SEAFARER

SEAFARER OVERSEAS GROWTH AND INCOME FUND

Portfolio Review

First Quarter 2024

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During the first quarter of 2024, the Seafarer Overseas Growth and Income Fund declined -0.32%.[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 2.22% and 1.39%, respectively. By way of broader comparison, the S&P 500 Index returned 10.56%.

The Fund began the quarter with a net asset value of $12.68 per share. It paid no distributions during the quarter and finished the period with a value of $12.64 per share.[3]

Performance

It was a tumultuous quarter for emerging market investors. After a nice run at the end of 2023, the Morningstar benchmark started on a weak note in January, declining more than -4%.[4] February saw a quick rebound in the benchmarks driven by a rapid rise in technology stocks, particularly those related to artificial intelligence (AI). There are only a few companies in the emerging markets that have a demonstrable connection to AI – the one that moved the benchmarks this quarter was Taiwan Semiconductor Manufacturing Company (TSMC). TSMC's business is directly tied to AI; TSMC sells its chips to Nvidia and other AI-related companies in the developed world. TMSC surged 30% in the quarter, and as the largest constituent in the emerging market benchmarks, it contributed 1.4% of the Morningstar index's 2.2% gain during the quarter.[4]

Some of you will remember that the Growth and Income Fund exited TSMC in 2021[5] based on concerns about the escalating magnitude of the company's capital expenditures; the potentially politicized motivations behind expenditures; and the resulting potential for marginal returns on marginal capital investment to decline. All the preceding prompted us to sell, even as the stock's price climbed to what was then an all-time record valuation. However, in hindsight, we failed in early 2021 to appreciate the gains TSMC would enjoy from the dawn of AI, offsetting at least some (but not all) of the aforementioned challenges.

This portfolio review addresses the first quarter of 2024 (1/1/24 to 3/31/24). As of 3/31/24 the annualized performance of the Fund's Institutional class was: 1 year 9.60%, 3 year -1.57%, 5 year 5.81%, 7 year 4.65%, 10 year 4.72%, and since inception (2/15/12) 5.54%[1]; the gross expense ratio was 0.89%. 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.

Even as TSMC accounted for a substantial portion of the differential performance between the Fund and its benchmarks, there were other notable factors driving the Fund's performance during the quarter. Highlights include the Fund's holdings in India, South Korea, and the consumer sector.

Several Indian stocks in the Fund performed well this quarter: vehicle manufacturer **Tata Motors** rose over 27%; liquified natural gas (LNG) supplier **Petronet** rose over 18%; and financial services firm **Computer Age Management Services** (CAMS) rose close to 10%.[4] While it is never possible to say with certainty why stocks rise, I suspect earnings developments lifted Tata and CAMS, while Petronet rose following news of a new long-term LNG supply agreement for the company. Though we are pleased with the performance of our Indian stock holdings, our lower-than-index weighting in India is another reason for the Fund's relative underperformance this quarter. It is worth noting that, as of the end of the first quarter, India is now 20.7% of the Morningstar index, close to the China / Hong Kong weight of 21.3%.[4] This is a sea change from weightings just a few years ago when China represented 40.4% of the Morningstar index while India had only a 10.3% weighting.[4]

Some of the Fund's South Korean holdings also performed well in the quarter: conglomerate **Samsung C&T** was up over 20% while both **Hyundai Mobis** (auto parts manufacturer) and **Samsung Electronics** (semiconductor manufacturer) also appreciated.[4] The performance of Korean stocks may be due to excitement surrounding Korea's "Corporate Value Up" program. Announced in February of this year by the Korean government, this reform program is designed to improve corporate governance and incentivize better shareholder return policies for Korea's listed companies. This initiative mirrors what has been happening in Japan for the past several years, where a series of corporate governance reforms have encouraged share buybacks, increased dividends, and reduced cross holdings for Japan's listed companies. While it is early days for Korea's Corporate Value Up program, I am cautiously optimistic that this initiative, if correctly implemented, could bring meaningful and positive changes to the way that Korean companies operate.

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Consumer stocks in the portfolio did well this quarter, notably luxury goods manufacturer **Hermès**, which was up more than 20% in the quarter.[4] As discussed in the Fund's first quarter 2024 portfolio briefing video,[6] Hermès, which derives the majority of its revenues and earnings from the developing world, posted earnings in the quarter which demonstrated continued growth in both product pricing and volumes, resulting in robust margins and increased cash flows.[4] While some weakness in consumer sentiment persists across the emerging markets, there are pockets that are doing well, as demonstrated by this holding in the Fund.

Drags on Fund performance in the quarter include Japanese information technology company **Rohm** and South Korean media company **Naver**. With the quarterly price movements for these two holdings likely due to company-specific factors, I would like to highlight that both holdings contributed positively to Fund performance in calendar year 2023 and we continue to hold these securities with a long-term investment horizon.

Allocation

During the quarter, the Fund undertook two allocative changes: one addition and one deletion.

The Fund's one addition in the quarter is a stock based in Singapore: **DBS Group**. Formerly known as the Development Bank of Singapore, DBS Group has a long history in the financial services industry not just in Singapore but across Asia. While DBS started as a bank focused on financing Singapore's development in the 1960s, it now serves customers regionally via expansions into Indonesia, Taiwan, Thailand, and India as well as both Hong Kong and mainland China. Today roughly 30% of DBS's earnings come from Hong Kong and mainland China. I know I am not alone when I say that it has certainly been sad to see Hong Kong's status as the regional financial center wane over the past decade. But this loss for Hong Kong is ostensibly a gain for Singapore and its financial institutions. We think that DBS is well placed to benefit from Singapore's rising status as a regional financial center, as evidenced by the bank's burgeoning and profitable wealth management business. DBS enjoys not only an enviable market position across Asia, but it is also in possession of excess capital on its balance sheet – capital which we hope will be returned to shareholders. This regional bank is a great example of what the Fund seeks: a stable grower, expanding regionally, with robust dividends.

> DBS is well placed to benefit from Singapore's rising status as a regional financial center.

The Fund's one deletion in the quarter was **Coca-Cola Femsa**. As discussed in the Fund's fourth quarter 2023 portfolio review,[7] the Fund exited Femsa in early January based on valuation and to fund a new position added in the final weeks of 2023 (Tata Motors).

Outlook

Last year was rough for many emerging market companies; 2023 was a year tainted by economic uncertainty in China and reluctant emerging market consumers around the globe, resulting in decelerating growth and contracting profits. So far, from our perspective, 2024 is shaping up to be a year of stabilization in EM earnings and renewed consumer confidence.

The outlook for currencies in our markets is less certain. Contrary to the emerging market currency strength in late 2023, we have seen mostly currency weakness year-to-date. Interest rates are changing in the emerging markets – with many central banks easing rates as inflation remains largely under control. (Obviously this does not apply to countries such as Turkey, Egypt, and Argentina – countries which have mismanaged their currencies and economies for a long time and are paying the price for it now – but these are not large constituents of the benchmarks, and they are not features of the Fund.) The weakness that we are seeing in emerging market currencies is probably due to speculation about what the U.S Federal Reserve may do this year. While the Fed may be stuck in a higher-for-longer situation, due to prudent monetary policies I am hopeful that currencies in Seafarer's main markets will cease to be a meaningful headwind.

The outlook for our largest market, China, remains uncertain. The challenges that China faces – including a heavily-indebted property sector, an opaque state-controlled banking sector, stretched local government finances, hasty regulatory crackdowns, and general meddling in the economy – make it hard to predict how Chinese companies will fare this year as a group. These challenges make it difficult to analyze companies and reliably predict top-line growth rates, cash flow generation potential, and likely capital allocation decisions. Having said that, the Fund remains invested in China, but does so with a great deal of caution. Our research process for all portfolio holdings is time- and detail-intensive. When we invest in a company, we prefer to do so with the intention to hold it for the long term – sometimes indefinitely.

While many challenges in China persist, we continue to look for investment opportunities there. In fact, two members of our investment team will soon depart for China on a research trip. With so much concern about China's investability in the financial markets, I like to point out that one of the Fund's longest-held securities is a media company located in Sichuan province: Xinhua Winshare. Xinhua operates a chain of bookstores and distributes textbooks and ancillary materials in Western China. This company has been in the portfolio since 2014, when we invested based on its transparent and clean balance sheet, healthy operating margins, impressive top-line growth, and steady dividend stream. The company still exhibits these attributes today, and the Fund remains invested. I think that Xinhua is a great example of how Seafarer continues to invest in China despite the challenges that exist. There are stocks worth owning in China, and we remain committed to finding them, researching them in depth, adding them to the Fund, and holding them with a long-term investment horizon.

> One of the Fund's longest-held securities is a media company located in Sichuan province: Xinhua Winshare.

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

Kate Jaquet
Co-Portfolio Manager

April 22, 2024

[1] References to the "Fund" pertain to the Fund's Institutional share class (ticker: SIGIX). The Investor share class (ticker: SFGIX) returned -0.32% 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/ogi/performance.

[3] The Fund's Investor Share class began the quarter with a net asset value of $12.60 per share; and it finished the quarter with a value of $12.56 per share.

[4] Source: Bloomberg.

[5] www.seafarerfunds.com/funds/ogi/portfolio-review/2021/03/Q1#allocation

[6] www.seafarerfunds.com/video/2024/03/ogi-portfolio-briefing#hermes-cash-flow

[7] www.seafarerfunds.com/funds/ogi/portfolio-review/2023/12/Q4/#allocation

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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. It is not possible to invest directly in an index.

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As of March 31, 2024, securities mentioned in the portfolio review comprised the following weights in the Seafarer Overseas Growth and Income Fund: Tata Motors, Ltd. (1.0%), Petronet LNG, Ltd. (1.7%), Computer Age Management Services, Ltd. (1.6%), Samsung C&T, Corp. (1.6%), Hyundai Mobis Co., Ltd. (5.1%), Samsung Electronics Co., Ltd. Pfd. (3.1%), Samsung Electronics Co., Ltd. (1.8%), Hermès International SCA (2.1%), Rohm Co., Ltd (2.8%), Naver Corp. (2.2%), and DBS Group Holdings, Ltd. (1.7%). The Fund did not own shares in Taiwan Semiconductor Manufacturing Company, Nvidia, or Coca-Cola Femsa. View the Fund's Top 10 Holdings at www.seafarerfunds.com/funds/ogi/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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