



Quarterly update December 2021

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Overview of our funds as of 30/12/2021

«Behind every stock is a company. Find out what it's doing.»

Peter Lynch



as of 31/12/2021	NAV	Δ3m	Δ12 m	Δ3 y	Δ5 y	return s.i. (p.a.)	Total AuM in Mio. CHF
Bonafide Global Fish Fund EUR	2,323.16	-1.43%	2.90%	17.58%	27.15%	9.22%	
Bonafide Global Fish Fund EUR -A-	1,115.07	-1.47%	2.81%	17.47%	27.25%	5.16%	
Bonafide Global Fish Fund CHF	1,495.76	-4.63%	0.11%	9.26%	20.68%	8.21%	
Bonafide Global Fish Fund CHF -A-	1,083.09	-4.65%	0.12%	9.97%	n/a	4.17%	
Bonafide Global Fish Fund USD	1,358.88	-2.73%	-2.74%	16.99%	35.42%	6.26%	256
Best Catches I EUR	1,084.63	2.50%	-5.23%	n/a	n/a	3.16%	20
Deep Blue – SPC I NOK (as of 18.11.2021)	40,581.37	n/a	-21.56%	174.68%	383.56%	22.56%	
Deep Blue – SPC III USD (as of 18.11.2021)	1,134.16	n/a	-33.19%	30.98%	n/a	3.52%	
Deep Blue – SPC IV GBP (as of 18.11.2021)	671.85	n/a	-6.51%	-27.63%	n/a	-10.57%	41

Promising future prospects after a challenging 2021

The fourth quarter of 2021 was our third negative quarter in a row. The expected recovery started promisingly in October. However, subsequent news about the new Coronavirus Omicron variant and associated restrictions abruptly put the brakes on our race to catch up. Overall, the Bonafide Global Fish Fund -EUR- lost 1.43% in the 4th quarter. **Over the year as a whole, the result was a performance of 2.90%.** There is no doubt that the performance of our portfolio holdings has been unsatisfactory, although the fundamental data remain very strong. Sometimes the stock price does not reflect the real value of a company. In situations of this type, it is important to pursue long-term opportunities and not to be guided by emotions.

NAV development of the Bonafide Global Fish Fund EUR 13/06/2012 – 31/12/2021



One example is the future prices for salmon, which have remained stable or even increased despite the difficult market environment. The real market sees the outlook as positive, but the stock market is currently struggling to reach the same conclusion during this “fearful phase”.

Gazing into our crystal ball

Investors in the Bonafide Global Fish Fund demonstrate far-sighted thinking. The portfolio is currently in “deep value” territory. The sector is developing rapidly and there is growth momentum. After all, an increasing number of people will require healthy, sustainable sources of protein in the future. The fish & seafood sector will play an important role in this. Receiving a **two-star rating** from the FNG label underlines the positive developments of our fund in the area of sustainability. With a three-year investment horizon, our forecast for the Bonafide Global Fish Fund suggests that **an average annual return of 10–20% can be achieved. In addition, the Bonafide Global Fish Fund has been tradable on a daily basis since 1.1.2022 and is now eligible for fund savings plans.**

Webinar on 18 July 2021

We are pleased to invite you to our next webinar on 18 January 2022 at 9:00 (CET). Our team of experts will inform you about the development of our funds, and share news about the sector and the topic of sustainability. Of course, you will also have the opportunity to ask questions. Register now on our website (www.bonafide-ltd.com).

Research/portfolio management

Stock market environment in Q4/21

Three months ago, you read here that the Coronavirus had taken a back seat on the stock exchange. This proved not to be the case. Stocks tied to the narrative of the “reopening of the economy” have suffered several sharp price setbacks in the past 90 days. During this time, the generalised fear of the new “Omicron” variant has already evaporated from the financial markets. Thanks to constant new data, virologists seem to be forming a consensus that “Omicron” is much more contagious, but generally takes a milder course. Due to the high degree of infection, we could soon reach definitive herd immunity. In other words, the pandemic could soon be over. However, the small word “soon” conceals another dry spell for investors placing their investments in the affected sectors. The late November dip in stocks of this type seems to have been ironed out, but they have not yet reached the levels of the end of September.

A second ongoing issue is high inflation rates. This will be more than a short-term issue, a fact that even the central banks were ruefully forced to admit in the past quarter. It remains to be seen whether this is directly related to the prolongation of the pandemic and supply chain disruptions. However, should the trigger prove to be the massive flood of money from central banks over the past few years, further interest rate hikes are likely to follow in quick succession. Whether for zombie companies with high levels of debt or for stocks with earnings values far in the future and suffering from higher discount rates, this is not good news. In the US, large-cap companies continue to lead the way on indexes, helping to set new records almost every day. In Europe, meanwhile, a similar euphoria can be felt on the stock exchange, as indexes are also trading at record highs here. Only in the Asian region is stock market fever somewhat lacking. It will be interesting to see how corporate profits develop in the individual regions and sectors. Sparkling stock prices have so far been sustained by earnings growth. Investors are therefore well advised to be a little more selective, and to favour sectors and companies where the earnings momentum is only just beginning to take hold.

Developments in our sector

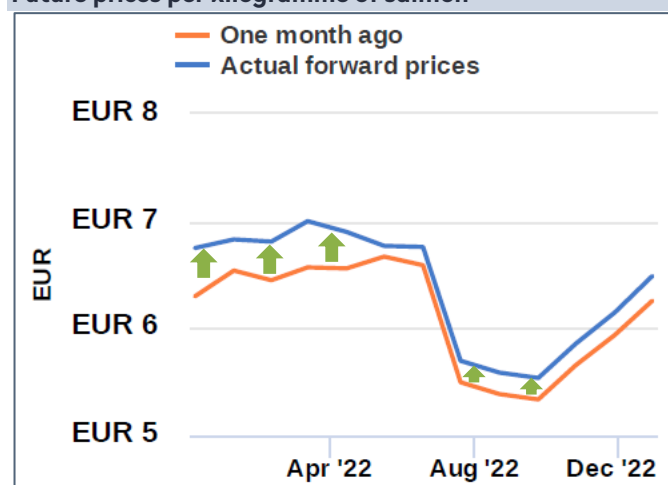
The stock market apparently continues to view the Global Fish Fund’s food companies as being affected by the Coronavirus. There is no other explanation for the sale of stock at the end of November. In just under two weeks, the fund’s shares fell by almost 7%. A good start and a good end to the quarter were at least able to mitigate the losses. The bottom line was a negative return of -1.4%. Summing up, after a higher total company valuation the fund has been suffering for 9 months.

The Omicron variant, which continues to rage, has so far caused manageable “damage”, if we can refer to it as “damage”. In the run-up to Christmas, there were no doubt missed opportunities in terms of lucrative business

lunches, hotel stays and restaurant visits, but as we like to emphasise: Fish was eaten elsewhere. The time of month-long lockdowns is over, and companies have learned from the closures. It is no longer an issue to deliver more fish to supermarkets instead of restaurants. The retailer’s price environment has by no means suffered. The demand for food in supermarkets necessarily increases during such phases.

With our focus investments in Norway, Chile and Japan, the real economy is showing something completely different than the stock market. Delayed betting on higher salmon prices in Europe made its first appearance in December with prices as high as NOK 75 (EUR 7.5). The price curve for futures contracts on salmon has risen to a new record high; it is just the stock market that seems to be lacking this real optimism.

Future prices per kilogramme of salmon



Source: Fish Pool Index, 29 December 2021

In 2021, the global supply of salmon increased by over 8%. The fact that the price of salmon has recovered despite the ongoing pandemic and restrictions on movement is simple evidence of the fantastic demand for healthy proteins. In 2022, supply will only grow by 2-3%. It is a matter of days or weeks before the price of salmon rises to record prices for a longer period. On the cost side, the inflation of raw material prices has not spared fish producers, but thanks to the low feed conversion ratio, costs have risen at a lower rate compared to other sources of protein. Once again, salmon is the winner in relative terms. Sale prices are also rising faster than costs. In Chile, there were presidential elections in November 2021. While the world’s press is now celebrating the victory of the left-wing candidate, the Senate elections are being forgotten. The Senate Chamber has never been as conservative as it is now. The period of grand election promises came to an end on 19 December. Now, there is a need for compromise solutions capable of reaching a majority. Predictability is returning to Chilean politics and there are abundant bargains to be found on Chile’s stock market. Seafood stocks in Japan also experienced a correction in Q4/21. In the deflationary country of Japan, the fear of inflation is particularly great. However, companies have reacted skilfully with price increases. Steady cash flows allow for investments in efficiency measures. So far, no Japanese companies have

had to revise their usually cautious profit forecasts downwards, while share prices have already fallen by double digits. For the entire portfolio, the spring of 2022 will be marked by dividend normalisation. After two difficult years, solid company balance sheets and profits will finally allow normalised distributions again. This should attract investors.

Negative sources of return

The Japanese company Nippon Suisan Kaisha (-0.9%-points) went from first place in Q3/21 to last place in the past quarter. It is rare for a company to raise its annual forecast at EBIT level by more than 20% and for the stock market to subsequently send the stock into a 20% decline. The devil is in the detail, or rather in a transition phase. The increased forecast is based on the excellent first half of the year (Apr-Sep), while an unchanged EBIT is forecast for the second half of the year (Oct-Mar). The market fears margins will shrink due to commodity inflation. In December we were able to speak to the company's management via video call. This confirmed our analysis. Numerous investments made prior to the pandemic will only begin to generate their planned returns over the next two years. Compared to 2019, when the stock exchange still had these projects on its screens, Nissui is valued at a 40-100% discount, depending on the multiple.

In South America, the Chilean salmon producer Multi X (formerly Multiexport Foods) cost the fund -0.5%-points. Of this, 17 base points are attributable to the Chilean peso, which has suffered further depreciation. We have already mentioned several times that, in an efficient market for the valuation of salmon producers, the peso is playing a disorderly role. Fundamentally, Multi X is currently earning between USD 1-1.50 for every kilogramme of salmon. Taking an annual harvest volume of 100,000 tons, this amounts to between USD 100-150 million per year. The company is valued at USD 640 million on the stock exchange, resulting in an EV/EBIT multiple of 5x. By way of comparison, the world's largest salmon farmer Mowi is now trading at 15x EV/EBIT. A multiple of just 10x EBIT would mean a price increase of 150% for Multi X. And from spring 2022, there will be juicy dividends on offer.

In the case of Salmenes Camanchaca (-0.4%-points), which also farms salmon in Chile, the macro picture is the same. An operational setback in the form of an algal bloom, which severely decimated the biomass of two farming sites, prevented the company from enjoying a similar pandemic recovery to that of Multi X. Thanks to a small capital increase in December 2021 at highly attractive entry prices, the expansion strategy in place since 2017 has once again been secured. Camanchaca has also returned to earning attractive margins as of October 2021. The biggest puzzle piece in the portfolio is the price setback suffered by Elanco Animal Health (-0.4%-points). The pharmaceutical company, which specialises in animal health, noticeably exceeded expectations in the quarterly figures published at the beginning of November, and the stock exchange honoured this accordingly. Neither we nor third-party analysts are able to explain the company's failure to recover from the weak phase at the end of November when the overall markets fell. Once again, the real

economy and the stock market are demonstrating wide divergence. And this in the case of a US corporation that weighs in at USD 20 billion.



Source: Bloomberg, 3 January 2022

Other stocks showing negative returns over the past three months included Mowi (-0.4%-points), the two Japanese companies Maruha Nichiro (-0.3%-points) and Nichirei (-0.3%-points), and despite being a real "Coronavirus winner", frozen products manufacturer Nomad Foods (-0.3%-points).

Positive sources of return

Sprouts Farmers Market (0.8%-points) is the first value stock to stand on the podium. The grocery store operator, which specialises in organic products, has been wrangling with bear and bull markets for some time. While like-for-like sales will decline in 2021 due to the pandemic, Sprouts has a great EBIT margin thanks to efficiency investments. The actual price driver for the almost 40% price rally is likely to have been something else. The MSCI ESG rating agency gave it the top AAA rating in its last assessment in November, which probably led to green money pouncing on the stock.

Bloomberg headline on Sprouts' ESG rating

Sprouts Farmers Market Inc Posts Biggest MSCI ESG Score Gain

By Leonid Bershidsky

(Bloomberg) -- MSCI ESG Research LLC has updated the top-line ESG scores of 36 companies.

- The data provider's analysts score companies on 35 environmental, social and governance issues
- A company's score is compared with industry peers to arrive at the Final Industry-Adjusted Company Score, on which a company's ESG rating, from CCC to AAA, is based
- These companies' ESG ratings improved in the past week:

Company	Current Score	Previous Score	Change	ESG Rating	Prev Rating
Sprouts Farmers Market Inc	10	5.5	4.5	AAA	BBB
Woori Financial Group Inc	8.1	4.6	3.5	AA	BBB

Source: Bloomberg, 9 November 2021

Considering that the Global Fish Fund's portfolio is teeming with seafood companies improving their ESG rating every year and which will soon be in the top 10% of their sector, it should be a matter of time before stocks post strong gains.

Shares in the Thai seaweed snack manufacturer Taokaenoi (0.7%-points), although badly shaken, finally moved

away from its all-time low at the end of September. Although Taokaenoi's production in Thailand was again affected by the coronavirus during the summer of 2021, sales figures recovered in important export markets, especially China. The number of containers being shipped is increasing every month. The quarterly results for Q4/21, which will be published in February 2022, should confirm this trend and ensure further price increases.

Shares in the global recycling and water treatment company Veolia (0.6%-points) rose to a new multi-year high of almost EUR 33.00 in the past three months. In December 2021, the EU competition authority gave the green light to Veolia's major, value-creating acquisition of Suez. Analysts had already started to adjust their studies for the period after the merger, which caused stock price targets to swell noticeably. For shareholders such as the Global Fish Fund, Veolia's capital increase at EUR 22.70 in October was therefore a great bargain.

Further stocks which made positive contributions in Q4/21 included Hofseth BioCare (+0.4%-points), Norwegian salmon producer SalMar (+0.3%-points) and the two Australian aquaculture producers Clean Seas Seafood (+0.3%-points) and Tassal Group (+ 0.3%-points).

Reallocations

Once again, we refrained from any major reallocations, as very few companies on the stock market have achieved their fair value. Rebalancing has helped us to siphon off profits from well-performing stocks and invest in lagging companies. In Japan we put an end to our small but unsuccessful involvement with Feed One. The feed manufacturer's gross margin will suffer from rising raw material prices in the second half of the year, and the less-than-ambitious 3-year plan is farcical for investors. At Sprouts Farmers Market, we reduced allocation by half a percent in order to realise capital gains in addition to rebalancing. At Taokaenoi, we increased allocation by 50 base points in order to avoid rebalancing. With the money received from ending our involvement with Feed One, we made slight increases in several smaller investments in order to maintain sufficient diversification.

Outlook

For several quarters, we have informed you that this growing sector and the Global Fish Fund are very attractively valued. Due to the price setbacks in Q4/21 and our small reallocations, potential returns have once again increased. Differences between the real economy and valuations will lessen, but the question is when. The dividend season in the first half of 2022 is likely to send positive signals to investors and indicate the fund's attractiveness. Investors will achieve "growth" at "value" prices, which is unique when reports of record highs on the stock market are a daily occurrence. The aforementioned future prices for salmon deliveries in 2022 point to an excellent year for producers of healthy proteins. Other triggers include Chile, where political stock exchanges will have to find their feet under the new president, and the Asia/Australia region, where tougher measures on COVID-19 were only recently relaxed. Last but not least, as seen with Sprouts Farmers Market in late 2021, we expect inflows of funds looking for sustainable investment opportunities. ESG rating agencies

are increasingly rewarding the efforts of aquaculture companies. Obviously, the real boost will only come when these companies achieve the top ratings. By continuing its efforts to create transparency, the sector, which consists primarily of Small and Mid Caps, is rapidly catching up with Large Caps. At best, the EU taxonomy is likely to remove the last doubts regarding sustainable business models. Overall, the chances of generating attractive returns are good, while the risks are manageable even in the event of new waves of COVID-19. Humans need to consume healthy proteins every day, with or without restaurants.

We thank you for your confidence in our investment capabilities.

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

Sustainability

Funds awarded second star in 2022 FNG label

As every year in November, the new FNG label was awarded to sustainable investment funds - the quality standard for sustainable investments in German-speaking countries.



In their second year of participation, our investment funds received their second out of three possible stars. As shown below, this was made possible by realising improvements in nearly every category.

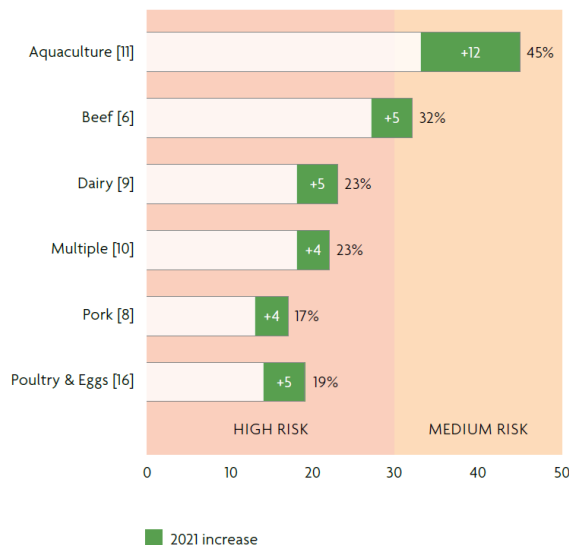
Category	FNG label 2021	FNG label 2022
Institutional credibility	★★☆☆	★★★☆☆
Product standards	★★★☆☆	★★★★☆
Selection process	★★☆☆	★★★★☆
Dialogue	☆☆☆☆	★★★☆☆
Key performance indicators	★★☆☆	★★☆☆
Overall result	★★☆☆	★★★★☆

Aquacultures expand their lead in the Collier FAIRR Protein Producer Index 2021

Furthermore, the Collier FAIRR Protein Producer Index 2021 was released in December. The index shows how the 60 largest listed animal protein producers have developed with regard to sector-specific sustainability risks.

The aquaculture industry, which in this analysis mainly includes salmon farmers, maintained its leading position for yet another year. The industry score improved by 12%, more than double the rate of improvement shown by other sources of animal protein. Growth was driven mostly by steady process optimisation and improved transparency. Further upside remains primarily with Asian producers, as their operations are oftentimes (but not always) still too opaque.

Average score year-over-year by main protein category

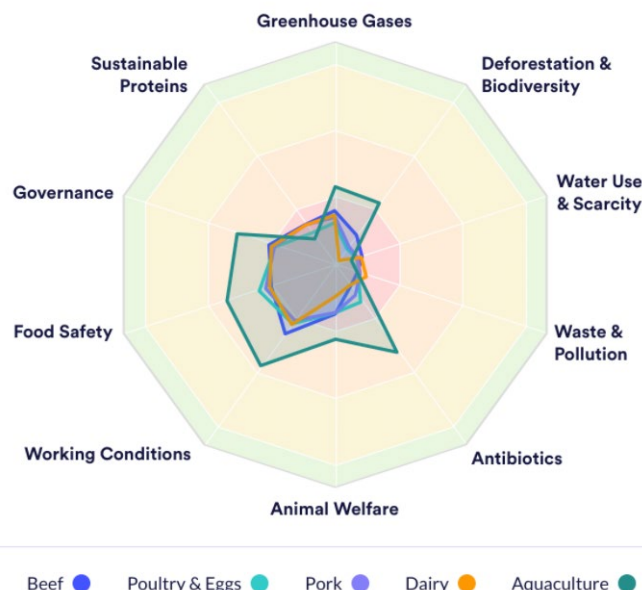


Source: FAIRR

The calculation of the sustainability scores, is based on up to nine equally weighted, sector-specific risk factors and one opportunity factor. The spider chart below shows how companies assigned to the various proteins performed in view of each factor.

It is worth pointing out that the aquaculture industry seems less active in the development of *Sustainable Proteins*, i.e. plant-based alternatives, than other industries - a fact that can easily be explained by the comparatively high organic growth rates and lower market capitalisations in aquaculture.

Moreover, the *Water Use & Scarcity* and *Waste & Pollution* risk factors are currently not being assessed by FAIRR for the aquaculture industry. The values displayed for aquaculture in the graphic below therefore refer solely to activities of aquaculture companies related to land-based proteins.



Source: FAIRR

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Responsible for the creation of this publication

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