

Quarterly update

March 2024

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ocean of opportunities

bonafide

Overview of our funds

As at 31/03/2024

“To feed the growing world population and meet the increased demand for seafood, we need to work together.”

Helene Ziv-Douki, President of Cargill Aqua Nutrition on the new "The Salmon Living Lab"



As at 31/03/2024	NAV	Δ3m	Δ12 m	Δ3 y	Δ5 y	return s.i. (p.a.)	Total AuM in Mio. CHF
Bonafide Global Fish Fund EUR	228.74	6.47%	3.13%	-8.08%	9.01%	7.27%	
Bonafide Global Fish Fund CHF	141.02	10.60%	2.01%	-16.12%	-2.21%	6.07%	
Bonafide Global Fish Fund USD	130.90	3.76%	3.08%	-11.71%	7.81%	3.76%	
Bonafide Global Fish Fund EUR -A-	101.67	6.45%	3.14%	-8.21%	8.91%	3.35%	
Bonafide Global Fish Fund CHF -A-	95.34	10.59%	1.96%	-15.87%	-1.47%	2.05%	
Bonafide Global Fish Fund EUR -Q-	105.67	5.67%	n/a	n/a	n/a	n/a	
Bonafide Global Fish Fund CHF -Q-	110.54	10.54%	n/a	n/a	n/a	n/a	
Bonafide Global Fish Fund EUR -B-	100.99	5.89%	2.20%	n/a	n/a	0.92%	167
Best Catches I EUR	970.36	2.08%	-10.08%	-19.06%	n/a	-0.62%	21
Opportunities I GBP	96.67	-2.98%	-10.23%	n/a	n/a	-1.35%	3
HBC I NOK	266.48	-21.27%	-21.61%	n/a	n/a	-40.16%	5
HBC II NOK	268.04	-21.02%	-20.72%	n/a	n/a	-42.55%	3

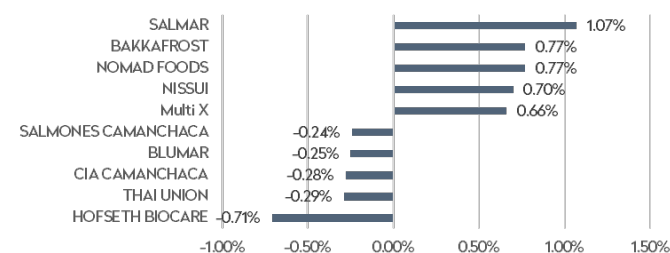
Source: Bonafide/IFM

Blue Economy on the rise

In the first quarter, the Bonafide Global Fish Fund -EUR- showcased a **remarkable return of +6.47%**. Since its low in October, the fund has surged by an impressive 15.15%, underscoring the robustness and potential of our investment strategy. This achievement stems from our strategic sector allocation and meticulous selection of companies within our portfolio, which have been pivotal in driving these results. **A key highlight is the fund's minimal correlation with global stock market trends**, affirming our unique market position. Despite the challenges of the past year, we have remained steadfast in our strategic direction and long-term convictions. The sector's resilience is evident as, despite facing higher taxes, rising feed costs, and biological hurdles, our selected companies still **managed to deliver record results in 2023**. This narrative reinforces not only our fund's stability and growth potential but also our commitment to maintaining high investment standards while navigating market complexities.

The top and flop performers of the last quarter

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



Source: Bonafide

2024 navigation chart: setting the course for Q2

As El Niño recedes, we anticipate an increased supply of fish oil and fishmeal, **leading to reduced feed costs. This decrease in expenses will benefit the aquaculture companies within our investment portfolio**, enhancing their profitability. As the "Blue Revolution" accelerates, we are poised to benefit from burgeoning global middle-class demand and the unyielding appetite for premium-quality seafood. These dynamics are set to bolster prices, enhancing margins and profit growth across our portfolio companies. With these factors at play, 2024 is shaping up to be a transformative year for investors.

"We need more sustainable salmon"

Salmon is a cornerstone investment for our portfolio, comprising about 25%. The industry confronts a critical challenge: to sustainably ramp up supply in order to match the relentlessly rising demand. Currently, it falls short of achieving the **annual growth rate of 3.3%** demanded by the FAO-Roadmap, further deepening the supply-demand disparity. To counteract this trend, pioneering innovations and enhancements in processes are imperative. With robust fundamentals in place and increasing collaboration with governments, substantial opportunities are emerging for the market and investors within the Fish & Seafood sector.

Webinar on 24 April 2024

We are pleased to invite you to our next webinar on 24 April 2024 at 10:30 (CET).

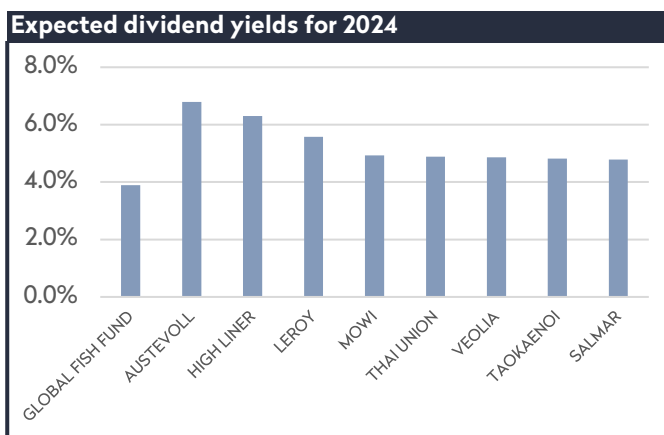
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Research/Portfolio management

After 2023 – a return to normality?

The Global Fish Fund witnessed a sustained recovery in the share prices of its portfolio titles throughout the first quarter of 2024. **The net asset value grew by 6.47% in EUR**, while investors in the CHF tranche enjoyed an even more substantial gain of 10.60%, benefiting from the Swiss franc's depreciation. The previous downturn, marked by record lows in October 2023, appears to have been a market misjudgment. At no point did the companies within the portfolio exhibit indicators that would justify such a steep decline in their market values. Notably, the portfolio's aggregated price-to-book ratio of 1.2x at that time signalled a definitive buying opportunity.

2014 marked a **milestone for the fund with six consecutive positive months. As we look to 2024, the prospects for Fish & Seafood investments are increasingly promising.** Currently, salmon prices are at historic highs for producers, and there are strong indications that feed prices have reached their peak in recent months. This boost in profitability is energizing the entire industry, spurring investments that enhance the supply chain. Additionally, consumers in Europe and globally are adapting to higher food prices, a change that particularly favours processors of premium branded products. **Significantly, the second quarter is anticipated to yield the most exceptional dividend season in the history of the Global Fish Fund.**



Source: Bloomberg, April 2, 2024

Political tailwinds?

Politically, the tone in Chile has become more moderate, particularly under the presidency of Gabriel Boric. Given the current economic frailty, the government cannot afford to impose further uncertainties on the country's key export industry in the south, where rural jobs are at stake. **This shift could be seen as a political reversal since the initial riots in 2019.** With elections looming in 18 months and the government's poll ratings at a low, significant changes are anticipated. In Norway, the left-leaning government led by Jonas Gahr Støre faces a similar predicament. Its tax policies unfriendly to business are hindering investments and prompting Norwegian entrepreneurs to flee the country for one reason: to avoid selling company shares just to settle

private wealth taxes. With continued low approval ratings and further parliamentary initiatives unlikely to pass, **the autumn 2025 elections in Norway are expected to swing towards more business-friendly parties.**

North Atlantic Seafood Forum in Bergen

Held in early March, the 19th edition of the world's largest seafood conference took place in Bergen, Norway's second-largest city. At the event, feed manufacturers acknowledged the challenges facing alternative raw materials like mycelium, noting significant development is still needed. The year 2023 saw farmers grappling with increased mortality rates, with biological challenges intensified by El Niño and fluctuating water temperatures. Addressing these issues, SalMar, the world's second-largest salmon farmer, launched the "Salmon Living Lab" project. This initiative invites all farmers and suppliers to collaborate, with Cargill as the first major partner. The project aims to unlock significant potential and untapped knowledge within salmon farming, promoting greater industry cooperation. **SalMar is leading this effort with an investment of 500 million NOK (about 50 million EUR).**

Project study on the "Salmon Living Lab" in Frøya



Source: www.salmonlivinglab.no, April 2, 2024

Several pioneering land-based projects, including **Proximar Seafood**—a portfolio company of the Global Fish Fund—are poised to market their first salmon harvests this year. Despite the long-standing hype, the surge in investment costs has tempered the overall enthusiasm for land-based aquaculture. As numerous startups are actively seeking capital, investors with sufficient liquidity and expertise can seize excellent opportunities under favourable terms. Nonetheless, sustained patience is crucial in this dynamic sector.

Currencies

Compared to the EUR, currencies such as the NOK (-4%), THB (-4%), JPY (-5%), and CLP (-9%) have seen depreciations. The significant rate cut by Chile's central bank, from an 11.25% high in July 2023 to 6.25% by early April 2024, explains the Chilean Peso's trajectory. Ideally, in an efficient market, the USD-earning Chilean companies' stocks should have appreciated to reflect this change, but the expected uniform response was absent. **In Japan, the central bank's move to end the era of zero-interest money by adjusting the rate from -0.1% to 0.1% after 25 years** was anticipated to bolster the JPY. However, the market's contrary reaction suggests it awaits more definitive actions from the Bank of Japan. Meanwhile, the NOK's depreciation was mitigated in part by hedging with forward contracts.

Positive contributions to fund returns

SalMar (+1.3%-points) now stands as the only Norwegian salmon farmer whose stock trades at the pre-resource tax level, leading the pack. The first quarter revealed that the **anticipated additional tax will be less than initially feared**. SalMar's results surpassed consensus expectations, prompting positive earnings revisions. In Chile, the stock price of Multi X surged by +1.1%-points, offsetting the devaluation of the CLP. Bakkafrøst (+0.9%-points) continues to benefit from its integrated value chain, farming salmon on the Faroe Islands and in Scotland. Its feed factory on these remote North Atlantic islands serves as nearly the sole buyer for pelagic fish and fish offal, giving Bakkafrøst a cost advantage over competitors reliant on costly imported fish oil. **Nissui's stock (+0.9%-points) dramatically rose, hitting a nearly record high of just under JPY 1,000 by the end of March**, realigning its valuation within the fair range after five challenging years. Austevoll Seafood's shares (+0.9%-points) grew 10%, **recovering from last autumn's excessive market pessimism**. Nomad Foods (+0.7%-points), known for its frozen products, reported strong Q4/23 figures and remains attractively priced at 10x P/E for 2024. **For the first time, its management has decided to issue a dividend, enhancing the stock's appeal to investors**. Additional performers included Nichirei (+0.8%-points), Mowi (+0.6%-points), and Leroy Seafood (+0.6%-points). In total, 23 out of the 36 portfolio titles (64%) delivered positive contributions over the past 90 days.

Negative contributions to fund returns

Hofseth BioCare (-0.6%-points, whose shares are currently priced at a low of NOK 2.00—their lowest since 2018—is markedly underperforming on the market. **This valuation sharply contrasts with its substantial fundamental growth**. As an upcycling specialist from Ålesund, focusing on "salmon waste," the company tripled its revenue in 2023 compared to 2018. Importantly, Hofseth BioCare has signalled for the first time that it anticipates an end to its cash burn by 2024. In a recent financial restructuring, the supplier of raw materials agreed in December to **convert debt into equity at NOK 9.00 per share**, a rate 350% above the current trading price. Typically, financially troubled companies face compulsory discounts during equity issuances. Thus, Hofseth BioCare presents significant return potential, especially as it approaches the announcement of its upcoming quarterly results. Meanwhile, other portfolio companies have shown only moderate negative impacts on returns, ranging from -0.0% to -0.3%, with 13 out of 36 stocks detracting from the fund's performance over the last quarter.

Reallocations

At the outset of the year, seizing an opportunity from a dip in Norwegian salmon shares, **we boosted our positions in industry leaders like Mowi, SalMar, and Leroy Seafood**. Additionally, we increased our investment in Taokaenoi from Thailand, which was trading below THB 10.00. A noteworthy **new addition to our portfolio** was Proximar Seafood, based near Mount Fuji, Japan. This innovative venture, just a two-hour drive from Tokyo, runs a land-based salmon production operation that recirculates 99% of its water. During a visit in autumn, we observed the impressive facility firsthand. Faced with final-stage cost overruns, Proximar needed to issue new equity, **offering shares at NOK 2.00—**

a exceptionally appealing rate for the Global Fish Fund. By the end of March, the share price had climbed to NOK 3.15. Despite the inherent higher costs of on-land versus fjord salmon farming, Proximar's strategic location cuts down on hefty transport expenses from Norway or Chile, ensuring its profitability. We have closely monitored this project for several years, impressed by the management team's excellence and the promising success prospects. Recognizing the opportune moment, we strategically acquired a 7% stake in the company.

Outlook for the second quarter

As the Southern Hemisphere cools, **the El Niño weather phenomenon is expected to subside for the next few years**, reducing risks across global wild fisheries and aquaculture sectors. Good news has already emerged from Peru, the world's top producer of fishmeal and fish oil, since mid-April: **the announced quota and the commencement of the first anchovy fishing season have surpassed expectations**. This development is likely to ease the prices of fish oil and fishmeal, key components in fish feed, marking a much-anticipated turnaround. Lower feed costs typically **lead to rapid profit growth for fish producers, a major driver of stock prices. Could this be the buildup of momentum similar to what was last witnessed in 2019?**

On the demand side, the global population has grown by 20 million since the year's start. Current projections suggest that 33 million people in India, 31 million in China, and another 49 million primarily from Asia and Africa, will rise to the middle class by 2024. This demographic shift mandates substantial growth in food production, with aquaculture as the fastest-growing sector in this field. **The "Blue Revolution" continues its advance and is poised to gain significant momentum in 2024.**

We thank you for the trust you have placed in us.

Performance contributions of individual companies are shown in EUR and refer to gross profit. We prepare our analyses and investment forecasts very carefully, but they can never offer an absolute guarantee of future performance.

Sustainability

Three stars awarded in UN PRI “label”

2023 was the first year Bonafide reported against the **UN PRI Reporting Framework**, a set of more than 100 questions addressing up to twelve sustainability topics/modules.

Based purely on self-disclosure, we achieved three out five stars in all three sub-categories, scoring largely above our peer group of 156 European investment managers with less than USD 1bn in AuM.

The aim of the engagement is to encourage the target companies to further improve the quality of their traceability commitments and make progress towards achieving the targets set.

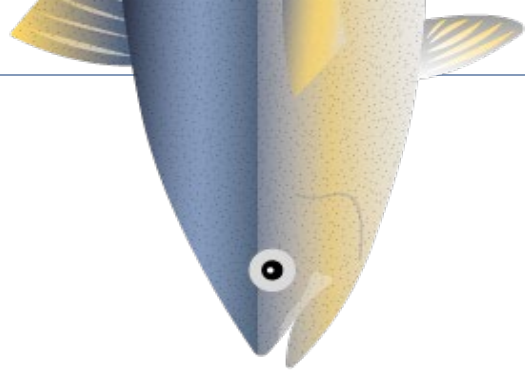
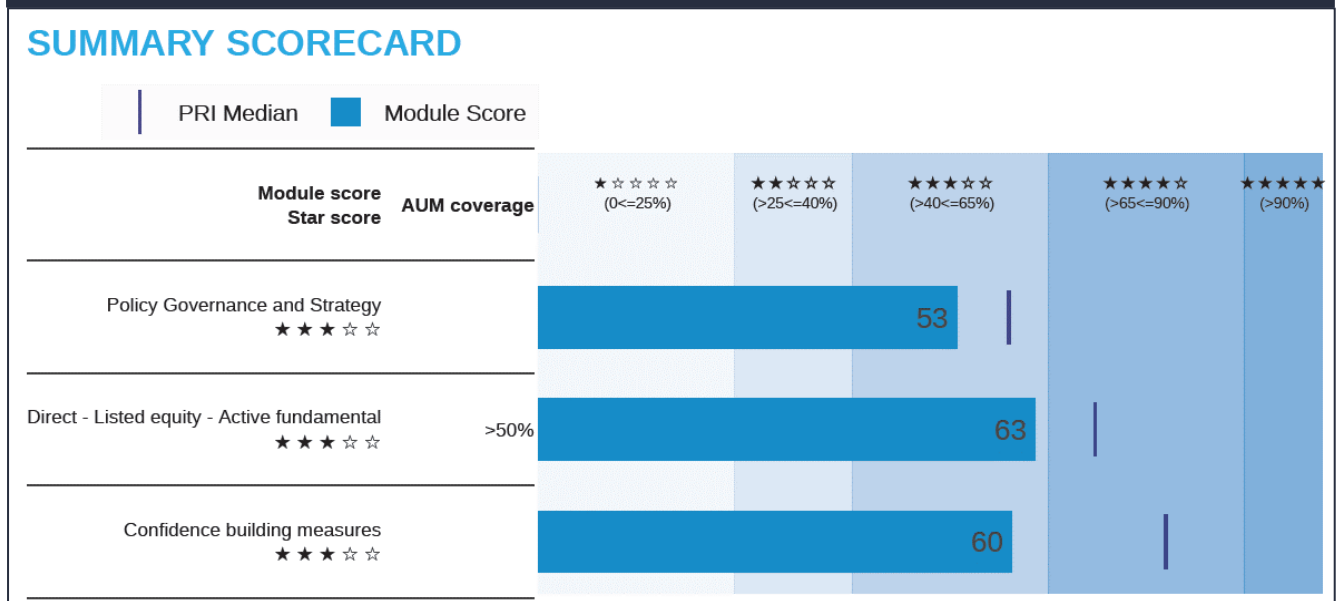


Figure 1: UN PRI scorecard showing how Bonafide’s sustainability processes scored in their first year compared to the median and based purely on self-assessment.



Website redesign

The **sustainability section on our website** has been restructured to provide more information and a better user experience.

Most notably, you can now find information on important seafood issues including positive and negative impacts, the four steps of our sustainability process (addressing theme, exclusions, esg integration, and active ownership), and essential kpis, such as esg scores, principal adverse impacts, and carbon intensity.

Upcoming traceability engagement

FAIRR, in collaboration with WWF, UNEP FI’s Sustainable Blue Economy Finance Initiative, the World Benchmarking Alliance and Planet Tracker, are launching a new engagement on seafood traceability, a topic that has been on Bonafide’s agenda since 2020.

Bonafide has been selected as lead investor for:

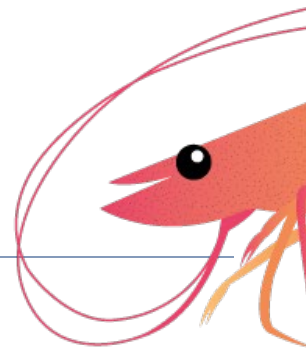
- **Maruha Nichiro Corporation**
- **Nomad Foods Ltd**

Active Ownership report 2023

Our latest active ownership report has been made available **here**.

Read about

- our new esg leaders benchmark illustrating the performance of 25% of all companies with the highest esg scores,
- progress made by companies on their principal adverse impacts, which decreased on average by 32% for binary pairs,
- and our successful compliance check of exclusion criteria set out by UNEP FI’s Sustainable Blue Economy Finance Initiative.



Food safety

Another important factor when assessing food safety concerns about seafood is certification, since, by their nature, certificates set standards exceeding national regulations at least in some regards.

Probably by far the most well-known aquaculture standard in terms of popularity and relevance is the ASC standard. More than half of the salmon farmed globally last year came from sites accredited by the Aquaculture Stewardship Council (ASC). Specifically, there were 609 ASC certified salmon farms in 2021, producing a total of 1,685,570 tonnes of fish. This accounts for approximately 52.3% of all salmon produced by aquaculture.

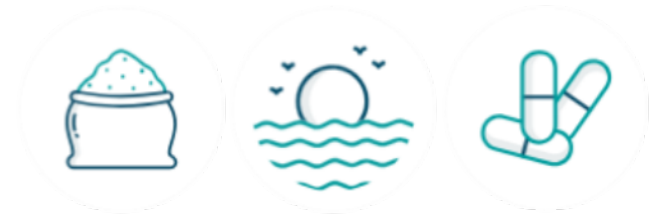
So what exactly does ASC have to say on food safety for farmed salmon? Quite a lot actually. Following extensive public consultation, the ASC salmon standard currently exists already in its fourth iteration. It lays out across 103 pages, which criteria have to be met on a variety of topics illustrated below.

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ASC Salmon Standard – version 1.4 – Sept 2022

Source: ASC



The factors most relevant to food safety are probably feed, habitat, and diseases, for which ASC sets out the following requirements:

Feed

“ASC certification requires salmon farms to adhere to strict limits to minimise the use of wild fish as an ingredient for feed. In addition, the standard requires farms to ensure full traceability back to a responsibly managed source, preferably certified, both for wild fish and soy.”

Habitat

“ASC certified salmon farms are required to measure various water parameters (phosphorus, oxygen levels, etc.) at regular intervals and remain within set limits. Responsible farming can only take place in water bodies that are classified as ‘good’ or ‘very good’ (e.g. by the EU Water Framework Directive). Copper release into the water must be minimised and monitored.”

Diseases

“ASC certified salmon farms are required to adhere to rigorous requirements to minimise disease outbreaks. In doing so, they must also cooperate with other farmers operating in the same area. A Fish Health Management Plan detailing steps for biosecurity management must be developed under supervision of a veterinarian and implemented on the farm. In addition, the farms need to adhere to low levels of parasites (especially sea lice) and can only use certain medicines under very strict conditions. The use of medicine before a disease is diagnosed (prophylactic use), is prohibited. Producers need to manage farms in such a way that salmon survival rate is high. Instances of unexplained increased mortality, as well as sea lice counts are required to be publicly available.”

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