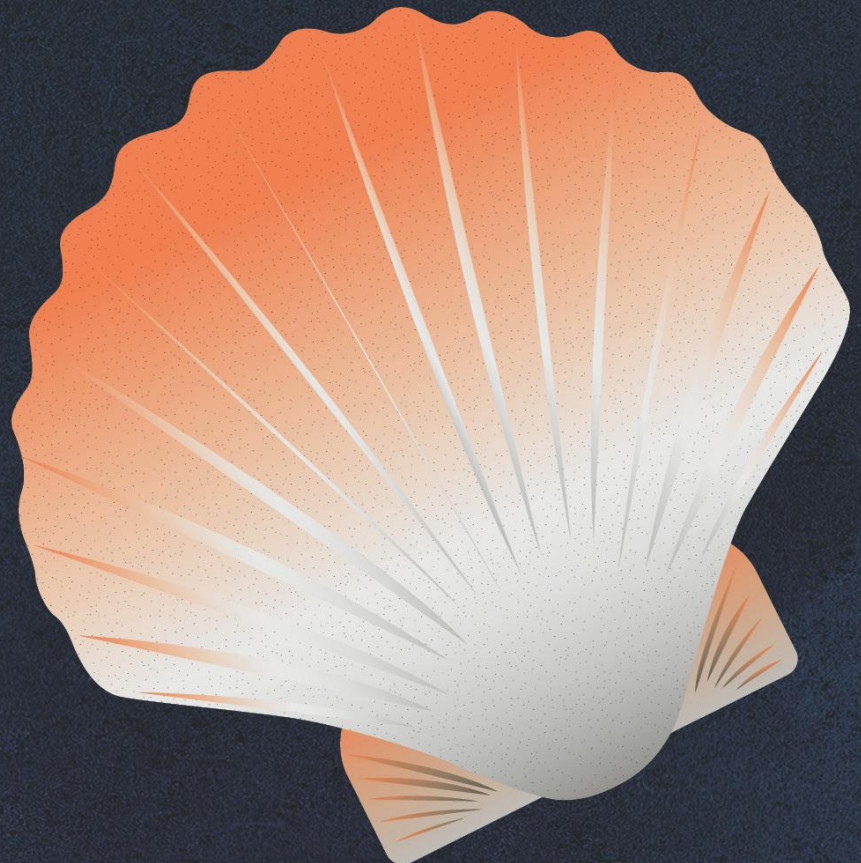


Quarterly update

March 2022

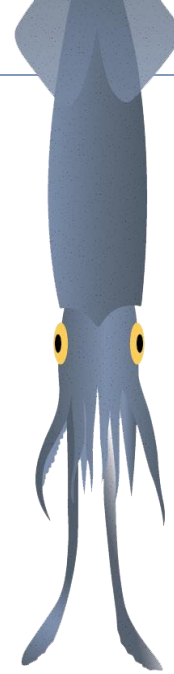
OVERVIEW OF OUR FUNDS	2
WEBINAR FROM 20/04/2022	2
RESEARCH/PORTFOLIO MANAGEMENT	3
SUSTAINABILITY	6
LEGAL NOTICES	7



Overview of our funds as of 31/03/2022

“The ‘age of fish’ (finally) seems to be back after the handling of the COVID-19 pandemic.”

Christoph Baldegger



as of 31/03/2022	NAV	Δ3m	Δ12 m	Δ3 y	Δ5 y	return s.i. (p.a.)	Total AuM in Mio. CHF
Bonafide Global Fish Fund EUR	248.68	7.04%	-0.07%	18.51%	35.60%	9.74%	
Bonafide Global Fish Fund EUR -A-	119.36	7.04%	-0.20%	18.41%	35.02%	6.25%	
Bonafide Global Fish Fund CHF	158.66	6.07%	-5.63%	10.03%	27.58%	8.65%	
Bonafide Global Fish Fund CHF -A-	115.08	6.25%	-5.42%	10.77%	28.94%	5.19%	
Bonafide Global Fish Fund USD	143.03	5.26%	-3.53%	17.80%	39.63%	6.99%	246
Best Catches I EUR	1,185.33	9.33%	-1.09%	n/a	n/a	6.15%	22
Opportunities I GBP	112.66	11.87%	n/a	n/a	n/a	n/a	
HBC I NOK	655.34	-29.45%	n/a	n/a	n/a	n/a	
HBC II NOK	648.35	-28.73%	n/a	n/a	n/a	n/a	24

The Bonafide Global Fish Fund is back on track

In Q1 2022, the Bonafide Global Fish Fund once again started to pick up speed. Its role as a satellite in a global portfolio played a strong part in this. The recovery we expected was more than a match for the general weakness in equities triggered by the Russia/Ukraine conflict. **Overall, the Bonafide Global Fish Fund -EUR- grew by 7.04% in the 1st quarter.** The price development of our portfolio holdings reflects the strong fundamentals, which could last much longer than the market expects. The first seafood analysts from well-known banks are beginning to **revise their long-overdue price estimates upwards**. This is in contrast to the downward revision of earnings growth estimates in other sectors and global stock indices.

NAV development of the Bonafide Global Fish Fund EUR 13/06/2012 – 31/03/2022



The future looks rosy

Investors in the Bonafide Global Fish Fund have been rewarded for their patience. Cargill's entry into salmon farming in Chile through the acquisition of a 24.5% stake in Multi X has really kick-started the race to provide the most sustainable source of animal protein. Not only were we right in our stock selection (Multi X), but we pointed out months ago that supply growth would remain low for some time, which has already caused salmon prices to rise. After two lean years, we can see light at the end of the tunnel and are confident of “landing a good haul” for the next few years.

In times of higher inflation, producers of certain species of fish benefit from a relative cost advantage due to more efficient feed conversion compared to other animal proteins. Given that most of the portfolio's companies have low levels of debt, even interest rate hikes cannot slow down their rapid growth.

Webinar on 20 April 2022

We are pleased to invite you to our next webinar on 20 April 2022 at 10:30 (CET).

Arne Møgster, CEO of Austevoll Seafood ASA, will be our guest, talking to Philipp Hämmerli, Equity Research at Bonafide, about Austevoll as a company as well as future opportunities and risks in the fish & seafood sector. 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 Q1/22

Inflation on a global scale, war in Eastern Europe and economically damaging pandemic measures continuing in parts of Asia – it's not exactly the "return to normal" we were hoping for. If you believe certain economists, this could even be a turning point. They talk of an end to globalisation and the dissolution of economic blocs on what is (for the moment) the only planet we have. Headline-grabbing news, certainly, as boring realism rarely makes it to the front pages. But when Europe and the USA decide to subsidise the construction of factories to produce the semiconductors on which entire sectors of their domestic economies depend instead of continuing to rely on Taiwan, isn't this predominantly about risk management? In the 16th century, Spanish sailors brought potatoes from South America to Europe in the hope that the miracle plant could feed entire nations. Even back then, it was about handling risks, not turning your back on the world. Or why is the stock index of Vietnam, a country bordering China, at an all-time high? Maybe globally active companies have already found the "next" China and triggered an economic boom in the south-east Asian country. However we do agree with these headline-grabbing economists on one point: economic change is on the way. But our economy has always been in a state of change. Economic change brings risks, but it also creates promising opportunities. It's good to know that in uncertain times there are defensive sectors such as the food industry, the existence of which depends primarily on a hungry, growing population, thus making it less exposed to change. It is therefore unsurprising that indices with boring "consumer staples" stocks survived the first quarter of 2022 without posting losses, while the world equity index lost around 6% in the same period. Once again, the markets seem to be realising that in the human pyramid of needs, food comes first – keyword "food security". A new smartphone or a second week at the beach may have to wait, depending on the wallet in question.

If we look at the stock market regions, Europe suffered more severely than the USA in Q1/22 in the face of the war in Ukraine. However, losses at the end of the quarter were modest, coming in at around -6% (MSCI Europe) and -4% (MSCI USA). This includes the renewed depreciation of the euro, which lost about 3% against the US dollar. Only the Japanese yen weakened even more than the euro, thus failing to live up to its reputation as a "safe haven" currency. In view of the (still) modest inflation rate, Japan's central bank has decided to stick to its policy of cheap money to boost exports. Despite this support, the local stock index lost around -8% in EUR. The indices in Norway and Chile showed a positive development. Both regions have companies from the commodity, energy and seafood sectors. In EUR, the equity basket from Norway rose by almost 12%, while in Chile this figure was over 30%. As mentioned here three months ago, it was and still is important

to select sectors and companies that can withstand the harsh stock market environment.

Developments in our sector

Fish & seafood was one of the few sectors to profit from recent conditions. Investors can look back on a successful start to the year, with the Global Fish Fund offering returns of +7.7% in EUR. The outbreak of the Ukraine war at the end of February caused a short-lived but volatile slump of around -8%, but the fund bounced back by mid-March and by the end of the quarter it went on to achieve a new all-time high in the EUR tranche. Share certificates in the CHF and USD tranches enjoyed slightly weaker growth, as the reference currency appreciated either due to its security character (CHF) or higher interest rates (USD). However, all fund tranches benefited from the increased exchange rates of the Norwegian krone (+3%) and the Chilean peso (+10%). The biggest driver of the fund's profitability was the rising price of fish proteins. Portfolio companies which either catch wild fish or produce farmed fish in aquacultures are expected to post record profits in 2022. And it is precisely these kinds of companies in which the fund holds a lot of shares in its portfolio. The supply of fish proteins is limited, while demand is steadily increasing due to population growth and health trends. The biggest contributions to returns came from salmon farming companies. As you have read in previous newsletters, we expected high prices for salmon. But even we did not dare to dream that prices would reach record highs of NOK 100 per kilogramme.

IntraFish.com headline about salmon prices



'The prices are insane' Norway salmon prices spike again

Source: IntraFish.com, 8 April 2022

Higher fish prices hurt downstream processors, whose costs rise as a direct consequence. Passing on inflation to end consumers is no easy task. It is worth analysing companies for their pricing power and consumer brand loyalty. The hotel, restaurant and catering sector is also unlikely to have an easy time of things, depending on the region. However, the effects of catch-up activity after the pandemic, such as increased travel, could provide some support. In our view, it is therefore worthwhile to maintain a larger allocation at the beginning of the fish and seafood value chain for a while. Early investments are needed to increase supply, but venture capital in the seafood sector remains a manifestly scarce commodity despite the promising long-term outlook.

Profitable performers

As mentioned earlier, salmon companies were the largest contributors to the fund's returns. But it's not as simple as

that, as investors who bet on Bakkafrost realised. The share price of the company based in the Faroe Islands rose by a measly two percent over the last 90 days. You can find out why we haven't bet on Bakkafrost for a long time in **one of our blogs** from 2021. Our largest fund position Austevoll Seafood (2.4%-points), on the other hand, rose by over 30%. One of the reasons for the share price success is probably Austevoll's pelagic wild-caught fishing business. Farmed salmon, which are genetically derived from natural predatory fish, still need some fish oil and fish meal in their feed to achieve the desired nutritional values. Since this resource is limited, prices here also saw massive increases. Austevoll Seafood is therefore one of the few companies to offer natural hedging against commodity inflation. Nevertheless, the company remains modestly valued on the stock market with an estimated price/earnings ratio of 13x for 2022. Grieg Seafood (1.7%-points) is in second place with a share price increase of almost 50%.



Source: Bloomberg, 8 April 2022

The salmon farmer with facilities in Norway and Canada is generally considered a marginal cost producer and performed disappointingly during the COVID-19 pandemic, delivering partial losses. However, it is precisely this type of company which benefits disproportionately when sales prices rise. In addition, Grieg Seafood recently commissioned new facilities with the aim of reducing volatility in its production costs. If the company succeeds in maintaining its current cost levels in the longer term, its still-low current valuation multiples would promise some potential. The holding company Multi X (1.5%-points), which farms salmon in Chile, took part in an extremely interesting transaction which revealed hidden value. Cargill, one of the largest private agribusinesses in the world with sales of \$135 billion, has taken a 24.5% minority stake in Multi X's subsidiary. This is another sign that "smart money" is making inroads into the "blue economy", although it is virtually impossible for the big global protein producers to buy up entire aquaculture companies. Majority shareholders of existing seafood companies are aware of their prosperous future prospects and are not keen to sell. Applying the transaction price that Cargill was willing to pay, a share price of CLP 516 can be calculated for the Multi X holding company listed on the stock exchange. Before the deal was announced, the stock was listed at CLP 220, now it is just under CLP 300. And as a private company, Cargill is not known for paying utopian prices, so according to our calculations this would put the true value of Multi X far upwards of CLP 600. In Chile, the fund has investments in four companies, which together represent around 12% of

the allocation. If we were to use the price paid by Cargill as a valuation benchmark in the net asset value of our fund, each fund share would be at least 10% more expensive. But as long as the shares are traded below their actual value on the stock exchange, investors are left only with the attractive dividend. In the case of Multi X, however, a large part of the purchase price of over USD 300 million is likely to flow back to shareholders, representing 55% of the market capitalisation. Three other salmon farming companies, Mowi, SalMar (1.1%-points each) and Leroy Seafood (1.0%-points), occupy fourth to sixth positions. Their share prices rose by 20% each. With a total of 18 stocks, more than half of the companies invested in the Global Fish Fund made positive contributions.

What negatively affected fund performance

There were still 15 companies on the losing side in Q1/22, but with much smaller average share price declines. At the bottom, only the position in Hofseth BioCare (-1.5%) had a noticeable negative impact on the fund's returns. Unfortunately, not for the first time. The situation is similar to that of our Chilean shares, in that small stock market transactions determine the value in the fund's net asset value. A mere 1% of all shares were traded in Q1/22 yet these determined the valuation price as of 31 March 2022. These sales by frustrated investors, which have now been ongoing since the beginning of 2021, are becoming more pronounced and have caused a cumulative price decline of almost 50%. While we are by no means indifferent to the share price plunge, Bonafide does have a seat on the Board of Directors. We know the company's strengths and weaknesses better than the 1% of shareholders who sold their shares in the last 90 days. We are convinced that the years spent building up the organisation, including a range of process optimisations in manufacturing, research into health labels and the creation of the right distribution channels, will pay off. But we also have the question of "when" burning in our brains, and we remind the management of Hofseth BioCare of this several times a quarter. The Japanese Nichirei Corporation share price (-0.4%-points) lost almost 13%. The margins in two large segments, frozen food logistics and food processing, are coming under severe pressure due to raw material inflation. In our opinion, however, the stock market paints too gloomy a picture and is not crediting Nichirei with its true pricing power. On a multiple basis, the share is trading about one-third below its historical valuation. If the company expected a decline in profits of the same magnitude, it would have been prompted to issue a profit warning. This has not happened so far. Reporting for May 2022 will clear up some outstanding question marks. The market paints a similar picture for the European food processor Nomad Foods (-0.4%). Its US-listed shares fell by 9%. At Nomad Foods, the impact which political sanctions or public pressure against imports from Russia might have is still unclear. Its fish fingers, which are particularly popular with families, are made with Alaskan pollock.

Nomad Foods' popular fish fingers



Source: Findus, 8 April 2022

Russia catches almost 60% of the world's supply of Alaskan pollock. However, thanks to the ongoing diversification of the company's product range as well as acquisitions in Europe, the hit product's share of sales is steadily decreasing. The portfolio's remaining twelve positions had a cumulative negative impact on the total returns of just 1.2 %-points.

Reallocations

Over the past 90 days, we reallocated less than 5% of the model portfolio. In the US, we reduced our position in Sprouts Farmers Market by a further 0.75% after the price briefly exceeded the \$30 mark earlier this year. We are still invested with an allocation of around 2% in Sprouts, which has paid off to date. We used the freed-up funds to increase our investment in US protein recycling specialists, Darling Ingredients. We reduced our largest position, Austevoll Seafood, by 100 base points to a 6.25% allocation at the end of March. Other stocks in the portfolio promise equally high returns, but also benefit from more liquid trading. The remaining reallocations were mostly shifts from "losers" to "winners". We didn't stock up on Nomad Foods or Hofseth BioCare, instead we accrued profits in the extremely good value Chilean shares and Grieg Seafood. At some point, it will be time to realign fund investments more closely with consumers in order to be able to benefit from margin normalisations at the processors. Whether that will be in six, 12 or 24 months, we do not yet know.

Outlook

In the first quarter, the fund flexed its muscles and at least began to compensate for the two lean years caused by the COVID-19 pandemic. In our opinion, food supply will gain in importance, triggered by events in Q1/22. Efficient proteins such as salmon, which yield a lot with little feed while maintaining a low footprint, need to be promoted. Once again, a large, private corporation like Cargill has confirmed where the action will be in the food sector in the future. A 300 million dollar investment is pocket change to the billion-dollar Cargill corporation. If anything, the sum shows how few opportunities there are for large companies to participate in the sector. As an investor in our exclusive product, this opportunity is available to you, and in the form of a risk-adjusted diversification across more than 30 portfolio companies. The fund's key figures continue to show a moderate valuation compared to the overall market. With an average P/E ratio of 14.8x for 2022, our growing companies are trading one-third lower than the global equity index. The dividend yield is 2.9% and the price-to-book ratio is a low 1.8x. The fish & seafood sector continues

to offer good opportunities for continued steady returns with manageable risk.

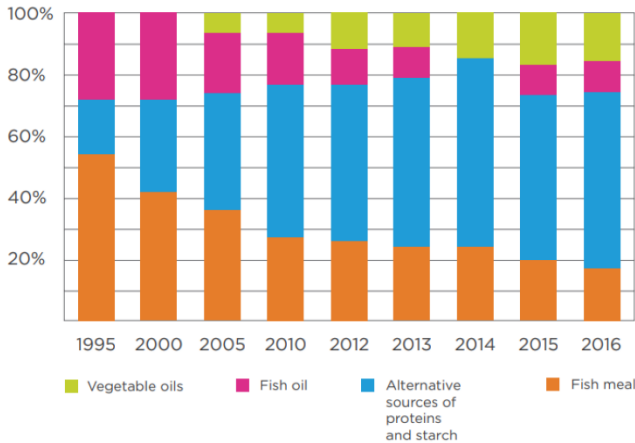
We thank you for your confidence in our investment capabilities.

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

Sustainability

Algae oil to be included in all Cargill fish feed for Norway in future

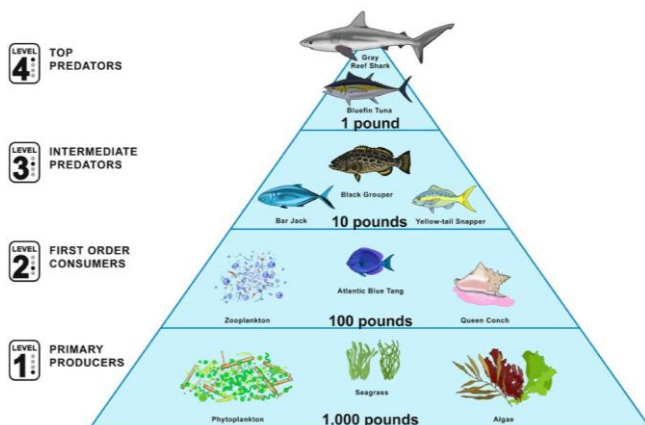
Exactly one year ago, in the Q1 Quarterly Report 2021, we used the chart below to show you the considerable progress that had already been made in terms of feed composition. It was also increasingly apparent, however, that a plateau had been reached, particularly in the substitution of fish oil with its rare omega-3 fatty acids.



Source: GSI

Fortunately, we can now report that algae oil, as the only natural alternative source of these omega-3 fatty acids, seems to have reached a milestone in the chicken-and-egg problem of price and volume. From April 2022, all fish feed sold by Cargill Incorporated in Norway will contain algae oil. At first, it will only be in small quantities, but the first step has been taken, thanks also to Lerøy Seafood Group ASA, which has been systematically developing demand since 2018.

Salmon, which would be classified at least at level 3 in the food pyramid shown below, is thus taking a further step towards level 2 in farming, which means a further improvement in resource utilisation.



Source: National Geographic

Resolution to draft a UN treaty against plastic pollution

In order to fight environmental plastic pollution, especially of the oceans, last year we signed an **investor letter** initiated by the WWF and the Ellen MacArthur Foundation, calling on the international community to create an international framework for a sustainable plastic cycle.

On this topic we can also report an important achievement, as the United Nations agreed at the UN Environment Assembly 5.2 to develop an international treaty against plastic pollution by 2024, which should mean better data, clearer targets and faster progress.



Source: WWF

Publication of our Active Ownership Report 2021

You will find more details on the above-mentioned investor letter on plastic pollution and other engagements undertaken by Bonafide over the last year, as well as an overview of our voting behaviour, in our newly published **Active Ownership Report 2021**.



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