

Quarterly update December 2022

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Overview of our funds as of 31/12/2022

“The intelligent investor is a realist who sells to optimists and buys from pessimists.”

Benjamin Graham



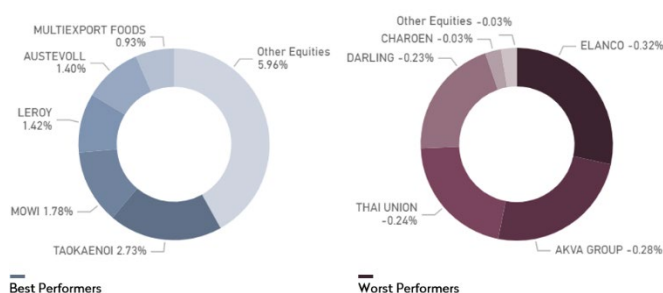
as of 31/12/2022	NAV	Δ3m	Δ12 m	Δ3 y	Δ5 y	return s.i. (p.a.)	Total AuM in Mio. CHF
Bonafide Global Fish Fund EUR	227.08	12.47%	-2.25%	1.27%	25.46%	8.08%	
Bonafide Global Fish Fund EUR -A-	105.23	12.46%	-2.25%	1.18%	25.23%	3.92%	
Bonafide Global Fish Fund CHF	141.21	14.73%	-5.59%	-5.56%	7.71%	6.82%	
Bonafide Global Fish Fund CHF -A-	99.30	14.74%	-5.33%	-5.29%	9.45%	2.51%	
Bonafide Global Fish Fund USD	128.80	21.36%	-5.22%	-0.47%	16.46%	4.27%	215
Best Catches I EUR	1'160.89	10.99%	7.03%	4.23%	n/a	4.22%	26
Opportunities I GBP	111.18	-2.29%	10.40%	n/a	n/a	8.83%	3
HBC I NOK	435.16	2.27%	-53.15%	n/a	n/a	-46.40%	4
HBC II NOK	432.08	2.47%	-52.50%	n/a	n/a	-52.28%	8

A conciliatory end to the year

Investors in the Fish & Seafood sector were rewarded for their patience in Q4. The Bonafide Global Fish Fund -EUR- yielded returns of 12.47% (YTD: -2.25%). This positive performance was the result of contributions from numerous regions and sub-sectors. Following the announcement of a potential new resource rent tax on salmon farms in Norway and the subsequent slump in share prices at the end of September, this has remained an ongoing subject in recent months. Increasing pressure on the government and some initial compromises sent positive signals to investors. Everyone agrees on one thing: the industry should be able to continue its sustainable growth in the future. The next six months will bring clarity. The worst-case scenario has been priced in, and new opportunities will emerge from it. Global macro trends are in favour of the sector and promise a prosperous future.

Recovery rally of numerous seafood stocks boosts the quarterly return

Contribution to the performance of the Bonafide Global Fish Fund in %.



Plannable growth in Chile

Our research team travelled to Chile in November 2022 and saw for themselves the positive developments taking place in aquaculture and wild-caught fishing. Regions such as Chile could benefit from the resource tax in Norway. Irrespective of this, selected stocks offer excellent investment opportunities in a market that remains undiscovered by many investors.

Well positioned for the opening quarter of 2023

Despite the threat of recession, there were no major drops in demand in the fourth quarter. Unchecked high demand met a shortfall in supply. This drives up prices in the short term, but in the long term it encourages investment and innovation. The fish market offers products in all price categories, from basic food items to premium products. We expect food prices to remain high, and further price increases have been announced. Investors should expect volatile capital markets. Targeted investments in aquaculture herald a future that offers greater food security, higher incomes for fishermen, and healthy proteins for millions of people. Globally, a revolution is taking place beneath the water's surface. In the blog post **“10 predictions for 2023”** we take a look at the trends for the new year.

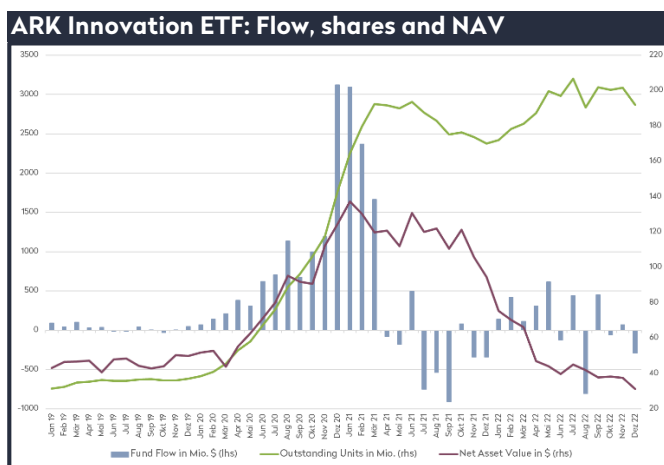
Webinar on 17 January 2023

We are pleased to invite you to our next webinar on 17 January 2023 at 9:00 (CET). Our experts will look back at the past quarter and make some predictions for the new year. Register now on our website (www.bonafide-ltd.com).

Research/Portfolio Management

Stock market environment in Q4/22

A handful of euphoric investors interpreted the further decline in annual changes in US inflation linked to the smaller interest rate rise of “only” 0.5% by the US Federal Reserve as a turnaround. This optimism may seem somewhat unseemly in view of the fact that price growth remains over 7%: with a gross yield of 3.8% on the 10-year US Treasury, investors are still losing more than 4% of purchasing power in real terms. Taking a five-year perspective, the underlying US shopping cart has increased in price by more than 18% or 3.4% annually. The average of about 2% in interest rates on safe investments yielded by the US Treasury did not provide adequate compensation. Those who invested in the global stock markets, which returned 8.7% per annum over the same period (Bloomberg World Indices in USD), can consider themselves lucky. At least in the case of the Euro/US dollar exchange rate, there were signs of an end to the massive exaggeration caused by the interest rate divergence. The most important global trading pair moved 9% in favour of the Euro in the space of three months. World markets based on the Bloomberg World Index gained over 9% in USD, while in EUR it was a zero-sum game. There were interesting developments in the crypto world, where small investors were once again cheated in a brazen manner. While States completely slept through the regulation of this new branch of the financial industry, the desire to get rich quick once again overpowered ordinary citizens. Another bubble that has been threatening to burst for some time is that of shares related to the next disruptive technology. There is no shortage of mostly loss-making companies with high investment costs that go public too early.



Source: Bonafide, Bloomberg, 3 January 2023

A good indicator is the ARK Innovation ETF from “Star investor” Cathie Wood. An analysis of the flow of money shows that although the share price is at \$31, as low as it was in 2017, there are still almost 200 million fund shares held, compared to just 3 million shares a few years ago. The massive flow of money into this bubble occurred predominantly in 2020, when fund shares were trading between \$37

and \$133. This suggests that over 98% of investors are sitting on unrealised losses. In February 2022, Cathie Wood stated that her biggest concern was that her investors would “turn temporary losses into permanent ones” by redeeming the shares. Since that statement, the fund’s share has lost a further 60% in value. You should judge for yourself what stage each bubble is at. At least in the case of the ARK Innovation ETF, the masses have not really moved yet, despite 80% losses from its highest point.

Other significant developments took place in China and Japan. The most predictable of all central banks in recent years, the Bank of Japan, surprisingly announced a small step towards tightening monetary policy shortly before Christmas. The Yen reacted vigorously, appreciating a full 13% against the USD since its low in mid-October. In China, it seems that the people have a voice after all: autumn protests against the zero-COVID strategy led to the lifting of various measures. Whether the government can save face in the long run remains to be seen. At least for the global economy, it is a positive sign that normality will return to the land of the rising sun sooner or later. Unfortunately, from a health perspective, the fear is that a poorly protected population will now be left to fend for itself and that the explosion of the virus will claim numerous lives.

On the commodity markets, many prices are still well above 2020 levels, but have dropped from the extremes. Wheat (in USD), for example, is still 40% more expensive than two years ago, but at the same time almost 50% cheaper than shortly after the outbreak of the war in Ukraine. Vegetable oils such as rapeseed and palm oil have also come down from their record highs in the first half of the year. In Europe, the mild winter is helping with energy costs. The gas price for the coming month (Dutch TTF) has fallen to below EUR 100 per megawatt hour. It should be remembered, however, that over the last 10 years the price has averaged around EUR 25 per megawatt hour. Well-managed production facilities also hedge their energy costs over several quarters in advance, so that higher costs may still be felt, which will then be passed on to end consumers via the so-called second-round effect.

Developments in our sector

In December, world stock markets calculated in Euro lost the price gains of the first two months of Q4 2022; investors in the Global Fish Fund, however, were able to achieve remarkable returns of 12.47%. This partly compensates for the losses suffered in the summer months. Tailwinds came from virtually all regions and sub-sectors of the Fish & Seafood universe. Robust demand for fish proteins kept general prices at attractive levels, while an emerging slowdown in inflation will have a positive impact on margins, both upstream and downstream. On the one hand, production costs will rise more moderately, while on the other hand, price increases will have their full effect. The US dollar has rallied considerably against the Euro since the beginning of 2021, culminating in an increase of around +27% towards the end of September 2022. The purchasing power parity model showed such a significant overvaluation of the dollar that hedging of the global currency in the portfolio was increased from 50% to 75%. The US dollar depreciated by over 8% in the past quarter. This would have cost around

1%-points of the fund's performance but thanks to hedging, the impact remained limited. As already mentioned, the JPY also seems to have reached a turning point and has recovered strongly since mid-October. From a quarterly perspective, it remained stable. The coming months will show whether the Yen will continue to move towards purchasing power parity. Compared to the EUR, the JPY is undervalued by more than 50% if the producer price model is used.

Update on Norwegian resource tax on salmon farms

Hearings in Norway on the proposed resource tax on ocean-based salmon farms ran until early January 2023 (see **previous reporting**). Now the government will evaluate the results and bring a proposal to parliament, where it will be debated. A final decision is not expected until the middle of the year. Nevertheless, the tax will come into force on 1 January 2023. Initial adjustments and a certain willingness to engage in dialogue on the tax are fuelling hopes that things won't turn out as badly as originally feared. Accordingly, share prices of Norwegian salmon farmers had an excellent quarter after the previously mentioned corrections, adding around 5.1%-points to the portfolio in Q4/22. This was a recovery of almost half of the losses from the disastrous third quarter of 2022 (-10.9%-points). The proposed change in the tax system is already having its first effects: a) Mowi bought the majority of shares in Icelandic salmon producers Arctic Fish and is therefore seeking growth abroad, b) only smaller companies, which are excluded from the tax, bought farming licences at the last auction and c) large producers are outsourcing their licences to subsidiaries, to mention just a few points.

Calming of the political situation in Chile

Geographically speaking, after Norway (30% allocation) the fund's heavyweights are Japan and Chile with 12-13% allocation each, which is why the research team conducted a due diligence trip to Chile last quarter. In addition to visiting various companies, the team used its time in Chile to get a feel of the current economic environment and the mood on the financial market. Following violent protests in the capital in 2019 and a government drifting to the left, foreign investors began looking for other options. The situation was aggravated by a pension fund reform that allowed actively insured individuals to withdraw part of their assets and dispose of them freely. This led to sales on the stock market and simultaneously to a massive increase in consumer spending, which fuelled inflation. Sales of certain consumer goods (e.g. new cars) rose by over 100%! The rejection of the newly drafted constitution brought relief. A large majority of the population was in favour of a constitution of this type, but the proposal was too radical and too anti-business. The most important difference from the 2021 presidential elections was that the vote on the constitution was compulsory and there was a very high turnout. In the presidential elections, the turnout was "only" 55.7%. It can be concluded from this that at that time it was mainly the mobilisation of left-leaning voters that was successful. Across the entire population, the political mood is much more moderate. This means that the proposed reforms, some of which are hostile to the economy, will have a much more difficult time, which is positive for foreign investors. In Chilean companies, the issue of sustainability is high on the agenda, even in the absence of legislative pressure – at least in the

Fish & Seafood sector. Great efforts are being made to act in harmony with nature, as the advantages clearly outweigh the disadvantages (e.g. shorter distances to fish stocks in the sea). The research team's impressions provided significant reassurance with regard to the potential risks in the Chilean market. Sooner or later, low valuations and very attractive dividend yields are likely to attract foreign investors again. The stronger Chilean Peso contributed 0.5%-points to the fund's performance.

What negatively affected fund performance

Shares in the global veterinary medicine company Elanco Animal Health brought up the rear in the returns table, costing the fund -0.3%-points. The published Q3/22 results included a further reduction in the annual guidance. The advanced US dollar again resulted in a larger-than-expected reduction in the value of foreign earnings when translated to the reporting currency. Since the acquisition of the Animal Health business from Bayer in 2020, Elanco has generated about 50% of its sales outside the US. In addition, online sales for non-prescription pet medicines declined in the wake of higher prices. Although pets have demonstrably become the social surrogate for increasing numbers of people, some pet owners decided to forgo preventative deworming medication, for example. On the other hand, when at a veterinary clinic pet owners find it more difficult to refuse medicine prescriptions against the advice of the veterinarian. This effect has not been sufficiently taken into account by the investment community, of which we are also a part. Nevertheless, we consider the share price drop since last spring to be exaggerated. The aforementioned pet trend is linked to the progressive growth of the middle class. Rebalancing at earnings multiple of 12x P/E ratio or below book value is extremely attractive. The Norwegian AKVA Group weighed on performance to the same extent (-0.3%-points). As suppliers of farming equipment (cages, feeding systems, software, RAS equipment, etc.), the AKVA Group is suffering from the uncertainty in Norway. Cancelled investments and the potential slowdown in the growth of the domestic salmon sector has put pressure on the group's valuation. The quarterly results published in mid-November showed that AKVA has been very well managed. Margins in the core business, squeezed by commodity inflation, rose strongly, while new software and cage products attracted interest from breeders. Management responded swiftly to difficulties in the Norwegian domestic market (new resource tax) with a cost-cutting programme, which included layoffs, in order to maintain profitability. Shares in the tuna processor Thai Union (-0.2%-points) lost almost 10% in the reporting period, although the quarterly result for July to September 2022 far exceeded analysts' estimates. This prompted a slight increase in analysts' average target price. Some might consider Thai Union's balance sheet to be less solid, as inventory accumulation resulted in a debt increase of more than USD 500 million. At 5% interest, this is still an additional USD 25 million in financing costs, which reduces profits by 5-10%. With an annual turnover of more than USD 4,500 million, however, the inventory accumulation would soon be depleted if international logistical links proved to function reliably again in the medium and long term. Other investors could also cite the weaker USD since November as a reason. This makes Thai Union's products more expensive in its

most important sales market. With a P/E ratio of just 10x and a dividend yield of more than 5% for a defensive food producer, the market is taking a somewhat cautious position. In our view, the drop in price opens up opportunities to expand our position in this cash-flow-strong business model. Overall, only 8 stocks in the portfolio made a negative contribution to returns.

Profitable performers

The portfolio was led by Thai seaweed snack producers Taokaenoi (2.73%-points), whose share price reacted to the quarterly results as of 30 September 2022 with a remarkable increase of more than 60%. Three months earlier, there were already clear signs that marginal sales were flowing through the income statement with margins of 40%. Since the beginning of the pandemic, management has done all it can to reduce fixed costs and is now reaping the rewards. The 30% increase in sales compared to Q2/22 tripled net profit. The expected reopening of the Chinese economy, the increasing influx of tourists to Thailand and the promising growth in western markets will ensure further positive development for Taokaenoi. The somewhat generous share valuation is based on double-digit growth rates, which can be achieved without capital investment. The company's debt-free balance sheet therefore allows for profits to be returned to shareholders immediately.



Source: Taokaenoi, 4 January 2023

As noted in previous commentaries, the Global Fish Fund took advantage of the memorable 28 September 2022, buying heavily after the new resource tax on Norwegian salmon aquaculture was announced. The share price development during Q4/22 proved investors right, rewarding their courage and persistence with a recovery rally. On a quarterly basis, the Seafood Index on the Oslo Stock Exchange rose by 18.8%. Mowi (1.8%-points) as well as Leroy Seafood and Austevoll Seafood (1.4%-points each) occupied the other podium places on the Global Fish Fund's performance ranking. Other fish farming regions are likely to stand out as beneficiaries of the tax discussion in Norway, among them Chile. The stabilisation of the political scene continues to brighten the mood in the South American country. Led by Multi X (0.9%-points), Chilean breeders and wild-caught fishing companies delivered 1.7%-points. The restaurant chain Café de Coral (0.9%-points) benefits from the easing of measures in Hong Kong and mainland China. Bakkafrost

(0.8%-points) also lost ground in the wake of the resource tax announcement in Norway at the end of September, although as salmon producers based on the Faroe Islands and in Scotland they are not directly affected. Accordingly, Bakkafrost was able to make up for the share price losses it had incurred: another sign that the market had overreacted. In Japan, Nichirei put in a pleasing performance of 0.8%-points. Quarterly figures published by the company confirmed that its decision to pass on higher raw material costs through price increases is having an effect. Historically, the stock has been strongly undervalued. Furthermore, high inventory levels in the company's frozen goods warehouses in Japan should help the company's logistics division to exert pricing power. Nomad Foods (0.4%-points), which operates in Europe, also benefited from the passing on of commodity inflation to end consumers. In total, 26 stocks offered positive contributions to the excellent quarterly returns.

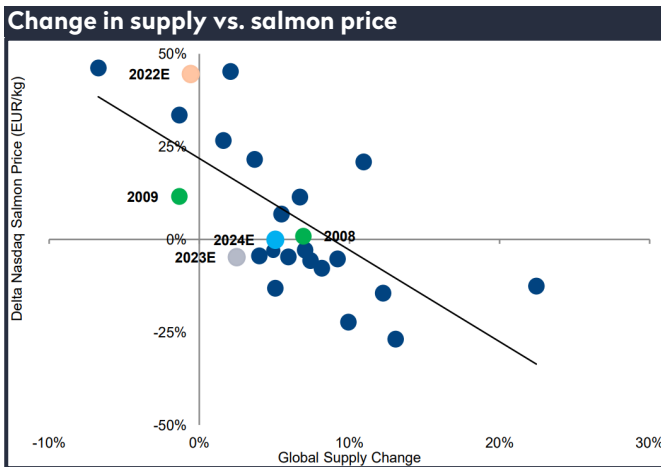
Reallocations

The largest change to the portfolio occurred at the beginning of the quarter when the allocation in Mowi was increased by 200 base points at the expense of the cash quota. The cash position was increased in October through, among other things, lavish dividends and capital repayments from Multi X. The Chilean company had announced in spring that it would sell part of its subsidiary at an attractive valuation multiple. Nevertheless, an increased cash quota is retained in order to take advantage of any opportunities in the event of price setbacks in the first half of 2023. After the publication of the quarterly figures for Sprouts Farmers Market, which triggered a share price jump of over 17%, the Global Fish Fund halved its position at prices around USD 33 and added around 1% of the fund's assets to the cash quota. The massive price jump in Taokaenoi swelled its share of the portfolio. The fund cashed in most of the gains by selling shares. In order to take advantage of the company's existing momentum, our ratio nevertheless remains slightly increased. Further good quarterly results will provide a tailwind on the stock market. Otherwise, there were no significant shifts. The existing portfolio companies will continue to generate cash flows and pay dividends even in uncertain times. A defensive positioning is to be welcomed in the current market phase.

Outlook

The environment in the new year is characterised by many factors causing uncertainty. All eyes continue to be on inflation and the central banks' fight against it. Furthermore, it is doubtful that the world's major economies will manage a soft landing. Central banks seem willing to fight inflation at all costs, accepting recession as the consequence. The past year has shown that – apart from politically driven events – defensive sectors such as Fish & Seafood provide an anchor in investors' portfolios even in uncertain times. The 2022 financial year offered most of the portfolio's companies normality for quite extended periods. And normality means that cash flows are generated that can be distributed to shareholders in the following year, i.e. 2023. The Global Fish Fund is not immune to potential economic downturns, but it offers reduced risks because humanity needs to feed itself, and ideally in a healthy, balanced way. The current Norwegian salmon share prices are still bearing witness to the fact that the worst-case scenario for the new

resource tax is being factored in. The price increases in Q4/22 are mainly based on the fact that salmon prices will remain high for a longer period of time. The main reason is the lack of supply growth. The possibility still remains that a less restrictive fiscal policy will be adopted and a strong price recovery will take place.



Source: FishPool, Kontali, Fearnley, 2 January 2023

Past experience has shown that salmon prices are not affected during recessions (see previous chart). During the 2008/09 financial crisis, the correlation to GDP was limited. The portfolio's companies will also enjoy support if inflation continues to weaken. As already mentioned, the situation will improve for food processors in particular, as price increases can be adequately passed on to end consumers. There is always a delay in this process due to fixed supply contracts, but its positive effect will now be felt. If the investment community increasingly demands safe cash flow securities instead of growth at any price, more distant markets also offer potential returns via investments in Japan, Chile and Thailand. Especially when, from a global perspective, many things point to a difficult investment year in 2023, selectivity will play a weighty role in weathering potential crises with the least damage or even showing positive returns. On the other hand, investment opportunities are manifold and supported by global trends.

We would like to thank you for the trust you have placed in us and wish you a successful 2023.

Performance contributions are shown in EUR and refer to gross profit.

Sustainability

FNG Label 2023: Two stars awarded

As is the case every year, the FNG-Label Awards were held in November. The FNG-Label is the quality standard for sustainable investment funds in German-speaking markets.



Our funds were again awarded two out of three stars in the rating system. While we were able to improve in terms of corporate dialogue and sustainability measurement in particular, tightening standards meant that we also lost slightly in terms of product standards and selection strategy.

Category	FNG Label 2022	FNG Label 2023
Institutional credibility	★★★☆☆	★★★☆☆
Product standards	★★★★	★★★☆☆
Selection strategy	★★★★	★★★☆☆
Diagloue	★★★☆☆	★★★★
Key performance indicators	★★★☆☆	★★★☆☆
Overall result	★★★☆☆	★★★☆☆

IUU fishing import ban comes into force in Japan

In Japan, the **Domestic Trade of Specific Marine Animals and Plants Act** came into force on 1 December 2022. The law stipulates that in future, imports of selected species (initially squid, mackerel and sardine) must be accompanied by a catch certificate confirming the legal origin of the fish.

Together with the EU and the USA, which already passed similar laws in 2010 and 2018 respectively, this means that over 50% of all seafood imports worldwide are now subject to corresponding regulation to combat illegal, unreported and unregulated (IUU) fishing.

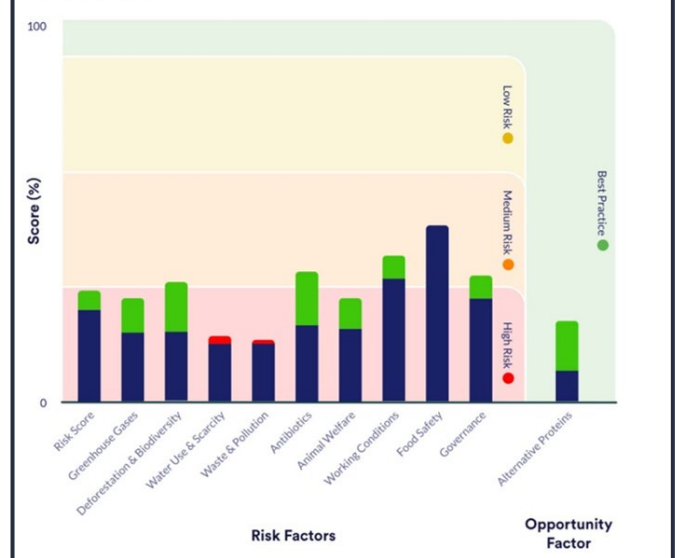
Aquaculture maintains leadership position in the Coller FAIRR Protein Producer Index 2022/23

Furthermore, the **Coller FAIRR Protein Producer Index 2022/23** was released again in December. The index shows how the 60 largest listed animal protein producers have developed with regard to sector-specific sustainability risks.

Despite increasing requirements, the overall development since 2019 has been highly positive, with almost all rating criteria showing significant improvements across all protein sources. At the same time, however, the index also makes it clear that there is still a lot of catching up to do in terms of livestock farming and the associated feed production. To fight climate change and preserve biodiversity, agriculture must be further transformed.

Changes in assessment factors from 2019 to 2022

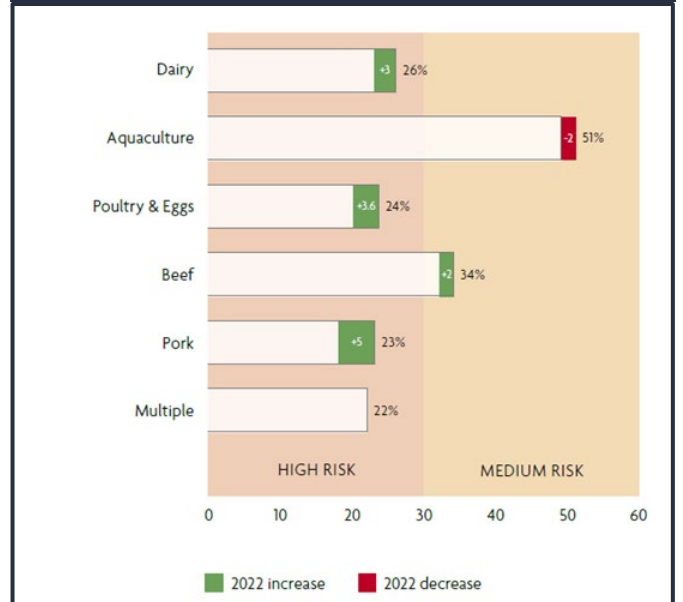
The chart depicts the development of the nine risk factors underlying the FAIRR ratings and one opportunity factor across all protein types.



Source: FAIRR

Aquaculture was able to defend its leading position in this year's index, but other protein sources caught up. This was due to the fact that aquaculture was rated for the first time for the risk factors *Water Use & Scarcity* and *Waste & Pollution*, which generally led to slightly lower ratings, although, compared to other protein types, aquaculture also performed above average on these factors.

Change in overall rating by protein type



Source: FAIRR

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