



Quarterly Update

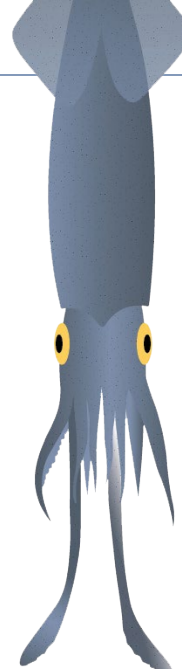
March 2021

OVERVIEW OF OUR FUNDS	2
WEBINAR FROM 20/04/2021	2
RESEARCH/PORTFOLIO MANAGEMENT	3
SUSTAINABILITY	6
LEGAL NOTICES	7

Overview of our funds as of 31/03/2021

«At the stock exchange, 2 times 2 is never 4, but 5 minus 1. You just gotta have the nerve to accept and endure the minus 1.»

André Kostolany

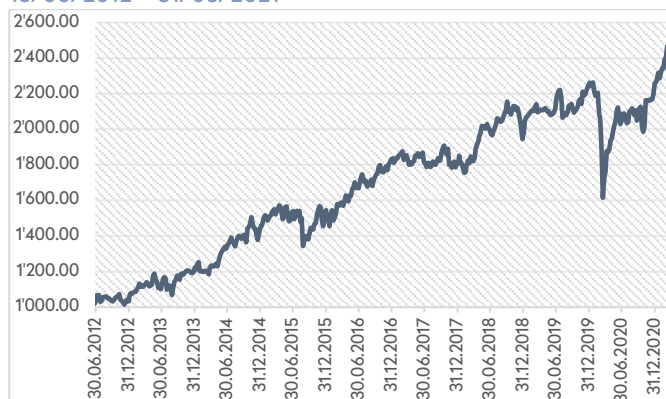


as at 31/03/2021	NAV	Δ3m	Δ12 m	Δ3 y	Δ5 y	return s.i. (p.a.)	Total AuM in CHF million
Bonafide Global Fish Fund EUR	2,488.59	10.23%	44.53%	36.70%	57.19%	10.91%	
Bonafide Global Fish Fund EUR -A-	1,238.74	10.27%	44.58%	36.61%	n/a	7.77%	
Bonafide Global Fish Fund CHF	1,681.25	12.52%	49.90%	27.34%	54.44%	4.45%	
Bonafide Global Fish Fund CHF -A-	1,254.42	12.48%	49.84%	28.29%	n/a	7.88%	
Bonafide Global Fish Fund USD	1,482.67	6.12%	53.85%	32.30%	n/a	9.60%	311
Best Catches I EUR	1,198.85	4.75%	51.24%	n/a	n/a	10.27%	23
Deep Blue – SPC I NOK	51,737.67	n/a	6.13%	342.56%	370.34%	31.51%	
Deep Blue – SPC III USD	1,697.49	n/a	4.73%	n/a	n/a	21.22%	
Deep Blue – SPC IV GBP	718.64	n/a	-22.57%	n/a	n/a	-13.66%	56

The hope that the corona pandemic will end soon is boosting the fish & seafood sector.

We are now at the beginning of the end. The vaccines available are working and are being distributed. Accordingly, there is increasing hope that the measures will be relaxed soon. This also boosted the fish & seafood sector in the first quarter of 2021. Numerous companies that were trading significantly lower at the end of the year than before the outbreak of COVID-19, had a strong first quarter. The price of salmon recovered from the lows in October 2020 and also gave some portfolio companies a tailwind. This positive development is reflected in the excellent performance of our flagship fund, the Bonafide Global Fish Fund EUR, which rose by 10.23% in the first three months. Traditionally, a lot of fish is consumed during Easter. This drove short-term demand up further.

NAV development of the Bonafide Global Fish Fund EUR 13/06/2012 – 31/03/2021



The trend to eat healthily has become even more important as a result of the pandemic. Many people have become aware that a healthy lifestyle strengthens the immune system. A balanced diet includes proteins and omega-3 fatty acids. This is exactly what Fish & Seafood can offer. And what is the best part? In relation to meat products, fish leaves a significantly smaller ecological footprint.

What can we expect after that?

People want to “catch up” on all the things that they currently have to do without. For many, this includes visiting their favourite restaurant. Accordingly, we expect demand to normalise. Together with the ongoing health and sustainability trends, the future prospects are very good.

The Bonafide Global Fish Fund in comparison

In the first quarter of 2021, the Bonafide Global Fish Fund EUR achieved a return of 10.23%. During the same period, the MSCI All Country World Index EUR rose by 8.90%, the MSCI World Large Cap Index EUR by 9.15%, the MSCI World Mid Cap Index EUR by 9.98% and the MSCI World Small Cap Index EUR by 13.95%.

Webinar from 20 April 2021

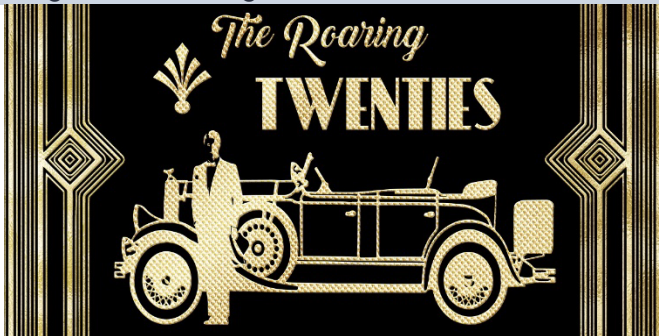
We are pleased to invite you to our next webinar on 20 April 2021 at 10:30 a.m. (CET). Our team of experts will inform you about the development of our funds, news from the sector and the field of sustainability. Of course, you also have the opportunity to ask questions. Register now on our website (www.bonafide-ltd.com).

Research/Portfolio Management

Stock market environment in Q1/21

The past three months have been eventful. In the USA, the new President Joe Biden has taken office and has brought his gigantic aid package of 1.9 trillion USD through Congress. The next 2.3 trillion USD are to follow in order to bring infrastructures into shape. Will we soon experience the “Roaring Twenties 2.0” in the USA?

Image of the “Roaring Twenties”



Source: Pixabay, April 2021

Despite financing through higher corporate taxes, this is good news for long-term investors. Higher taxes dampen profits in the short term, but a prosperous economy is a longer-lasting effect. The markets also tested the US Federal Reserve. How high will interest rates be able to rise before the interest rate curve is controlled? Organised small investors are another stock market phenomenon that has been talked about since the beginning of the quarter. Europe is still in the midst of the COVID-19 crisis. Politicians are saying one slogan after another, the number of cases suggests that this “hiding strategy” is not very successful. The vaccination campaigns are slow and are endangering the summer plans of the population. Just 13 months after the start of the pandemic, it is difficult for European politics to weigh up the generational interests. The only thing that is clear is that the pandemic costs will be borne by the young. It seems to be just a matter of time until youths cry out: “No Taxation without Representation!” In Asia, however, where people are more “virus-affine”, life seems to be getting back to normal. The entry requirements are strict, but in the corona-free zones people go about their usual everyday life. The markets as a whole have continued to recover since the beginning of the quarter. Companies showed their adaptability and delivered good final quarter results for 2020. Cyclical stocks have made up ground, but pearls like the fish and seafood sector still exist.

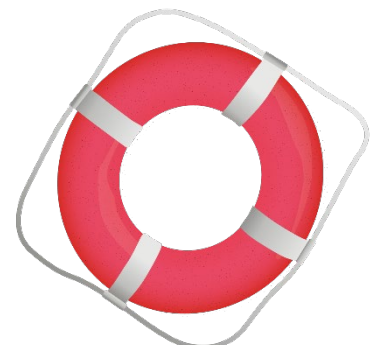
Developments in our sector

Fish producers are still affected by the lack of sales in the food service segment. In return, sales in supermarkets are booming. The proteins produced are eaten because the population continues to grow and has to feed itself. While 12 months ago people tended to continue their usual home consumption in the first confinement periods, since the end of 2020 the eating culture towards more variety and

healthier nutrition seems to have established itself. There is no other explanation for the fact that since the beginning of 2021, an average of 20% (!) more salmon has been sold from Norway to Europe every week. However, this trend first had to establish itself. Consumers have registered their needs in supermarkets, whereupon buyers continuously increased the order quantities. The price of salmon increased accordingly by around 20%. When orders returned from Asia at the end of February, the international price of salmon increased a further 20% and has remained at this level ever since. Of course, the demand in supermarkets will decrease when life returns to normal, but at the same time orders from the historically much more important food service channel, where restaurants, hotels and catering customers are waiting to open, will increase. In the past 12 months, numerous new direct and indirect customer relationships have been created for fish producers. The adaptation to new sales channels took a certain amount of time. However, it has been successful and the volume of demand is back. We are convinced that the COVID-19 pandemic will have a lasting effect on eating habits and will promote healthy proteins in the long term. For the fish & seafood sector, the question arises, what happens if supply cannot keep up with demand? In theory, prices and therefore profits would then have to continue to rise.

Yield providers in the portfolio

The Global Fish Fund portfolio built on the strength of Q4/20. Unsurprisingly, as a result of the increased price of salmon, salmon companies are among the best yield providers. Still, you had to bet on the right horses. The top position Austevoll Seafood (1.7%-points performance contribution) and its listed subsidiary Leroy Seafood (1.1%-points) delivered almost a quarter of the performance. The quarterly figures confirm the path taken. In addition to the progress made in setting up the customer-focused value chain, the company demonstrated quality in farming. After strategic adjustments three years ago, the costs are again below the sector average. Anyone who follows the entire industry will notice that other farmers are starting to copy the Leroy strategy. Leroy is still traded at a discount to the peer group. The company will have to prove that the market is wrong with one or two quarterly results.

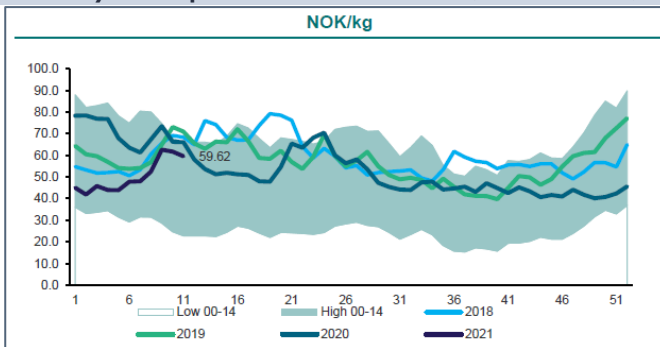


Peer group assessment overview			
2022e	P/E ratio	EV/EBIT	Dividend yield
Mowi	15.6x	13.7x	4.9%
SalMar	19.2x	15.8x	4.2%
Bakkafrost	18.0x	18.7x	2.9%
Leroy	12.8x	9.5x	4.9%
Austevoll	8.7x	5.1x	4.9%

Source: DNB Markets, March 2021

The position established in Mowi (1.1%-points) in the second half of 2020 advanced. International investors, who are watching the price of salmon and are positioning themselves for normalisation after COVID-19, bought in. In March, Mowi held an investor day that refined the profile. The volume of the largest producer will finally grow with the industry forecast of 3–4% p.a. At the same time, considerable investments in further automation (Farming 4.0) are being made, which should reduce production costs. Global product marketing will continue after the almost one year interruption due to COVID-19. The fourth largest position in a Norwegian salmon company, SalMar (1.0%-points), reached a new all-time high. Despite the pandemic, the cost leader managed to equalise the profit margin of the previous year. An amazing achievement that was appropriately rewarded by the market. The disclosure of the offshore production plans, an area where SalMar is leader, provides further price fantasy, because the ocean would allow unimaginable volumes in the long term. The ball is now in the court of the governments. We bring the series of salmon yields in the portfolio to a close with the Chilean producers. Multiexport Foods (1.0%-points), Camanchaca (1.0%-points) and Blumar (0.5%-points) benefit from the fact that the USA is taking a somewhat less rigid approach to the fight against COVID-19 and that the price of salmon in the USA has remained at an attractive level since Christmas. A supply shock is also emerging from Chile, as the biomass in the water is 17% smaller than a year ago. The profit recovery for our Chile participation is on the table.

Recovery of the price of salmon in Q1/21 (international)



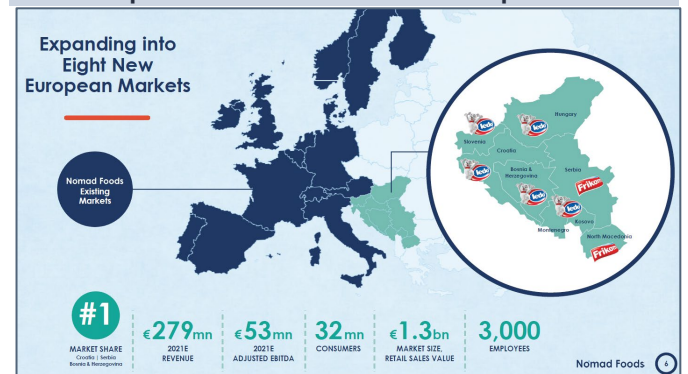
Source: DNB Markets, March 2021

Losers become winners

Nippon Suisan Kaisha (1.0%-points) and Maruha Nichiro (0.5%-points) showed us that the mood on the stock market can turn around quickly. Three months ago we had to convince you to be patient with these Japanese securities. It was worth it. The quarterly results showed that the two integrated seafood conglomerates also have divisions that are benefiting from the retail boom. The disclosure of this integration took some time, because on the one hand the

companies report the foreign business branches with a three-month delay and on the other hand, the adaptation of the internal processes and supply chains, as with all companies, took a few weeks or months. Two other current winners, which fell slightly in the previous quarter, are Sprouts Farmers Market (1.0%-points) and Nomad Foods (0.7%-points). A new management team has been at work since mid-2019 at Sprouts Farmers Market, which operates a chain of 340 health food stores in the USA. Since it was listed on the stock exchange in 2014, the focus has been entirely on growth. The new management aims to make growth more profitable. In principle, this was already possible in 2020, but COVID-19 worked like an additional boost for all supermarkets. The stock exchange is currently partially in the dark as to whether the higher margins are sustainable or not. Volatility has therefore increased somewhat. However, there are some indications that it should succeed. Significantly higher prices can then be expected. Business at Nomad Foods is still in full swing. The frozen products have been a resounding success and their successful purchase and integration strategy has received a new boost with Findus Switzerland and the Fortenova Group (Eastern Europe). In Eastern Europe in particular, the acquisition opens up numerous cross-selling opportunities. There is considerable potential for chilled seafood products, where Nomad Foods is the market leader. The management has cleverly bought the sales channels and can now offer existing customers additional products, thereby further expanding the economies of scale in the factories.

Market expansion of Nomad Foods in Europe



Source: Acquisition presentation Nomad Foods, April 2021

Negative contributions to returns

The yield of the fund was burdened from six positions by a cumulative 124 basic points. AKVA Group (-0.4%-points), which experienced a rally in Q4/20, lost a little. Clean Seas Seafood shared the same fate (-0.4%-points). However, the medium- and long-term prospects for both companies are intact. At the Norwegian protein supplement manufacturer Hofseth BioCare (-0.2%-points) there were obviously some disposal sales. However, we like the constant development outside the set of figures. In the summer of 2020, capacities were expanded in order to be prepared for large orders. In autumn, the sales department was strengthened with renowned pharmaceutical specialists. At the end of March, the accolade came from the large corporation Nestlé, which will sell HBC products in the USA by means of its subsidiary “Garden of Life”. After the announcement, the stock price advanced by 10%, which was not quite enough

to absorb the losses since the beginning of the year. It could have been the beginning of the catch-up movement.

New sales contract from HBC to Nestlé subsidiary



Source: Website Garden of Life, April 2021

Allocation changes

In the past three months we only made fine adjustments. We have shifted a few percentage points from solid but stagnant companies to those that will benefit from normalisation. In addition, the rebalancing should not be underestimated, which shifts profit-taking into stocks that, according to our analysis, are still ahead of the price movement. The few changes are also related to the fact that we have great confidence in the current portfolio companies. We have not been inactive by any means. The «substitutes» are already on our watch list. We will send this second guard out to the field as soon as the team has delivered and is rated fairly. That is the great advantage of active management. We can switch from fair valued to undervalued investments and you as an investor only need to watch from the sidelines. As long as you are convinced of us as a “trainer” and the “sport”, you do not need to do anything.

Outlook

We all know that the global COVID-19 crisis is not over yet. Nevertheless, shares of airlines, travel and leisure providers, some of which were subject to severe earnings dilution, are already trading close to or even above pre-crisis levels. More than 95% of the companies in the Global Fish Fund had no earnings dilution, which means that every stock has the same “earnings power” as it did before the pandemic. Overall, prices are not yet where they would be fairly valued when normalised. Once the evaluation has arrived there, we can look back on field one and, as at the beginning of 2020, on all future projects of our companies. And these were already promising in 2020 and are even more so today. The COVID-19 crisis was a test for our sector and it passed it with flying colours. The valuation of the portfolio for 2021 rose from 13.5x to 15.4x within three months with the forecast P/E ratio. This includes reduced earnings prospects of the analysts' consensus because the crisis is lasting longer than was forecast three months ago. This increases the P/E ratio even without a price increase. The expected dividend yield has decreased from 3.1% to 2.7%. However, the valuation gap to the MSCI All Country World Index (P/E ratio of 20.3x) has only narrowed slightly. The world share index continues to yield modestly at 2.0%. The food portfolio of the Global Fish Fund therefore remains an attractive niche and should continue to recover in 2021.

The performance contributions are shown in Euro and refer to the gross profit.

Sustainability

First publication of an “Active Ownership Report” for 2020

In the first quarter of 2021, at Bonafide we published an active ownership report for the first time, in which our commitment efforts and our voting behaviour for the past year are disclosed.



The highlights of our engagement efforts include further expanding ESG rating coverage in the Fish & Seafood sector, conducting a survey on the traceability of wild fish along supply chains, joining the FAIRR investor network in preparation for any joint commitments, and the operational realignment of Clean Seas Seafood Limited, which also went hand in hand with restoring a reasonable salary structure in the company.

Further details on the individual issues can be found directly in the actual [report](#).

Cooperation with the investor network FAIRR as part of a joint commitment on the topic of sustainability of feed in fish farming

In addition to our commitment efforts of the past year that are already mentioned in the Active Ownership Report, we initiated another commitment in 2021. This is a joint commitment with the FAIRR investor network, which aims to promote new types of animal feed.

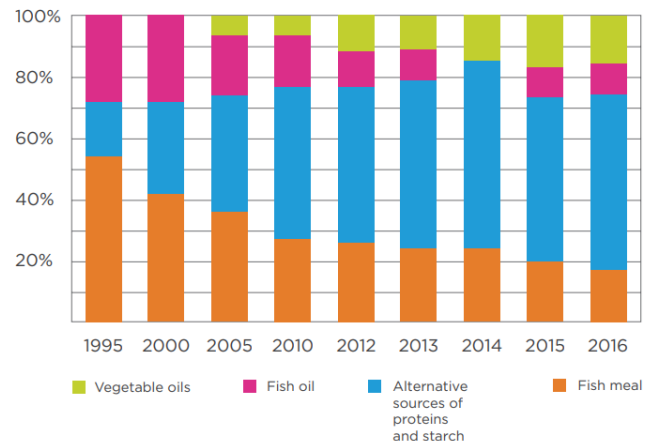
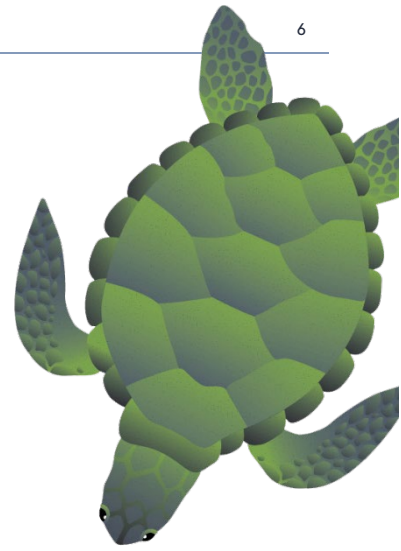
We decided to join this commitment because aquafeed is one of the central topics in the aquaculture sector from both a financial and a sustainability perspective.

With a share of almost 50% in the production costs of salmon, successful cost control of feed is practically essential for the profitability of companies. The supply of wild fish, which has so far been an essential component of feed due to the omega-3 acids it contains, has stagnated for

years, which is why alternatives must be found in the long term in order to meet the growing demand for farmed fish.

From a sustainability perspective, aquafeed plays an even bigger role. Around 60-90% of the greenhouse gas emissions from salmon farming are said to be attributable to feed alone. One reason for this is probably the high proportion of soy in the feed, which, as everyone knows, is linked to the deforestation of the rainforest. The proportion of wild fish in feed is also of concern from an environmental point of view, which could contribute to overfishing of the seas, even if the general rule is that monitored fish stocks are mostly sustainable fish stocks.

Above all, salmon farmers have been able to achieve considerable success in the past few years when it comes to the sustainability of aquafeed. The proportion of wild fish in production has been reduced to such an extent that the FIFO ratio (Fish In-Fish Out) is now below 1, which means that more fish can be produced than can be consumed. The company is also progressive with soy, which has been largely certified as clearing-free for years and where it was also possible last year to ensure that the three largest Brazilian soy suppliers will keep their supply chains completely free of clearing in the future.



Source: GSI

True to the saying “Don’t let good be the enemy of perfect”, despite the progress that has already been made, we would like to support the subject of aquafeed more actively in the future and give our support to the aquafeed commitment accordingly. In any case, the possibilities in the area of algae, insects and single-celled organisms are diverse and offer great long-term potential.

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