Value Investor INSIGHT

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The Leading Authority on Value Investing

Shifting Fortunes?

Paul Espinosa of Seafarer Capital Partners describes how he's processing the impact on emerging markets of evolving attitudes toward globalization, why he handles currency exposure the way he does, his case today for active over passive management, and what he thinks the market is missing in Siam Cement, Anheuser-Busch InBev and Emaar Properties.

INVESTOR INSIGHT

Paul Espinosa
Seafarer Capital

Paul Espinosa knows that valuation-based allocators like GMO have been touting the prospective returns for his specialty, emerging-market value investing, but he also recognizes that isn't the conventional wisdom. "What advisor says to sell what's done so well over the past ten years and buy what's lagged badly? We should all do that, but most don't," he says. "That's the opportunity."

Launched in the middle of a challenged period for his style, the Seafarer Overseas Value Fund Espinosa manages has since May 2016 earned a net annualized 6.3%, vs. 6.1% for its Morningstar EM benchmark. Among areas where he's finding mispriced value today: petrochemicals in Asia, real estate in the Middle East and beer.

Describe where your value strategy points you in identifying opportunities.

Paul Espinosa: We're primarily focused on identifying assets we believe are undervalued and/or poised to be more productive due to cyclical, geographic or more company-specific reasons.

It's probably best to give some examples. Starting maybe two years ago we were finding a lot to do in Brazil, where macro-focused investors were selling stocks as the country struggled with recession, political chaos and the pandemic. That macro impetus led us to a company like Ambev [ABEV], a Latin American brewer and soft-drink distributor based in Brazil, which at a micro level had a number of characteristics that attracted us. Growth-focused investors had exited the stock as its profits and market share had stagnated, but as we looked more closely at the business we saw it as particularly well positioned to survive the macro turmoil. It had a proven history of pricing power and of consistently earning returns on equity that exceeded its cost of equity. Rather than face continued decline, we thought it was more likely to come through the difficult period in a stronger competitive position and prove to be much more resilient longer-term than the market seemed to believe in pricing the stock.

When we spoke last [*VII*, November 27, 2019] we talked about Pacific Basin Shipping [Hong Kong: 2343], which competes in the smaller-ship end of the dry-bulk shipping market. Shipping had been in a down cycle for years and the stock traded at something like 40% of book value when we first bought it. Our basic thesis was that the company was more profitable and better-managed than competitors, which meant it would incrementally benefit when supply and demand eventually self-corrected and stocks in the sector re-rated.

Fast forward to today, that self-correction has happened in the interim but now the market seems convinced the cycle has peaked and earnings are poised to fall apart. Our view – a further example of how we can find opportunity in cyclical stocks – is that while chartering rates will almost certainly be volatile, we believe the upcycle for dry-bulk shipping still has years to run. New-vessel supply remains tight and environmental regulations are accelerating the retirement of older ships. Pacific Basin itself is generating more cash flow than ever and has plenty of capacity to both make reasoned investments in new ships and return significant capital to shareholders. With the stock [at a recent HK$2.60] trading at less than 2x trailing earnings and at a dividend yield in excess of 20%, somebody is wrong here. We think it's the market, not us.

Let's talk more generally about investing in China, which since we last spoke has arguably become a riskier proposition.

PE: Many investors have responded to increasing tensions between China and the rest of the world, particularly the U.S., by just avoiding investing in China altogether. You see emerging-markets funds being launched that are ex-China, which we think paints with too wide a brush and is not the right answer. This is not to say that concerns about investing in China are without merit. We from the beginning have tread softly there, particularly in sectors or companies where it appears the government is more the control party than the company and its board. We have so far avoided many of the torpedoes that have hit sectors like education, property development and even technology.

Today we own just one A-share, hydroelectric company China Yangtze Power [Shanghai: 600900], which owns the Three Gorges Dam. Its outlook to us is unlikely to be impacted by geopolitical conflict. The other Chinese stocks we own are traded in Hong Kong and mostly are companies that look as much or more outward than inward. For example, the biggest business of First Pacific Co. [Hong Kong: 142] is food products in Indonesia. Pacific Basin Shipping is very much a global company.

What about top-ten holding Melco International [Hong Kong: 200], the big Macau casino-gaming company? It's seen more downs than ups in recent years, some related to government regulation.

PE: We consider this to be a classic value idea. Primarily due to Covid, the number of visitors to Macau has been at an all-time low and as a result the company's financial performance has been quite bad. Earnings are so far from what might even conservatively be considered normal that as long as you believe the company can survive – even with the shares bouncing back a bit recently on the first signs of Covid restrictions easing in China – the stock [at around HK$8.40] is just very cheap on a normalized-earnings basis. That doesn't even take into account that Melco has restructured its operations to survive the pandemic, lowering its cost base in a way that should provide significant earnings leverage when the business turns up. Our basic view is that the fundamentals of the business long-term are sound and are not overly impacted by politics and regulation. At today's valuation we don't believe we're paying much for that.

On the subject of riskier propositions, what has been your experience over the past year investing in Russia?

PE: We fortunately had not been very active in Russia, based on the control-party notion I just spoke about. In too many cases the control party for Russian companies is the Kremlin. Andrew Foster [Seafarer Capital's founder and CIO] tells the story of meeting with the CEO of Sberbank, the largest bank in Russia that has attracted the attention of many value investors over the years. In the meeting it came up that if the CEO needed to significantly reduce headcount in order to cut costs, he would first have to run it by Putin himself. That's not something we can get past at any price.

ON RUSSIA:

We fortunately had not been very active. Too often the control party for Russian companies was the Kremlin.

The Overseas Value Fund did have one investment in Russia at the time of the invasion, Global Ports Holding, which we've since written down to one cent per share. The company owns and operates roughly 50% of the ports in Russia and we didn't believe it was materially in Putin's sphere of influence. It hasn't been the target of Western sanctions, but brokers and exchanges refused to trade the stock regardless. In general, this is a lesson we can and should apply elsewhere – including with respect to China and Taiwan. Even the inconceivable deserves consideration.

We're in the early stages of looking more closely for ideas in Eastern Europe, where the macro environment could be masking the value inherent in resilient, competitively advantaged companies. We also spoke last time about Moneta Money Bank [Prague: MONET], which we still own and still consider the best-managed bank in the Czech Republic. The war in Ukraine has in a number of ways disrupted the economies in Eastern Europe, and one specific issue Moneta faces is a special tax designed to help subsidize higher energy costs. As the share prices of companies like this have come down [at a current 75.50 Czech koruna, Moneta trades below pre-Covid levels], we think it's increasingly likely the discounts relative to earnings power are getting attractive.

Siam Cement [Bangkok: SCC] is a recent portfolio addition. What attracted your attention in it?

PE: One might understandably ask why we're buying a cyclical stock at the beginning of a downcycle. We don't look at Siam Cement in that way for a variety of reasons.

The company's name is a bit of a misnomer, in that it operates throughout Southeast Asia, not just Thailand, and in that its biggest business is petrochemicals, not cement. It also has a substantial packaging business, focused on food products, which was listed publicly in 2020.

These businesses clearly have cyclical elements, but it you look at the company's overall performance over a long period of time it has grown at a fairly consistent 10% or so a year. Analysts worry all the time about the potential impact of rising and falling oil prices on the petrochemical business's margins, but the reality there is that the spread it makes between input costs and prices in producing say, polyethylene, is more stable than you'd think and not that correlated to the price of oil. They've made roughly the same spread when oil has been at $30 per barrel and when it's been at $120 per barrel. As a result, margins overall have not been that volatile.

The company is also well positioned to benefit from the long-term industrialization of Southeast Asia, which plays an important role in any geographic diversification of supply chains prompted by trade friction between China and the rest of the world. That's potentially a long-term tailwind that is independent of macro or cyclical concerns that crop up from time to time.

Another very simple element of the story here is that Siam Cement in 2023 is opening a new petrochemical plant in Vietnam, a country intent on developing its domestic supply of oil and gas and which is prioritizing domestic petrochemical supply to support its industrialization. This will be the first petrochem plant of any scale in the country and the order book is already strong and growing. And it's not just a minor driver of earnings growth – when the plant is fully operational it will increase the company's petrochem capacity by nearly 70%.

Anything to say of note about the company's corporate governance?

PE: It's a significant positive in our view. The company has never raised equity, always financing growth using internal cash flow. Debt levels don't bounce up and down and the overall net debt to equity ratio of around 50% is reasonable. We just think it's very well managed from a balance-sheet perspective, which has allowed them to deliver high rates of growth and high returns on equity over time, without using excessive leverage.

How are you assessing the country-related risks here?

PE: Countries like Thailand have had their share of instability. But this is a good example where even when that's the case, well-managed companies in industries that are important to a country's well-being can go about their business independent of political cycles and largely independent of political influence. You can see that in looking at the history of Siam Cement against what's going on in Thailand's political environment at any given time. The company has been able to operate and thrive regardless of the environment.

How attractive do you consider the shares at today's price of around 345 Thai baht?

PE: The stock has been under some pressure due to a general downturn in the petrochemical cycle, but we think the current price is very attractive relative to our estimates of normalized earnings looking five years out. At that point the Vietnam plant should be fully established and generating significant cash flow, while capital spending will have moderated after being at a very high level over the past five years.

On our estimates the free-cash-flow yield in five years – without deducting the value of the listed packaging business from Siam Cement's market cap – will on today's price be around 14%. If you adjust for the packaging business, the free-cash-flow yield on the rest of the business is closer to 22%. That's how we look at valuation. The company can decide to reinvest free cash at what we expect to be returns in excess of its cost of capital, or to return it to investors. So we think of the free-cash-flow yield as our potential total return. As we work toward that level, we're being paid to wait with a 4.7% dividend yield on the stock today, which we also expect to increase solidly over time.

We could imagine the company eventually listing the petrochem business sepa-

INVESTMENT SNAPSHOT

Siam Cement
(Bangkok: SCC)

Business: Thailand-based industrial conglomerate operating in Southeast Asia with primary businesses in petrochemicals, packaging, cement and building materials.

Share Information
(@12/29/22, Exchange Rate: $1 = 34.59 Baht):

Price	**THB 344.00**
52-Week Range	THB 307.00 – THB 402.00
Dividend Yield	4.7%
Market Cap	THB 412.80 billion

Financials (TTM):

Revenue	THB 590.08 billion
Operating Profit Margin	5.2%
Net Profit Margin	5.0%

Valuation Metrics
(@12/29/22):

	SCC	S&P 500
P/E (TTM)	13.1	18.6
Forward P/E (Est.)	11.8	17.4

Largest Institutional Owners
(@9/30/22 or latest filing):

Company	% Owned
Vanguard Group	2.4%
BlackRock	2.0%
SCG Foundation	1.1%
J.P. Morgan Asset Mgmt	0.6%
Norges Bank Inv Mgmt	0.5%

Short Interest (as of 12/15/22):

Shares Short/Float	n/a

SCC PRICE HISTORY

THE BOTTOM LINE

The company is well positioned to benefit from the long-term industrialization of Southeast Asia, and its earnings power will increase sharply with the opening of a petrochem plant next year in Vietnam, says Paul Espinosa. Adjusting for the value of its listed packaging subsidiary, the stock on his 2027 estimates trades at a roughly 22% free-cash-flow yield.

Sources: Company reports, other publicly available information

rately as well when the earnings base is higher and the cycle more favorable than it is now. We don't try to forecast the timing of anything like that, but that could result in real incremental value creation.

How does Anheuser-Busch InBev [BUD] fit in an emerging-market value portfolio?

PE: The company is best known for what are classic American brands like Budweiser, Bud Light and Michelob Ultra, but it's truly a global brewer. Around 60% of operating earnings come from emerging markets, which is why it fits in my portfolio. To my surprise we've actually been finding opportunity in larger-cap companies, and this is one we added in the second quarter of this year.

AB InBev took its current form in 2016 with the purchase of SABMiller, and the stock since then has more than halved in value. One key reason for that is that they took on a lot of debt to make the acquisition, but in recent years there have been issues as well related to the pandemic and the impact of inflation on input costs.

Our investment thesis is relatively straightforward. In part, it's a classic case of deleveraging. The company on average over the past five years has paid down $7 billion in debt per year. That's taken net debt to equity to around 3x, and they're continuing on the path to take that to 2x within the next four or five years. Once they get there the return of capital to shareholders can go up, a shifting of cash flows from debt holders to equity holders that we often find as a source of unrecognized value.

We also see potential for margins to increase. Management accelerated a number of initiatives during the pandemic around ordering, inventory management, direct selling and adding more services to retailers. These have already shown results and are being rolled out on a global scale. We've also consistently found that big brewers, often with a lag, have strong pricing power in the face of rising input or labor costs. All in, we think the potential is high here for margins to rise beyond historical and industry norms and for returns on assets to materially improve.

The shares have held up well over the past year. How are you looking at valuation from today's price of around $60.50?

PE: As the company delevers over the next four or five years we expect a significant increase in the dividend, arguably resulting in a 10% dividend yield on the current share price. If margins improve as we expect the resulting increase in free cash flow over that time would also result in roughly a 10% free-cash-flow yield at today's price. Five years out we're looking for around a mid-teens rate of return on the shares as those two dynamics play out.

Are there any issues around corporate governance to highlight?

PE: Nearly 43% of the shares are currently held by long-term Brazilian and Belgian family and institutional owners of predecessor companies, and we generally believe they have been strong stewards of capital. One potential question might be what happens to the 9.3% stake Altria holds in the company. It has kept its holding through more than one M&A iteration

INVESTMENT SNAPSHOT

Anheuser-Busch InBev
(NYSE ADR: BUD)

Business: Global production and distribution of alcoholic and non-alcoholic beverages; primary brands include Budweiser, Bud Light, Stella Artois, Michelob and Natural Light.

Share Information (@12/29/22):

Price	**60.38**
52-Week Range	44.51 – 67.91
Dividend Yield	0.6%
Market Cap	$119.46 billion

Financials (TTM)

Revenue	$57.32 billion
Operating Profit Margin	25.2%
Net Profit Margin	8.9%

Valuation Metrics
(@12/29/22):

	BUD	S&P 500
P/E (TTM)	22.8	18.6
Forward P/E (Est.)	16.6	17.4

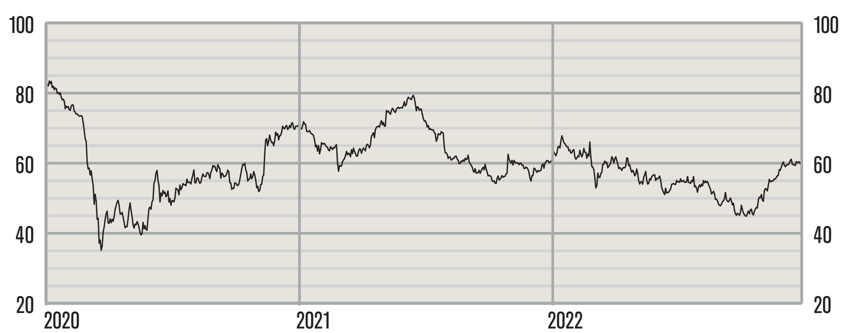
Largest Institutional Owners
(@9/30/22 or latest filing):

Company	% Owned
Dodge & Cox	1.5%
Manulife Inv Mgmt	0.6%
Fisher Asset Mgmt	0.5%
Capital Research & Mgmt	0.4%
BLS Capital	0.3%

Short Interest (as of 12/15/22):

Shares Short/Float	0.2%

BUD PRICE HISTORY



THE BOTTOM LINE

Paul Espinosa sees upside for shareholders both from continued deleveraging of the company's balance sheet and from higher margins as new operating initiatives started during the pandemic roll out on a global basis. He expects higher earnings and significant capital return to drive a mid-teens rate of return on the shares over the next five years.

Sources: Company reports, other publicly available information

over time – we don't think there should be any lasting overhang on the stock regardless of what it decides to do.

Turning to another part of the world, describe the upside you see in Emaar Properties [Dubai: EMAAR].

PE: Emaar was founded in 1997 to serve as the lead property developer in the accelerated buildout of Dubai. The founder had lived in Singapore, which served as a blueprint for the planning in Dubai. The company originally focused on commercial property development – it's best known for the Burj Khalifa, the world's tallest skyscraper – but has expanded as well into residential real estate, shopping malls, hotels and even things like movie theaters and aquariums. They tend to both own and operate their properties.

After a period as a market darling, the company shot itself in the foot with two poorly-designed partial spinoffs, of its mall unit in 2014 and its property-development business in 2017. The spinoffs had been sold as ways to unlock hidden value at the parent-company level, but in fact ended up disproportionately overweighting the parent with debt and underweighting it with EBITDA. Already a problem, everything was made worse by the pandemic when people stopped traveling and office buildings and malls shut down. Ratings agencies downgraded the parent company's debt and the falling share price only widened the stock's discount to book value. We took our initial position in the fourth quarter of last year.

Since then we're starting to see recovery across the business lines as the impact of the pandemic subsides. The company also did a smart thing in taking the mall subsidiary private, and doing so at a lower price than its original IPO. That's restored some balance between the income statement and balance sheet at the parent-company level and has improved the overall credit profile. All of that has led to somewhat of a recovery in the share price.

With the stock now at just under 6.00 dirham, what room is there for further share-price recovery?

PE: The stock today trades at around 0.7x stated book value, and that's closer to 0.6x if you mark the assets to market. It remains to be seen where growth normalizes, but we think the company can earn a low to mid-teens return on equity over time. That argues for a share price trading above book value, which was historically the case prior to the spinoff problems.

One other thing I find interesting here revolves around the UAE instituting a corporate income tax next year. They obviously need to do it right, but we think there's a good chance the company looks to again spin off the mall subsidiary. Taking it public as a REIT would have incremental value when there's a corporate income tax versus when there isn't. It's not a key thesis point for us, but it could provide another leg up for the equity value.

When we last spoke you were paying more attention to the Middle East as countries there looked to diversify away from oil. Is that thematic interest still there?

PE: Generally, yes. Unlike in other notable parts of the world, the Middle Eastern

INVESTMENT SNAPSHOT

Emaar Properties
(Dubai: EMAAR)

Business: Founded in 1997, develops, sells, leases and manages a wide range of residential, commercial, retail and hotel properties primarily located in the United Arab Emirates.

Share Information
(@12/29/22, Exchange Rate: $1 = 3.67 dirham):

Price	**AED 5.86**
52-Week Range	AED 4.62 – AED 6.60
Dividend Yield	2.6%
Market Cap	AED 51.80 billion

Financials (TTM):

Revenue	AED 28.05 billion
Operating Profit Margin	32.3%
Net Profit Margin	25.0%

Valuation Metrics
(@12/29/22):

	EMAAR	S&P 500
P/E (TTM)	7.1	18.6
Forward P/E (Est.)	8.2	17.4

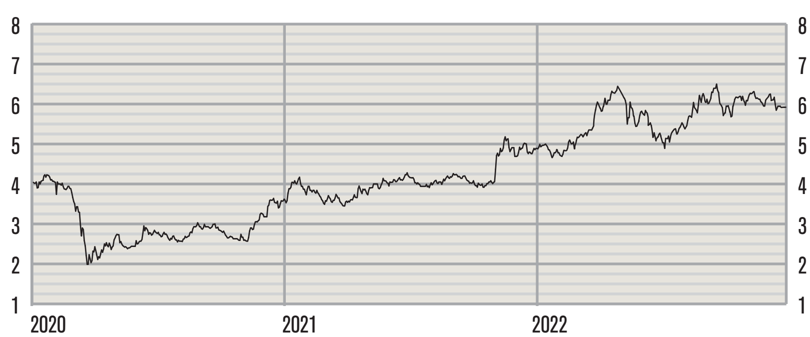
Largest Institutional Owners
(@9/30/22 or latest filing):

Company	% Owned
Vanguard Group	2.0%
Norges Bank Inv Mgmt	2.0%
BlackRock	1.8%
AllianceBernstein	0.7%
Schroder Inv Mgmt	0.7%

Short Interest (as of 12/15/22):

Shares Short/Float	n/a

EMAAR PRICE HISTORY



THE BOTTOM LINE

As the company addresses self-created balance sheet problems and its businesses continue to recover from the pandemic, Paul Espinosa believes its stock should trade above today's 0.6x marked-to-market book value. With company returns on equity in the low to mid-teens, he expects the stock to again eventually trade at a premium to book.

Sources: Company reports, other publicly available information

countries are looking to increasingly integrate into the world economy. They have plenty of resources and for the most part are open to bringing in Western management expertise to help in growing more entrepreneurial companies and in modernizing hidebound state-owned or other enterprises. All of that does continue to make it an interesting place to be looking. I have a trip planned to Dubai in January.

The strength of the dollar has been a significant headwind for dollar-based investors in emerging markets. How do you manage currency exposure?

PE: If you look over time at the currencies of countries in MSCI's emerging-markets index, the currency impact for a dollar investor comes out to about a negative 1% per year. We address that by running a portfolio that is diversified by currencies and with long average holding periods to better accommodate the ups and downs. That to us is a more efficient way to diversify currency risk than hedging, which is expensive and where it's difficult to match durations to your equity.

One positive note on the currency front is that EM central banks in this rate-raise cycle have for the most part been ahead of the U.S. Fed. That speaks well to the independence of those particular central banks and increases our confidence in investing in those jurisdictions.

Can you give an example of something you've sold recently and why?

PE: Our turnover is very low in general, and we've had some inflows so I've been able to add new positions – we now have just under 40 – without dropping others. I actually haven't sold anything since the third quarter of 2021.

I would make one final point on diversification. Some investors, in emerging markets and otherwise, look to diversify away company-specific risk. With usually no more than 40 holdings we're actually seeking that risk out. The post-financial-crisis generation of investors seemed to get comfortable just owning the market, because markets only go up and all risk is underwritten by monetary policy. We think we're in a new period now where that's unlikely to be the best way to go. VII

Disclosures

Seafarer Overseas Value Fund
Total Returns as of 9/30/22

	NAV / Index Level (9/30/22)	YTD	1 Mo	3 Mo	1 Yr	Annualized 3 Yr	Annualized 5 Yr	Annualized Since Inception	Cumulative Since Inception	Inception Date	Net Expense Ratio[1]
SFVLX (Investor Class)	$11.71	-9.65%	-6.77%	-5.64%	-8.42%	2.91%	1.95%	5.06%	36.70%	5/31/16	1.15%
SIVLX (Institutional Class)	$11.74	-9.62%	-6.83%	-5.63%	-8.35%	3.00%	2.05%	5.16%	37.55%	5/31/16	1.05%
Morningstar Emerging Markets Net Return USD Index[2]	2545.90	-25.23%	-11.08%	-9.95%	-25.84%	-0.48%	-0.48%	4.56%	32.67%	*n/a*	*n/a*

Gross expense ratio: 1.45% for Investor Class; 1.35% for Institutional Class[1]

Fund performance is presented in U.S. dollar terms, with U.S. jurisdiction distributions reinvested on a gross (pre-tax) basis. For the Morningstar index, performance is calculated to reflect the reinvestment of dividends, capital gains, and other corporate actions net of foreign jurisdiction withholding taxes. 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.

[1] Seafarer Capital Partners, LLC has agreed contractually to waive and/or reimburse fees or expenses in order to limit Total Annual Fund Operating Expenses After Fee Waiver / Expense Reimbursements (inclusive of acquired fund fees and expenses, and exclusive of brokerage expenses, interest expenses, taxes and extraordinary expenses) to 1.15% and 1.05% of the Fund’s average daily net assets for the Investor and Institutional share classes, respectively. This agreement shall continue at least through August 31, 2023.
[2] The Morningstar Emerging Markets Net Return USD Index is an index that 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. It is not possible to invest directly in an index.

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 may be obtained 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 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.

The Seafarer Overseas Value Fund seeks to provide long-term capital appreciation.

As of September 30, 2022, Siam Cement PCL comprised 1.7% of the Seafarer Overseas Value Fund, Anheuser-Busch InBev SA comprised 2.9% of the Fund, Emaar Properties PJSC comprised 2.9% of the Fund, Ambev SA comprised 3.1% of the Fund, Pacific Basin Shipping, Ltd. comprised 2.8% of the Fund, China Yangtze Power Co., Ltd. comprised 3.0% of the Fund, First Pacific Co., Ltd. comprised 2.9% of the Fund, Melco International Development, Ltd. comprised 3.6% of the Fund, Global Ports Investments PLC comprised 0.0% of the Fund, and Moneta Money Bank AS comprised 2.2% of the Fund. As of September 30, 2022, the Seafarer Funds did not own shares in PJSC Sberbank or Altria Group, Inc. View the Seafarer Overseas Value Fund's Top 10 Holdings at www.seafarerfunds.com/funds/ovl/composition. Holdings are subject to change.

The currencies for the stock prices shown on the "Price History" charts are as follows: SCC:TB (Siam Cement) – Thailand Baht (฿); BUD:USD (Anheuser-Busch InBEv) – United States Dollar ($); EMAAR:AED (Emaar Properties) – United Arab Emirates Dirham (د.إ).

A-Shares: a class of securitized common stock in Chinese companies, traded exclusively on Chinese stock exchanges (i.e., Shanghai and Shenzhen), and denominated in renminbi, China's currency. If a Seafarer Fund is invested in Chinese A-Shares, please note the following: 1) any reduction or elimination of access to A-Shares could have a material adverse effect on the ability of the Fund to achieve its investment objective; and 2) uncertainties regarding China's laws governing taxation of income and gains from investments in A-Shares could result in unexpected tax liabilities for the Fund, which could adversely impact Fund returns.

Book Value: the value of an asset as represented in the accounts of a balance sheet. An asset's book value is typically determined by the original cost of the asset, less any depreciation, amortization or impairment costs applied against the asset. The book value of a firm is typically determined by the value of the firm's assets, less its liabilities. In theory, shareholders would be entitled to the firm's book value if the company's balance sheet was liquidated.

Cost of Capital: the rate of return that a business could earn if it chose another investment with equivalent risk – in other words, the opportunity cost of the funds employed in the context of a given investment decision.

Cost of Equity: the return a company requires for an investment or project, or the return an individual requires for an equity investment.

Debt to Equity Ratio: a ratio of a company's financial leverage calculated by dividing a company's total liabilities by its shareholder equity.

Deleveraging: the act of repaying debt, or the act of becoming less reliant on debt.

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.

EBITDA: an acronym that refers to "Earnings Before Interest, Taxes, Depreciation and Amortization." It is calculated as follows:

EBITDA = Operating Revenues – Operating Expenses (excluding interest, taxes, depreciation and amortization).

EBITDA is used as a very rough proxy for a company's ability to produce gross cash flow (cash flow itself being a proxy for a company's profitability). Analysts often utilize EBITDA because it is easy to calculate, and because it is fairly comparable from one company to another. EBITDA is a very superficial, basic measure, and consequently it might not always serve as an accurate guide to a company's long-term profitability; however, one of its chief benefits is that it precludes many of the accounting and financial decisions that a company's management might utilize to influence (or even distort) ordinary operating profits.

Free Cash Flow: operating cash flow minus capital expenditures.

Free Cash Flow Yield: a basic evaluation measure for a stock that examines the ratio of free cash flow per share to the share price. Some investors regard free cash flow (which takes into account capital expenditures and other ongoing costs a business incurs to keep itself running) as a more accurate representation of the returns shareholders receive from owning a business, and thus prefer free cash flow yield as a valuation metric over earnings yield.

Initial Public Offering (IPO): the process of offering shares of a private company to the public in a new stock issuance. Public share issuance allows a company to raise capital from public investors.

Leverage: the amount of debt capital used to finance a firm's assets, usually considered or measured in relation to the firm's equity capital.

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.

Mergers and Acquisitions (M&A): the consolidation of companies or assets. A merger is a combination of two companies to form a new company, while an acquisition is the purchase of one company by another in which no new company is formed.

MSCI Emerging Markets Index: a free float-adjusted market capitalization index designed to measure equity market performance of emerging markets. Index code: MXEF. It is not possible to invest directly in an index.

Net Profit Margin: a ratio of profitability calculated as net income divided by revenues. It measures how much of each dollar earned by the company is translated into profits.

Operating Profit Margin: a ratio of profitability calculated as operating profit divided by revenues.

Portfolio Turnover: a measure of how frequently assets within a portfolio are bought and sold. Measured as the lesser of long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

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).

Real Estate Investment Trust (REIT): a company that owns, operates, or finances income-generating real estate.

Return on Equity: 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.

Return on equity is calculated as follows:

Return on Equity=Net Income/Shareholder's Equity

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