



Seafarer Capital Partners Reveals Key Drivers of Performance in Emerging Markets Value Investing

New Research Draws on Lessons Learned from Managing Seafarer Overseas Value Fund

LARKSPUR, CA - February 4, 2025 — Drawing on fourteen years of fundamental research and investing in global emerging markets, and over eight years of hands-on experience in managing the Seafarer Overseas Value Fund (SIVLX, SFVLX, SFVRX), Seafarer Capital Partners (Seafarer) recently published a white paper providing empirical data and evaluating key opportunity sets found in emerging markets value investing.

The new white paper, titled “Revisiting the Seven Sources of Value in Emerging Markets,” examines practical lessons the Seafarer Value team has learned in its pursuit of investing in seven distinct sources of value in the emerging markets, which were first identified by Seafarer in 2016. The full paper is available on Seafarer’s website [here](#).

“Rather than taking a traditional approach focused solely on simplistic valuation multiples, Seafarer’s approach to value investing in emerging markets started with the idea that these markets present a number of distinct underlying sources of value that may give rise to viable investment opportunities,” said Brent Clayton, author of the white paper and co-portfolio manager of the Seafarer Overseas Value Fund. “This paper looks back on our team’s practical experience pursuing these sources of value in emerging markets, including opportunities and risks we have become more attuned to.”

The white paper reviews all seven sources of value identified at the launch of the Value Fund (read the original 2016 white paper [here](#)) and breaks out the impact of each source on the Fund’s performance since inception (**see included chart**). The commentary also includes a nuanced analysis of these sources of value and provides “emblematic stock” examples to help practically illustrate the sources of value in action.

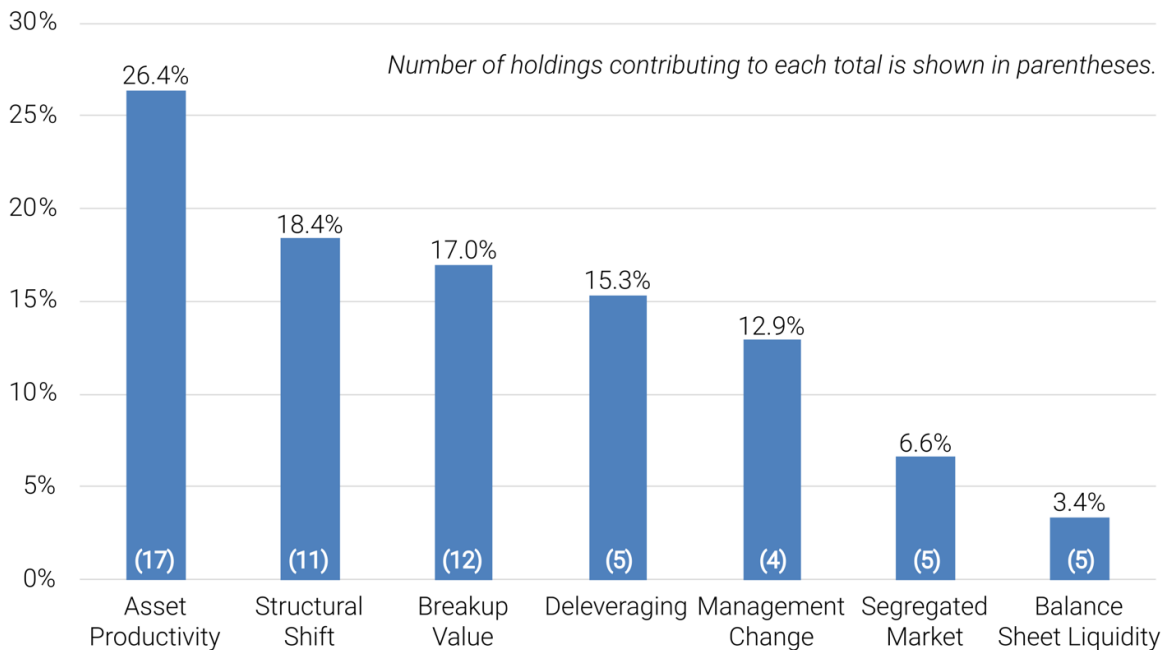
The key lessons shared in the white paper, by source of value, include the following:

- *Asset Productivity*: Companies that are among the lowest-cost, highest-margin operators within their industries have been able to survive prolonged cyclical downturns. Such business resiliency can render the exact timing of the cycle less important.
- *Structural Shift*: Highly-cash generative companies structurally shifting to a lower growth rate provided fruitful opportunities for the strategy, particularly in China in 2016 and Brazil in 2020.
- *Balance Sheet Liquidity*: Companies with high levels of cash on their balance sheets have been more prone to be “value traps” than anticipated. While a potential source of latent value, it can also be a sign of poor capital allocation or weak corporate governance.

The paper provides detailed discussion of lessons learned while pursuing investing in each of the seven sources of value and includes one portfolio holding for each of the sources as an illustration.



Share of the Value Fund's Cumulative Total Return by Primary Source of Value
5/31/2016 – 9/30/2024



Sources: Bloomberg, Seafarer.¹

“Finding low-priced stocks in the emerging markets is not difficult. The challenge is finding low-priced businesses with both sustainable competitive advantages and management teams that think carefully about how they steward corporate capital,” said Clayton. “A focused and long-term approach has been critical to realizing value across the seven opportunity sets that this strategy pursues.”

About the Seafarer Overseas Value Fund

The Seafarer Overseas Value Fund (tickers: SIVLX, SFVLX, SFVRX) seeks to provide long-term capital appreciation. The Fund invests primarily in the securities of companies located in developing countries. The Fund invests primarily in common and preferred stocks. The Fund’s portfolio is comprised of securities identified through a bottom-up security selection process based on fundamental research. The Fund seeks to produce a minimum long-term rate of return by investing in securities priced at a discount to their intrinsic value.

About Seafarer Capital Partners

Seafarer Capital Partners is an investment adviser focused on emerging markets. Seafarer offers investment portfolios that seek to participate in the opportunities afforded by the growth and progress in the developing world. The firm employs a bottom-up, fundamental investment approach. Seafarer’s objective is to provide long-term investment portfolios that offer sustainable growth, reasonable income, suitable diversification and which mitigate volatility. The firm serves as the investment adviser to the [Seafarer Overseas Growth and Income Fund](#) and the [Seafarer Overseas Value Fund](#). Founded in 2011, Seafarer is a wholly employee-owned firm located in the San Francisco Bay Area. For more information, please visit www.seafarerfunds.com.



¹ Percentages in the chart are based on the aggregate contribution to total return for portfolio holdings in each primary source of value divided by the aggregate contribution to total return of all portfolio holdings from the inception of the Seafarer Overseas Value Fund on May 31, 2016 through September 30, 2024. They exclude cash and other assets and liabilities held by the Fund. A portfolio holding's primary source of value is defined as the intended driver of value Seafarer was targeting over the majority of a position's holding period. Sources: Bloomberg, Seafarer.

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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.*

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