with secure revenue from long-term volume contracts. It has a balance sheet with a substantial net cash position and continues to add to its net cash position through the generation of substantial free cash flow. While the Fund collects an approximate 5% dividend yield from the stock at present, the Fund may earn an additional return, as the company's capacity utilization may rise with a potential normalization in LNG prices following a spike in 2022, as well as India's growing demand for energy.

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Traveling halfway around the globe, the Fund added **Bank of Georgia** (Asset Productivity) as a new holding. Like Petronet, it consistently earns a return on equity in the 20% range, has low leverage, and increasingly pays out a greater proportion of its substantial cash flow while retaining above-average growth prospects.

The third addition to the Fund during the fourth quarter was **Odontoprev** (Structural Shift), a Brazilian provider of dental insurance plans. Over the past three years, the market has sold the stock of this *high return on capital* business as revenue growth stalled. The Value Fund intends to generate an investment return from this stock on the basis of an attractive dividend yield and its share buyback program. Furthermore, contrary to the market expectation, Seafarer believes that it is too early to write-off the structural growth of health insurance in Brazil, or Odontoprev's ability to improve the performance of its insurance distribution network to drive organic sales growth.

The Fund did not exit any positions during the quarter.

Outlook

The cost of preconceptions became apparent in 2022. In the United States, fixed income instruments generated returns as negative as those of equity securities. The returns of emerging market equity indexes were comparable to those of the S&P 500 in a down year. The traditional safety of the fixed income asset class was conspicuous by its absence, as was the beta historically associated with emerging market equities.

While investors could have anticipated both the risk associated with prospective bond returns when interest rates are pegged to the floor and the diminished risk associated with the lower valuations of emerging markets compared with U.S. equities, how many acted on said investment conditions? Arguably, a meaningful set of investors identified these insights last year, but few invested with anticipation, otherwise market returns would not have proven as costly.

It is indeed difficult for an investor to overcome the preconception that a balanced portfolio is safer than an equity-only one, or that emerging market equity indexes are more volatile than a U.S. market index.

Extending this line of thought to 2023 and beyond, I wonder what the future holds for investor preconceptions regarding China. Unlike other developing countries, China is unaccustomed to intermittent recessions and currency devaluations. More precisely and importantly from the investment perspective, Chinese management teams historically have not had to prepare for the business disruption associated with this macroeconomic volatility.

Investors in China already faced the debunking of one preconception during the Covid era: for the first time since the 1990s, the government failed to counteract decelerating GDP growth with yet another round of increased infrastructure spending.

Going forward, there are many reasons to expect China's credit expansion (which is what historically underwrote the infrastructure spending referred to above) to remain below historical rates of growth. There are myriad reasons for this expectation that fall outside the scope of this Outlook section. Given the likelihood of significantly slower credit expansion, to what extent will China's economic miracle over the past three decades be revealed to be the consequence of unbridled money supply growth rather than corporate managerial skill? In my opinion, both factors played roles. But given that credit contraction (higher interest rates) separates well-managed corporates from poorly managed ones, I expect slower structural money supply growth in China to reveal the true nature of the Chinese economic miracle and make active stock selection in the country critical to investment success.

Another preconception the future may challenge is the view that emerging market (EM) corporates are riskier than developed market ones, at least on a selective basis. Seafarer's work over the years has revealed a growing list of EM companies that are managed just as well as leading global corporates and have expanded internationally, including into developed markets, mirroring the behavior of multinational corporations that expand into emerging markets. Moreover, many of these EM companies' management teams are battle tested in navigating high inflation, volatile foreign exchange rates, and erratic economic growth – challenges that developed market management teams have faced less acutely, and few Chinese management teams have faced at all. I would argue that these select EM corporates redefine risk in a way that may transcend the traditional definition of risk in terms of countries. The traditional definition of risk may prove a handicap to generating investment returns in select EM corporates in the same way that preconceptions proved a handicap to investors in 2022.

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We are living through an investment regime change, and I find the foregoing redefinition of risk a reason to be optimistic about the prospect for future investment returns even in a slower-growth world. That is, as long as the investor is selective and unencumbered by preconceptions.

In closing, I am pleased to report that my colleague Brent Clayton was named a Co-Portfolio Manager of the Value Fund. He joins Andrew Foster, who remains a Co-Portfolio Manager of the Fund. Brent has been a key contributor to the Value Fund's equity research efforts since he joined Seafarer Capital Partners in 2018. Brent's research contributions over time have progressed from valuable to invaluable. He is ready for promotion, capable of handling the responsibility, and in my opinion he will enhance the Value Fund's investment selections.

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

Paul Espinosa
Portfolio Manager

January 25, 2023

[1] References to the "Fund" pertain to the Fund's Institutional share class (ticker: SIVLX). The Investor share class (ticker: SFVLX) returned 9.75% 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/ovl/performance.

[3] The Fund's inception date is May 31, 2016.

[4] The Fund's Investor share class began the quarter with a net asset value of $11.71 per share; it paid a distribution of approximately $0.209 per share during the quarter; and it finished the quarter with a value of $12.64 per share.

[5] The Fund's Investor share class returned -0.84% during the calendar year.

Glossary

Beta: the systematic risk (variance) of a security or portfolio measured relative to the market as a whole (or a proxy index). A beta of 1 indicates the security or portfolio co-varied directly with the overall market (or the proxy index).

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.

Free Cash Flow: operating cash flow minus capital expenditures.

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.

Net Cash: a company's cash position, calculated by subtracting the company's total debt from its total cash.

Return on Equity (ROE): the amount of net income returned as a percentage of shareholders equity. Return on equity measures a company's profitability by revealing how much profit the company generates with the money shareholders have invested.

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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 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 December 31, 2022, Melco International Development, Ltd. comprised 3.9% of the Seafarer Overseas Value Fund, Shangri-La Asia, Ltd. comprised 3.6% of the Fund, DFI Retail Group Holdings, Ltd. comprised 2.9% of the Fund, Anheuser-Busch InBev SA comprised 3.0% of the Fund, Samsung SDI Co., Ltd. comprised 2.7% of the Fund, Siam Cement PCL comprised 2.6% of the Fund, Moneta Money Bank AS comprised 2.6% of the Fund, XP, Inc. comprised 3.0% of the Fund, Qatar Gas Transport Co., Ltd comprised 3.0% of the Fund, China Yangtze Power Co., Ltd. comprised 3.1% of the Fund, Petronet LNG, Ltd. comprised 1.4% of the Fund, Bank of Georgia Group PLC comprised 1.0% of the Fund, and Odontoprev SA comprised 2.1% of the Fund. 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.

The Seafarer Overseas Value 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.