



SEAFARER

Seafarer Overseas Value Fund

Value in the Emerging Markets

May 2016

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The Seafarer Overseas Value Fund is new and has limited operating history. The Fund seeks to provide long-term capital appreciation. Value investments are subject to the risk that their intrinsic value may not be recognized by the broad market.

Cost of Capital – Risk or Opportunity?



J.P. Morgan Emerging Markets Bond Index Global Spread
1/31/00 – 1/13/16



Past performance does not guarantee future results.

The J.P. Morgan Emerging Markets Bond Index Global Spread measures the spread over U.S. Treasuries that emerging market governments pay on their U.S. Dollar debt. It is not possible to invest directly in this or any index.

Sources: J.P. Morgan, Bloomberg, Seafarer.

5/23/16

A Working Definition of Value



Opportunity Sets		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.

The Emerging Market Value Universe in Context



		Emerging Markets	United States	Western Europe
Investment Universe				
<i>Total</i>	Market Cap. (USD, trillion)	21.8	27.4	15.0
	Number of Companies	6,903	3,815	2,766
Seafarer Value Universe				
<i>Naive Basis</i>	Market Cap. (USD, trillion)	7.8	12.5	5.2
	Number of Companies	1,770	1,342	718
<i>Filtered Basis</i>	Market Cap. (USD, trillion)	1.4	4.0	2.0
	Number of Companies	446	376	254
Value as a Proportion of Investment Universe				
<i>Naive Basis</i>	Market Cap.	36%	45%	35%
	Number of Companies	26%	35%	26%
<i>Filtered Basis</i>	Market Cap.	7%	15%	14%
	Number of Companies	6%	10%	9%

Past performance does not guarantee future results.

The Seafarer Value Universe consists of a proprietary basket of stocks identified through the use of screens designed around the seven categories of value Seafarer defined on page 4. Includes companies with a market capitalization of \$250 million or greater. "Naive Basis" is a basic universe that utilizes quantitative screens to capture a broad set of stocks that meets the minimum criteria for each value category shown on page 4. "Filtered Basis" is a core universe that complements the basic qualifying criteria with additional variables designed to screen out potential value traps.

Sources: Bloomberg, Seafarer. Data as of August 5, 2015.

Salient Characteristics of the EM Value Universe



				Median				
	Number of Constituents	Market Cap. (billion)	Enterprise Value (billion)	Price / Book Value	Dividend Yield	Cash / Assets	Price / Operating Cash Flow	Market Cap. / Revenue
Seafarer Value Universe	446	\$1,439	\$1,579	1.2 x	6.2 %	12.7 %	7.5 x	1.1 x
MSCI World Index	1,642	\$41,511	\$39,147	2.3 x	2.2 %	5.6 %	12.7 x	1.9 x

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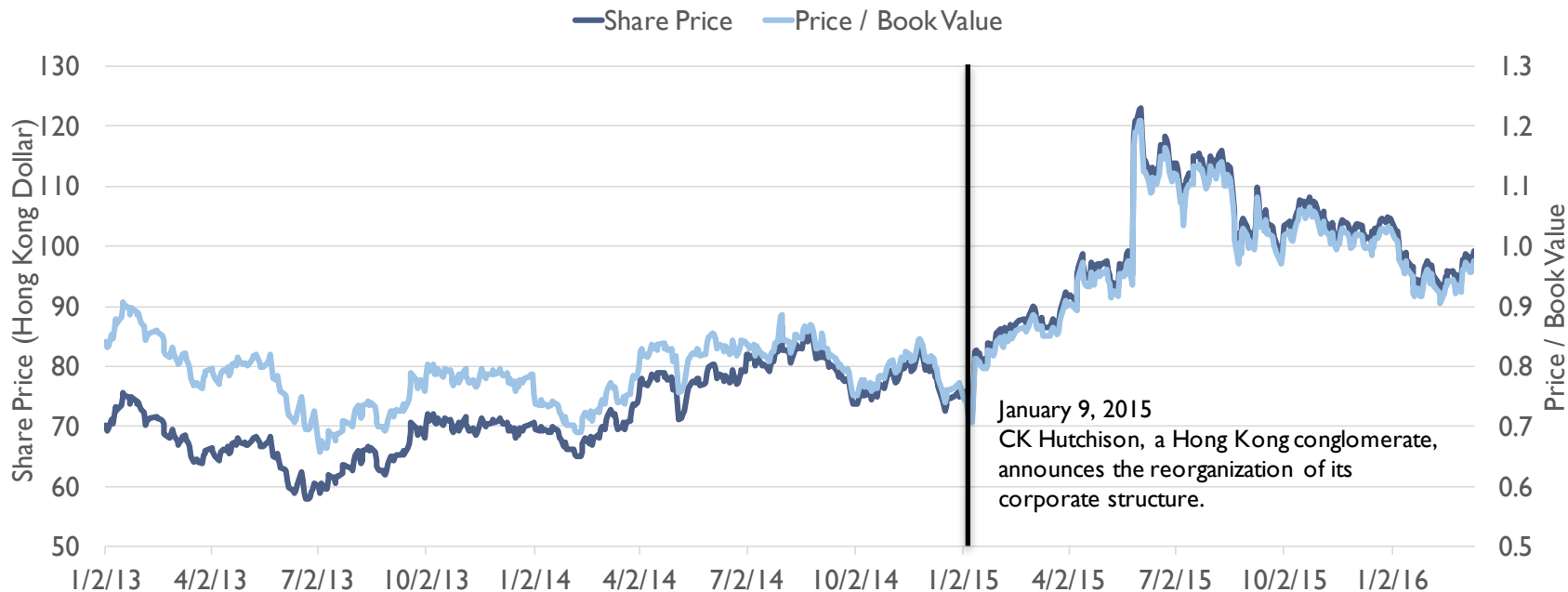
The MSCI World Index is a free-float weighted index designed to measure the equity market performance of developed world markets. The index does not include emerging market securities. It is not possible to invest directly in this or any index.

Sources: Bloomberg, MSCI, Seafarer. Data as of August 5, 2015.

Breakup Value Example: CK Hutchison Holdings



CK Hutchison Holdings Share Price and Price / Book Value
1/2/13 - 3/11/16



Past performance does not guarantee future results.

As of May 31, 2016, the Seafarer Overseas Value Fund had no economic interest in CK Hutchinson Holdings.

Sources: Bloomberg, Seafarer.

5/23/16

Basis Point (bp)

one-hundredth of one percent, or 0.01%. One percent = 100 basis points and likewise, one half of 1 percent = 50 basis points.

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.

Enterprise Value

the aggregate value of a company as an enterprise. Enterprise value is equivalent to the sum of the capitalization of the company's debt and its equity. Enterprise value measures how much a potential acquirer would pay to take over the company. (Source: Seafarer and Barron's Dictionary of Finance and Investment Terms, 1995)

Intrinsic Value

the fair value of an asset (such as a company) based on a comprehensive estimate of all aspects of the asset, including both tangible and intangible factors. An asset's intrinsic value may differ from its current market value. Typically, the intrinsic value of an asset cannot be observed with absolute certainty; often, it must be estimated with some error. As a consequence, it is possible for various market participants to hold differing perceptions of an asset's intrinsic value. Value investors use a variety of analytical techniques in order to estimate the intrinsic value of securities in hopes of finding investments where the true value of the asset exceeds its current market value.

Market Capitalization

the value of a corporation as determined by the market price of its issued and outstanding common stock. It is calculated by multiplying the number of outstanding shares by the current market price of a share. (Source: Barron's Dictionary of Finance and Investment Terms, 1995)

Operating Cash Flow (OCF)

a measure of the cash generated by a company's normal business operations. There are multiple means to calculate operating cash flow, but the "indirect method" can be summarized as follows:

$$\text{OCF} = \text{Net Income} + \text{Non-Cash Expenses (Depreciation, Amortization)} + \text{Losses on Sales of Assets} - \text{Gains on Sales of Assets} \\ + \text{Changes in Working Capital}$$

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)



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