SEAFARER

SEAFARER OVERSEAS VALUE FUND

Portfolio Review

Fourth Quarter 2023

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During the fourth quarter of 2023, the Seafarer Overseas Value Fund returned 5.20%.[1,2] The Fund's benchmark indices, the Morningstar Emerging Markets Net Return USD Index and the Bloomberg Emerging Markets Large, Mid, and Small Cap Net Return USD Index, returned 7.77% and 6.85%, respectively. By way of broader comparison, the S&P 500 Index returned 11.69%.

The Fund began the quarter with a net asset value of $13.66 per share. During the quarter, the Fund paid a distribution of approximately $0.409 per share. This payment brought the cumulative distribution, as measured from the Fund's inception, to $2.491 per share.[3] The Fund finished the period with a value of $13.95 per share.[4]

During the calendar year, the Fund returned 13.33%, whereas the benchmark indices, the Morningstar Emerging Markets Net Return USD Index and the Bloomberg Emerging Markets Large, Mid, and Small Cap Net Return USD Index, returned 11.54% and 9.50%, respectively.[5]

Please note: this portfolio review encompasses only the fourth quarter of 2023, 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.

Performance

While the Value Fund ended the fourth quarter with gains, the performance picture for the Fund and its benchmarks looked bleaker at the end of October. The broad-based emerging markets sell-off that began in July continued through most of October with the new war in the Middle East adding further uncertainty to already jittery markets. The Fund fell -6.37% from the end of September through its intra-quarter nadir on October 26; the Morningstar Emerging Markets Index fell -4.59% over this period.[6]

The remainder of the quarter proved notably better. The Fund rose 12.35% from October 26 through December 31 while the Morningstar Emerging Markets Index rose 12.96%.[6] Coinciding with this shift in performance was the U.S. Federal Reserve meeting on October 31 and November 1, which may have assuaged market concerns over the prospects for additional interest rate hikes. The meeting likewise coincided with the start of a period of strengthening of many major emerging markets currencies against the U.S. dollar. The South Korean won,

This portfolio review addresses the fourth quarter of 2023 (10/1/23 to 12/31/23). As of 12/31/23 the annualized performance of the Fund's Institutional class was: 1 year 13.33%, 3 year 7.38%, 5 year 9.45%, 7 year 7.56%, and since inception (5/31/16) 7.35%[1]; the net expense ratio was 1.05% and the gross expense ratio was 1.18%. 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.

Brazilian real, and Chinese yuan appreciated 4.6%, 3.8%, and 3.0%, respectively, from October 31, 2023 to December 31, 2023. [6]

The Fund's performance was not divorced from the positive shift in market sentiment in November and December: nearly two thirds of the Fund's holdings appreciated during the quarter.[6] The Fund also benefited from currency tailwinds in a number of geographies. However, as is generally the case, there were several key company-specific drivers of performance during the quarter as well.

On a regional basis, the Fund's Latin America holdings stood out as the largest positive contributor to performance; all six of the Fund's positions in the region appreciated in the quarter. Two holdings in Brazilian financial institutions contributed the most: **Itaú Unibanco** (Asset Productivity source of value; see Figure 1 for definitions of the sources of value referenced in this review), the country's largest private bank, and **XP, Inc.** (Structural Shift and Asset Productivity), an investment management platform company. Both stocks posted strong quarterly operating results despite a lackluster macro backdrop. Notably, XP, which paid its first ever dividend in September, announced a second dividend in conjunction with its third quarter earnings release. The inaugural dividend payments, a milestone for its corporate maturation and a possible harbinger for future shareholder-friendly capital allocation, equated to a dividend yield of 5% compared to its stock price at the end of the quarter.[6]

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Other top contributors were driven by idiosyncratic factors related to the realization of balance sheet value. **WH Group** (Management Change and Breakup Value), a Chinese pork processor, rose over 20% in the quarter even as major Chinese equity indices, such as the Hang Seng Index and Shanghai Stock Exchange Composite Index, fell.[6] Its appreciation followed media reporting that the company is considering a possible listing of its U.S. subsidiary, Smithfield Foods, which was later confirmed by management with no timeframe or surety of a potential listing. Such a listing, should it occur, might help make the company's Breakup Value more visible to investors. **Samsung C&T** (Breakup Value), a South Korean construction and engineering company and the *de facto* holding company for the Samsung Group, appreciated during the quarter following the announcement of a shareholder activist campaign aimed at improving governance and unlocking the value of the company's asset base. Lastly, **Mondi** (Structural Shift), a multinational paper and packaging company with a significant presence in Eastern Europe, rose following confirmation that it had received cash proceeds for the divestment of its Russian subsidiary and that it will pay out said proceeds as a special dividend to shareholders. This forthcoming special dividend represented a dividend yield of 9% compared to its stock price at the end of the quarter.[6]

The Fund's three largest detractors to quarterly performance were **Melco International** (Breakup Value and Asset Productivity), a Macau casino owner and operator; **Jardine Matheson** (Breakup Value and Management Change), an Asia-focused conglomerate operating in the real estate, automotive, and retail industries; and **DFI Retail** (Management Change and Asset Productivity), a multi-format retailer operating in Asia. These stocks fell -12.68%, -11.22%, and -9.77% in U.S. dollar terms, respectively, during the quarter.[6] None had particularly meaningful company-specific developments during the quarter, but all three have high operational exposure to China, which

> The Fund's China holdings collectively proved a modest net contributor to Fund performance during the fourth quarter (as they did for the full calendar year as well).

has been impacted by weak investor sentiment. Perhaps surprisingly given the litany of negative headlines coming out of China, these holdings were in fact the outliers: nearly two-thirds of the Fund's China holdings had positive performance during the quarter and the Fund's China holdings collectively proved a modest net contributor to Fund performance during the fourth quarter (as they did for the full calendar year as well).[6]

The Fund's Middle East holdings in the United Arab Emirates (UAE) and Qatar also detracted from quarterly performance. Despite an initial knee-jerk sell-off in these holdings at the onset of the Israel-Hamas war in October, several of these holdings had, by the end of December, rebounded to prices close to where they began the quarter. The biggest detractor from performance in the region, where a sustained rebound did not materialize, was export-oriented **Fertiglobe** (Asset Productivity and Segregated Market), a Middle Eastern fertilizer manufacturer, which declined -11.46% over the quarter, net of its interim dividend payment. Its higher relative decline appears to be related more to weakness in global fertilizer prices than geopolitical risk. Nonetheless, we continue to monitor the events in the region closely for potential direct and second-order impacts on the Fund's holdings.

Allocation

During the quarter, the Fund established a new position in **Tata Motors** (Asset Productivity and Breakup Value), an India-based multinational automotive company. It was founded by the Tata Group, a storied Indian conglomerate with businesses ranging from steel to I.T. consulting services. Tata Motors began producing trucks in the 1950s and emerged as India's leading manufacturer of commercial vehicles in the ensuing decades. The company expanded to domestic passenger vehicles in the 1990s and then ventured globally in 2008 with the acquisition of the British luxury automaker Jaguar Land Rover.

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These three business segments – commercial vehicles, passenger vehicles, and Jaguar Land Rover – have each faced challenges in recent years. In the commercial vehicle segment, Tata Motors was once India's dominant player but has lost share to a competitor over the past decade and is exiting a sharp cyclical downturn. The passenger vehicle segment did well in the early 2000s, but lost share in the following decade with an ill-thought push into ultra-small, low-cost cars (which arguably proved too barebones). Jaguar Land Rover was an initial success for Tata Motors in the years following the Global Financial Crisis, but the company over-expanded its asset base in the 2010s in a way that brought diseconomies of scale. Volumes grew, but at the cost of profitability as complexity, warranty claims, and capital expenditure needs also grew.

Each of Tata Motors' business segments is in its own phase of a multi-year operational turnaround with each beginning to bear fruit. The commercial vehicle segment has stabilized its market share while improving profitability. The passenger vehicle segment has regained market share by shifting its focus to SUVs and EVs. Jaguar Land Rover, the largest segment comprising nearly two-thirds of the company's revenue, has also taken steps to right the ship. Since the fiscal year ended March 31, 2019, the company has halved its minimum production volumes required to achieve cash flow break-even through cost cutting and a simplification of its manufacturing processes. Likewise, it has shifted its production to more profitable brands and EVs while phasing out production of less profitable internal combustion Jaguar models. Jaguar is set to become a fully electric brand by 2025 with new yet-to-be released EV models starting at a price point above 100,000 British pounds. While continued operational execution is needed, we see these turnarounds driving the Asset Productivity source of value. Additionally, the market value of the overall company does not seem to reflect the combined value of each segment, offering a potential source of Breakup Value as well. It's been a bumpy road, but the path ahead for Tata Motors looks like a smoother ride.

Outlook

2023 was a bad year for outlooks. A looming recession in the U.S. failed to appear. The Chinese consumer, liberated from draconian lockdowns, failed to lift the country's economic malaise. Artificial Intelligence large language models failed to notify macro prognosticators of the coming euphoria for AI-related businesses. Oscillations in major market indices throughout the year served as reminders that the uncertain real world does not conform kindly to short-term forecasts.

2024 unfortunately does not look any clearer. Rising geopolitical tensions, elections in countries representing nearly half of the global population, lingering property sector woes in China, prospective easing of restrictive monetary policy in many countries, and the tantalizing allure of transformational technology fill out the list of *known* unknowns for the year.[7] Inevitably, there will be additional *unknown* unknowns in the year ahead as well.

While certainty and clarity may be comforting, uncertainty and fear are welcomed by the value investor. With this in mind, the stage set for 2024 may not be so bad. It looks to be one of greater market inefficiency where overreactions to macro events may stand at odds with bottom-up fundamentals for individual stocks. Too much attention is often paid to the *directional* impact of macro events as they unfold, and not enough on the *magnitude* of the impact on corporate value. We will continue focusing on the latter. Identifying *whether* news is good or bad is often readily apparent and objective. Assessing *how good* or *how bad* the news is stands as a more subjective and difficult task yet has more bearing on intrinsic value.

This point comes to mind when I look at the Fund's China holdings. Directionally things appear to be getting worse in China. Consumption is tepid, growth expectations have fallen, government interference in parts of the tech sector continues, and Sino-American tensions seem poised to ratchet up as the U.S. presidential election nears. The impacts of such risks and issues are clearly directionally negative for most Chinese companies. But when I look at the valuations of the Fund's China holdings, I struggle to see that the fundamental impacts justify the depressed valuations. Several of these holdings have seen their stock prices retrace back down to the levels witnessed in November 2022 before China's lockdowns were lifted. Is the current outlook really as bad as it was then when mobility was restricted and no path to normalization had yet been revealed? I tend to think not. That said, I recognize that sentiment may deteriorate further. Fundamentals and valuation thankfully offer solace when fear and doubt are gripping the broader market.

One thing that does seem more likely amidst the murkiness is slower economic growth in the years ahead. Indeed, in October, the International Monetary Fund (IMF) issued its biannual update to its World Economic Outlook, which highlighted a slow, uneven growth forecast for the global economy.[8] My colleague, Nicholas Borst, pointed out to our team an important context for this tepid outlook: the growth differential between the developing world and the developed world is forecast to continue shrinking in the years ahead. From 2000 to 2009, developing economies saw real gross domestic product (GDP) growth outpace advanced economies by 4.2% on average each year. In the 2010s, this growth differential shrank to 3.0%. In the IMF's forecast for the 2020s (with forecasts available until 2028), the growth differential is expected to fall to just 2.1%.[9] The emerging markets are not emerging like they once did.

This, however, does not phase us in our pursuit of value in the emerging markets. Our focus has never been on buying stocks highly dependent on a top-down growth theme or a rising per capita consumption story; slowing exogenous growth is more of a marginal issue. We focus instead on finding individual companies whose value is driven by idiosyncratic company-specific factors and that are resilient in a wide range of macro environments. While an unexpected shift to lower growth can lead to price volatility, we aim to buy stocks at a discount to their intrinsic values such that there is a margin of safety as macro winds inevitably shift. The company-specific events discussed in this portfolio review are indicative of these idiosyncratic drivers: operational turnarounds, corporate resilience in the face of weak operating environments, new and special dividends, balance sheet monetization through divestment, and even a shareholder activist campaign to unlock corporate value.

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In the chaotic and noisy world out there, it is important to remember that individual companies are not all destined to follow their country's changing macro fate. It is on these companies where our focus will remain as the winds of 2024 blow through.

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

Brent Clayton
Co-Portfolio Manager

January 22, 2024

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[1] References to the "Fund" pertain to the Fund's Institutional share class (ticker: SIVLX). The Investor share class (ticker: SFVLX) returned 5.14% 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 $13.62 per share; it paid a distribution of approximately $0.400 per share during the quarter; and it finished the quarter with a value of $13.91 per share.

[5] The Fund's Investor class returned 13.30% during the calendar year.

[6] Source: Bloomberg.

[7] Ewe, Koh. "The Ultimate Election Year: All the Elections Around the World in 2024." Time, December 28, 2023. https://time.com/6550920/world-elections-2024/

[8] "World Economic Outlook: Navigating Global Divergences." International Monetary Fund, October 2023. https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023

[9] Calculated as a simple average of the percent change in "Gross domestic product, constant prices" for "Emerging market and developing economies" compared to "Advanced economies" for the periods 2000-2009, 2010-2019, and 2020-2028. The period 2020-2028 includes forecasts by the International Monetary Fund. Source: "World Economic Database." International Monetary Fund, October 2023. https://www.imf.org/en/Publications/WEO/weo-database/2023/October

Glossary

Brazilian Real (BRL): the official currency of Brazil.

Cash Flow Break-even: the point below which a company will need either to obtain additional financing or to liquidate some of its assets to meet its fixed costs.

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.

Global Financial Crisis: the period of extreme stress in global financial markets and banking systems between 2007 and 2009. A downturn in the U.S. housing market was a catalyst for the crisis that spread from the U.S. to the rest of the world through linkages in the global financial system.

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.

International Monetary Fund (IMF): an organization of countries whose primary purpose is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other. Created in 1945, the IMF is governed by and accountable to the countries that make up its near-global membership.

Pound Sterling (GBP): the official currency of the United Kingdom.

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.

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

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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 Bloomberg Emerging Markets Large, Mid, and Small Cap Net Return USD Index is a float market-cap-weighted equity index that covers 99% of the market capitalization of the emerging markets. Index code: EMLSN. 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. The Hang Seng Index is a market capitalization-weighted index of 40 of the largest companies that trade on the Hong Kong Exchange. Index Code: HSI. The Shanghai Stock Exchange Composite Index is a capitalization-weighted index that tracks the performance of A-shares and B-shares listed on the Shanghai Stock Exchange. Index code: SHCOMP. It is not possible to invest directly in an index.

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As of December 31, 2023, securities mentioned in the portfolio review comprised the following weights in the Seafarer Overseas Value Fund: Itaú Unibanco Holding SA ADR (3.1%), XP, Inc. ADR (4.2%), WH Group, Ltd. (3.3%), Samsung C&T Corp. (2.5%), Mondi PLC (3.5%), Melco International Development, Ltd. (2.6%), Jardine Matheson Holdings, Ltd. (2.3%), DFI Retail Group Holdings, Ltd. (2.5%), and Tata Motors, Ltd. (1.0%). The Fund did not own shares in Smithfield Foods or Samsung Group. View the Fund's Top 10 Holdings at www.seafarerfunds.com/funds/ovl/composition. Holdings are subject to change.

Source: ALPS Fund Services, Inc.

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.

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