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Seafarer Overseas Growth and Income Fund

Overview of Risk Management Practices

September 2015

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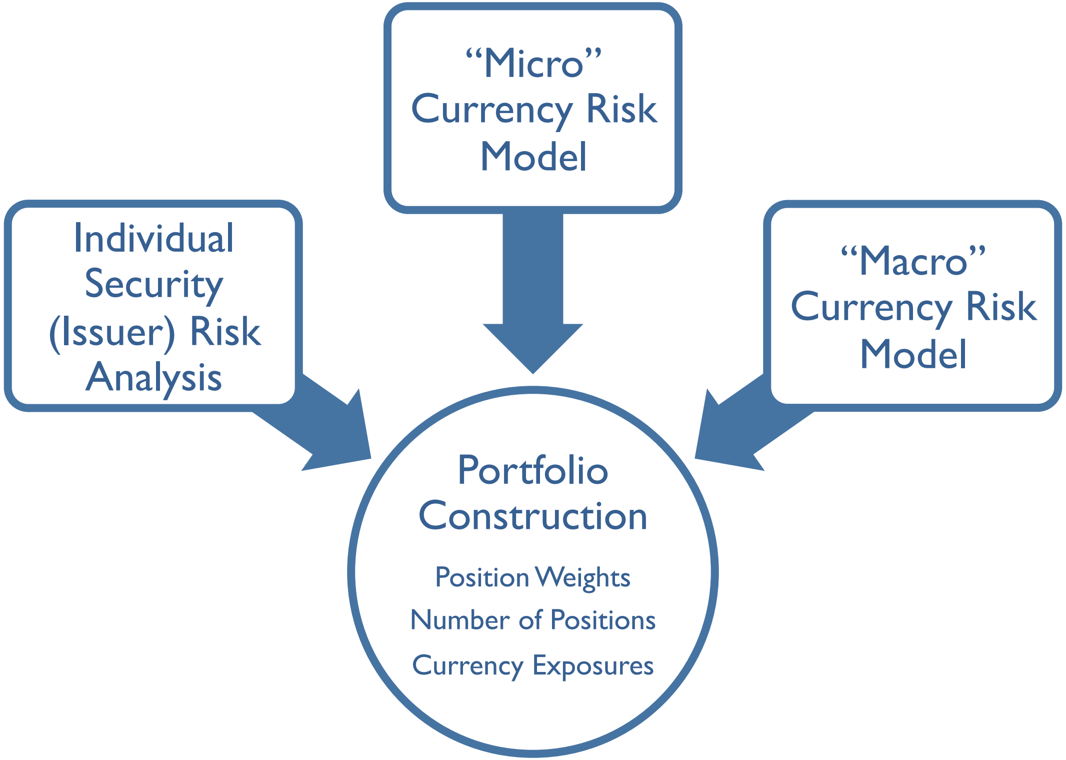
Foreign Exchange (FX): the exchange of one currency for another, or the conversion of one currency into another currency. In the context of the video accompanying this presentation, the term "FX" is used as though it were synonymous with the word "currency."

Risk Management for the Fund



Issuer Risk

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Goal

- Use "bottom-up" analysis to identify material risks and other issues that might beget excessive volatility or downside in the security

Risk Assessment

- Identify risks or events that might interrupt the company's ability to produce operating cash flow
- Assess whether the security's valuation presents any material downside risk
- Determine whether a security can play a long-term role in an "all weather" portfolio

Risk Management

- Control individual risks via position size
- Mitigate broader portfolio risks via diversification
- Steer clear of excessive risks that might not weather all conditions
- Aim to produce a portfolio that has a reasonable chance of exhibiting lower volatility than the benchmark index

“Micro” Currency Risk

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Goal	Risk Assessment	Risk Management
• Identify individual companies susceptible to currency risks, and measure the aggregate impact of such risks on the portfolio	• Measure the currency composition of the company’s revenues, costs and debt • Identify any major mismatches • Score each company according to whether the income statement or balance sheet would be disrupted if the local operating currency depreciated suddenly and sharply versus the dollar	• Use “micro” scores as one factor in position weighting • Use understanding of aggregate “micro” currency risks as input to portfolio construction • Attempt to mitigate such risks via diversification

"Macro" Currency Risk

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Goal

- Identify emerging market currencies that might be prone to excessive volatility, depreciation or constrained liquidity over the next 3 to 5 years

Risk Assessment

- Measure a country's overall economic health and indebtedness
- Weigh the valuation of a currency versus the dollar
- Assess the fragility of a currency and its exchange rate mechanism

Risk Management

- Determine a macro "score" for each currency, and grade each on a relative risk scale
- Use the grades to determine maximum portfolio exposures to particular currencies (i.e., impose hard constraint on bottom-up security selection)

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