



**Welcome!**

Quarterly update  
Q3 2022

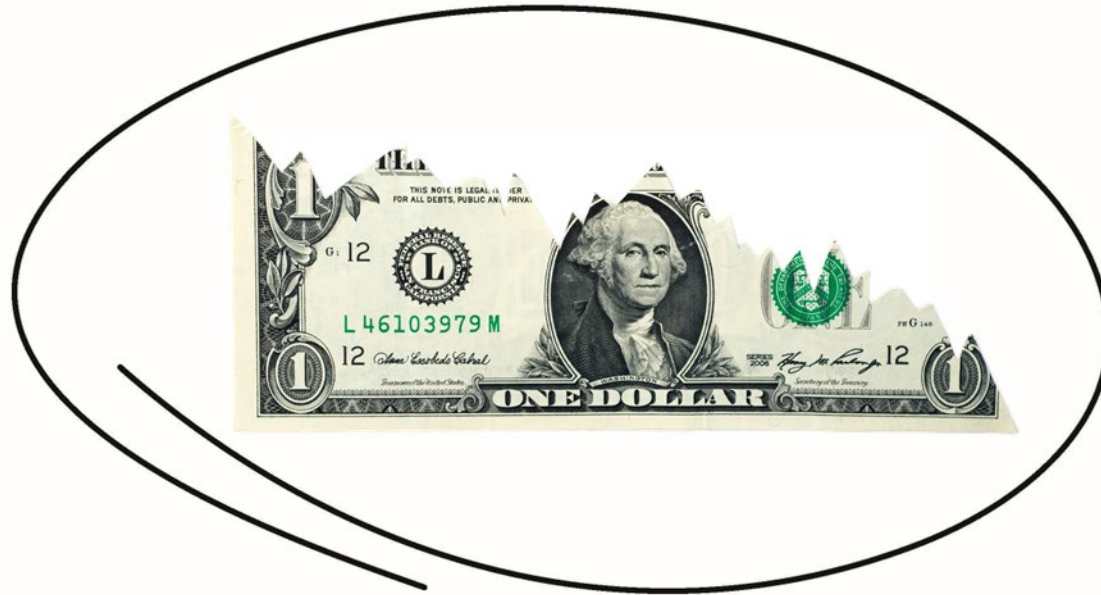


bonafide

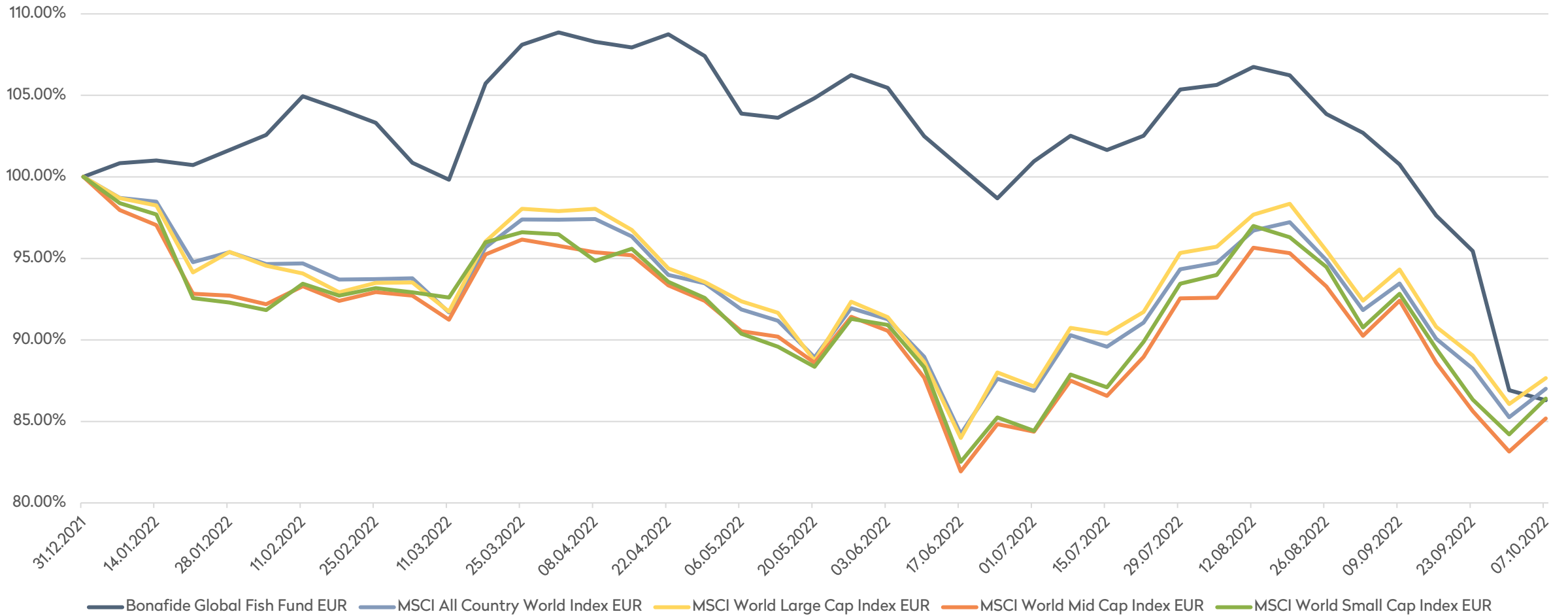


Q3 2022  
Quarterly update





# Global Fish Fund EUR vs. MSCI World Indices



# 28 September 2022 // The seafood world turns upside down

**Norway to hike taxes by \$3 billion on power firms, fish farms**



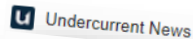
**Proposed new tax wipes \$5.6 billion off the value of Norway's top salmon farmers**



**Norway's farmed salmon shares plummet on Oslo Stock Exchange after new tax proposal unveiled**



**Grieg shelves 'new investment' plans after Norway proposes 40% tax**



**Mowi's Ole-Eirik Leroy: 'The most dramatic event the industry has ever experienced'**



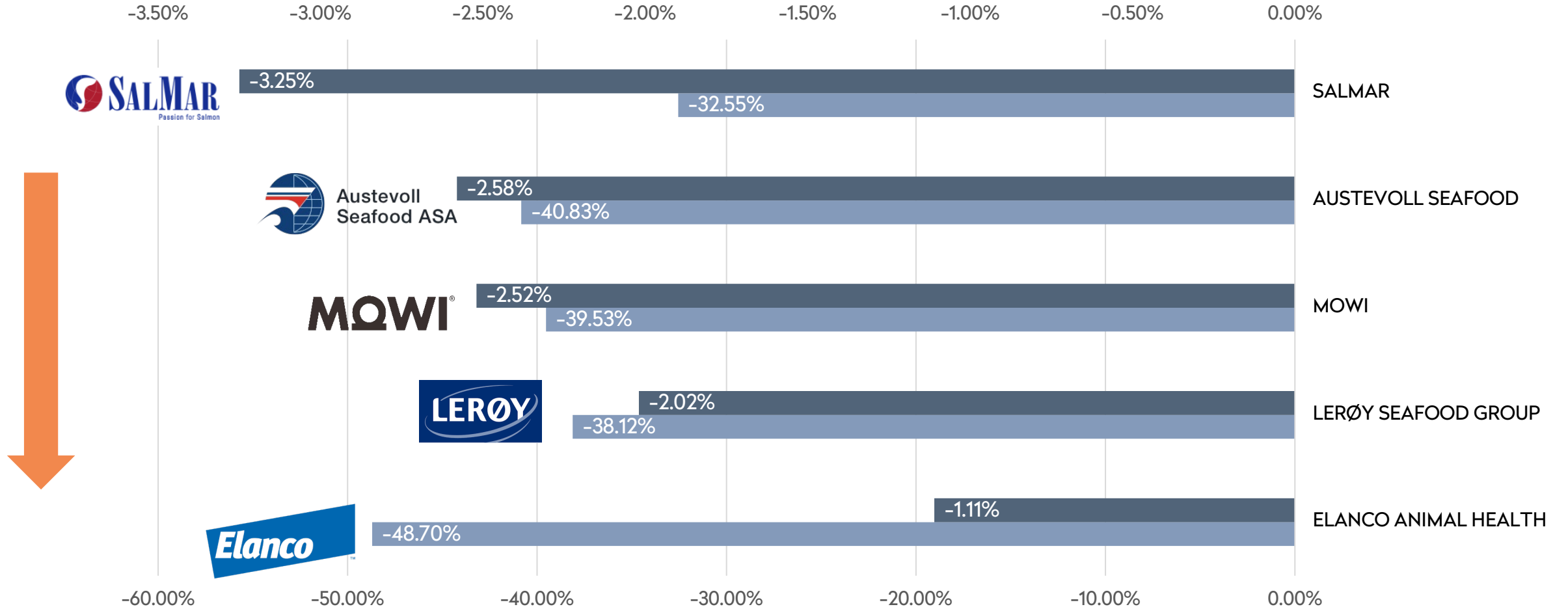
News

**Salmon chiefs warn of investment flight from Norway**

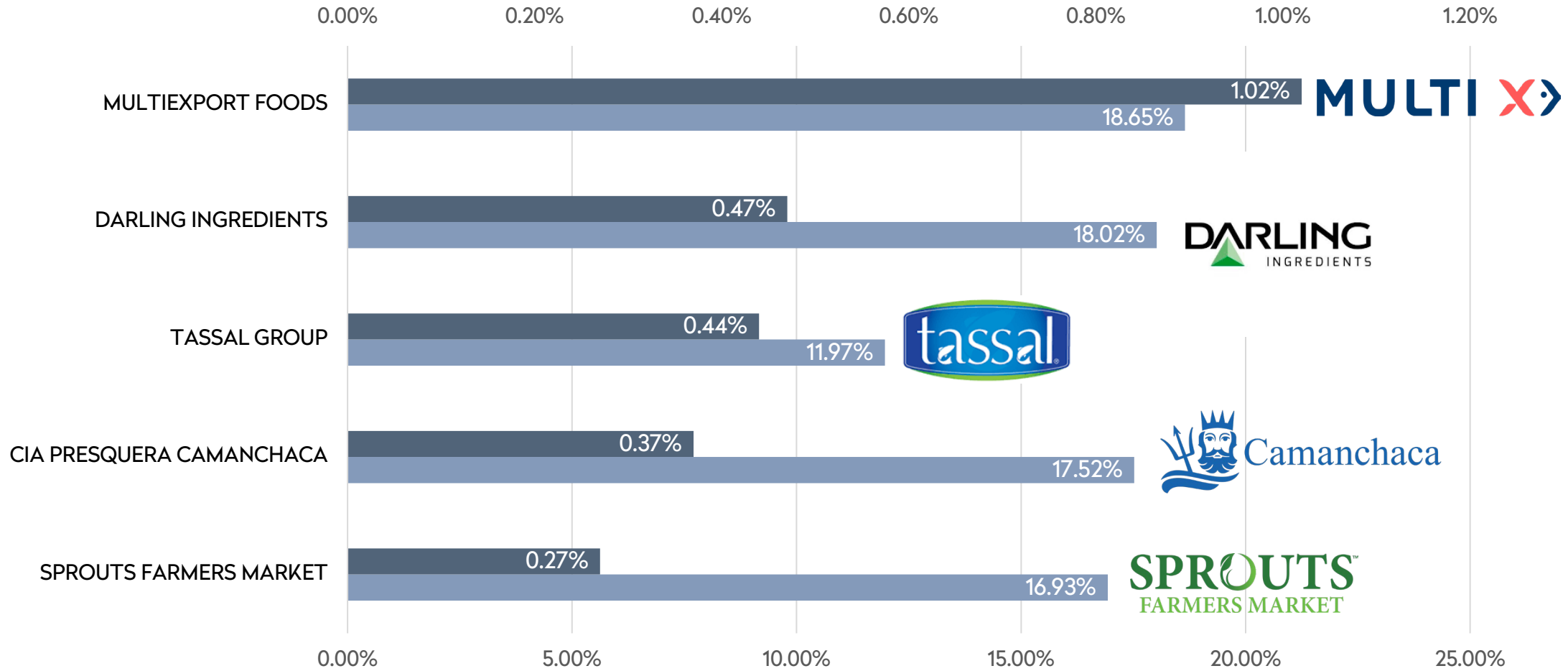


**Faroe Islands next on tax hit list?**

# Worst Performers



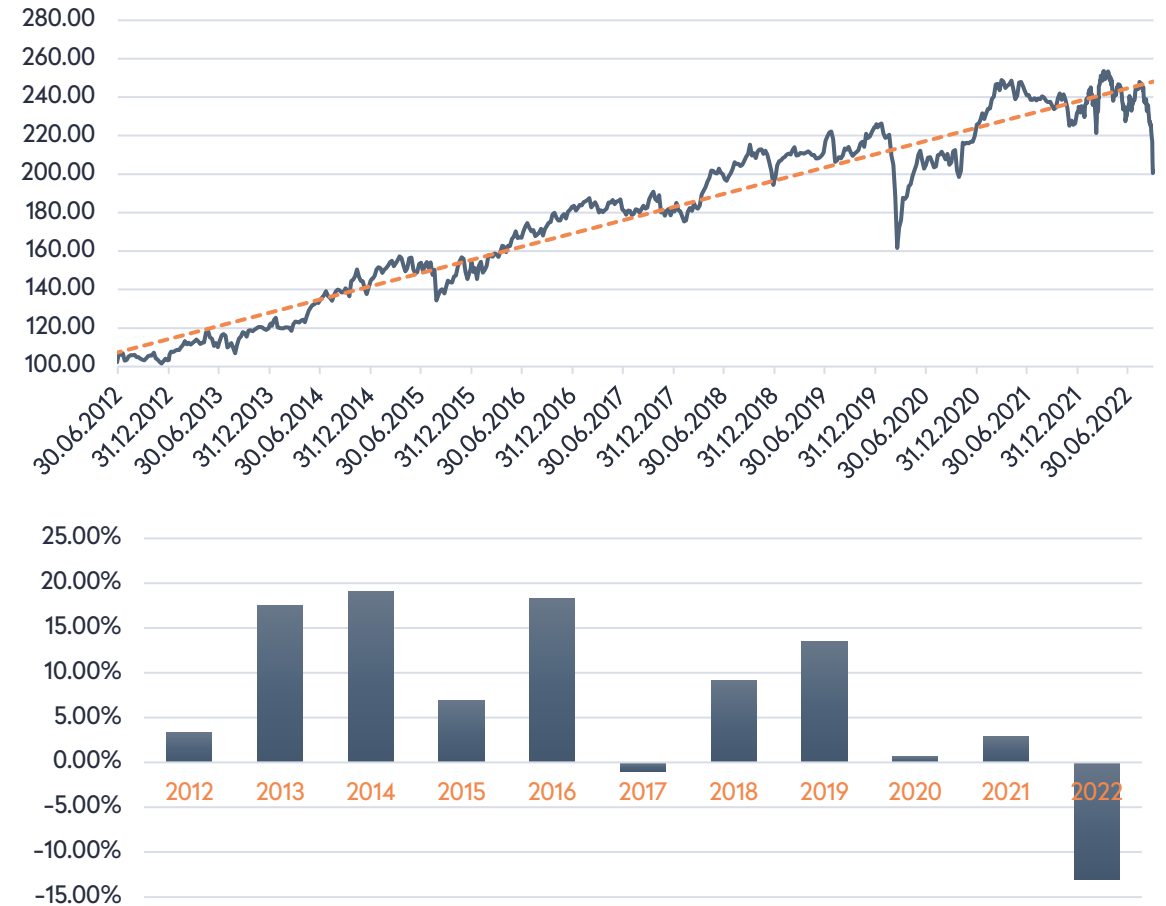
# Best Performers



# Does the long-term trend remain unabated?

## Historical performance EUR tranche

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2022	2.05	1.29	3.55	0.34	-1.91	-4.47	4.67	-3.13	-14.84				-13.09
2021	1.26	4.62	4.05	-0.88	-2.41	0.09	-0.59	0.39	-1.99	2.63	-3.17	-0.82	2.90
2020	-1.36	-5.23	-17.87	12.54	5.69	-0.99	0.35	4.04	-2.72	-3.59	8.95	4.35	0.68
2019	5.42	0.91	-0.16	0.60	-1.42	1.47	3.23	-4.52	2.94	-0.84	4.04	1.46	13.49
2018	-1.57	2.35	-0.16	6.14	3.8	-0.25	0.27	1.74	3.17	0.62	0.10	-6.84	9.17
2017	0.72	1.36	-1.68	-1.16	1.71	-1.54	-0.33	-0.52	1.44	2.48	-4.60	1.41	-0.94
2016	-1.38	-0.07	3.96	2.46	2.47	0.41	3.20	-1.49	2.00	3.96	-0.40	1.96	18.24
2015	4.88	-0.27	0.65	0.25	2.65	-2.06	-1.41	-11.21	5.13	3.97	6.84	-1.44	6.90
2014	-0.9	-0.06	1.45	1.92	5.13	1.69	2.83	1.78	-0.31	4.59	-0.47	0.09	19.03
2013	5.08	4.19	-0.83	-0.56	3.21	-4.53	-0.19	-2.65	10.25	0.42	1.84	0.78	17.45
2012						2.28	0.72	2.89	-2.26	2.04	-3.10	0.95	3.40





# ... global macro trends favour the fish & seafood sector!



# The State of World Fisheries and Aquaculture

- **Most traded:** Fish & Seafood is among the world's most traded food commodities
- **Fastest growing:** Aquaculture remains the fastest growing food-producing sectors

214 m tonnes

**Total fisheries & aquaculture production**

(1996: 93.8m tonnes)

> 20kg/capita

**Per capita consumption of aquatic food**

(1960s: 9.9kg)

49.2%

**Contribution of aquaculture to the production of aquatic animals**

(1990: 13.4%)

USD 151 billion

**World exports of aquatic products (excl. algae)**



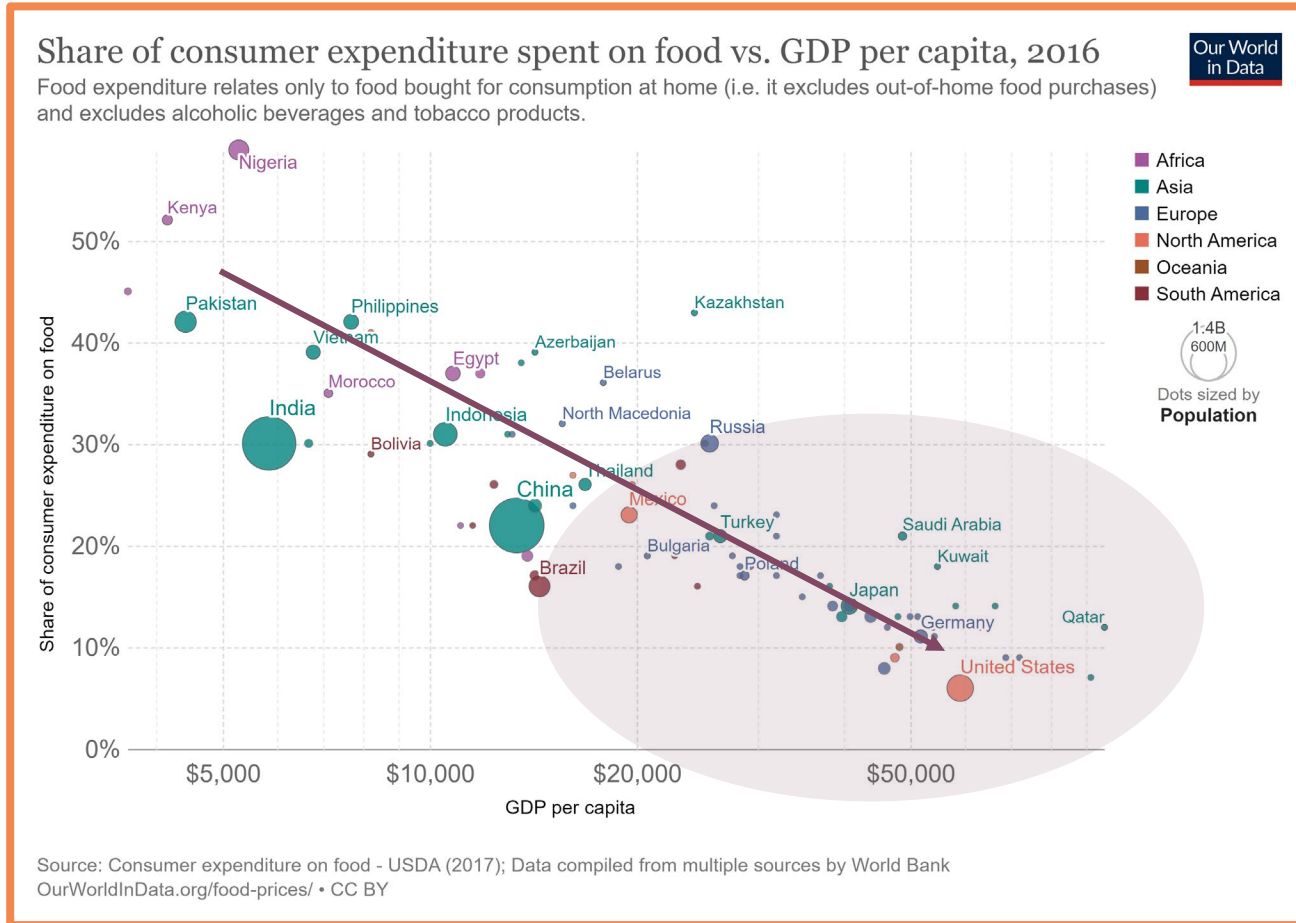
# Recession/Inflation: Changes in consumption

- Recession lowers income
- Inflation increases costs
- Demand for food is inelastic, since it is “vital for life” (total volume does not decrease)
- Which consumers in which countries actually change their consumption behaviour fundamentally?



Quelle: Pixabay

# Recession/Inflation: Changes in consumption



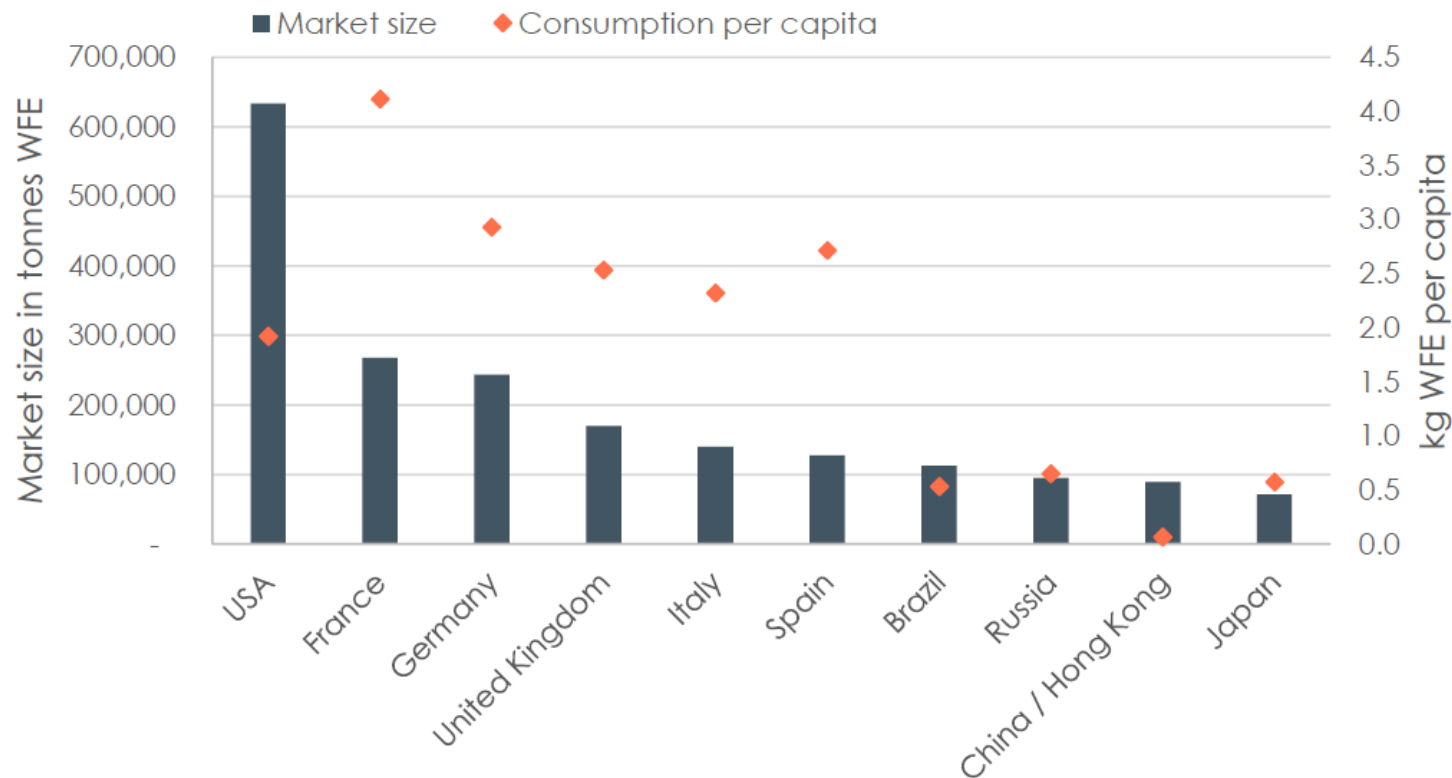
- Poor populations with low incomes spend relatively more on food purchases
- Rich populations with high incomes spend relatively less on food purchases
- **Which populations do you want to serve in times of rising prices and declining purchasing power (from an investor's perspective)?**

Source: Our World in Data



# Recession/Inflation: Changes in consumption

## 6.3 Top 10 markets by size (2021E)

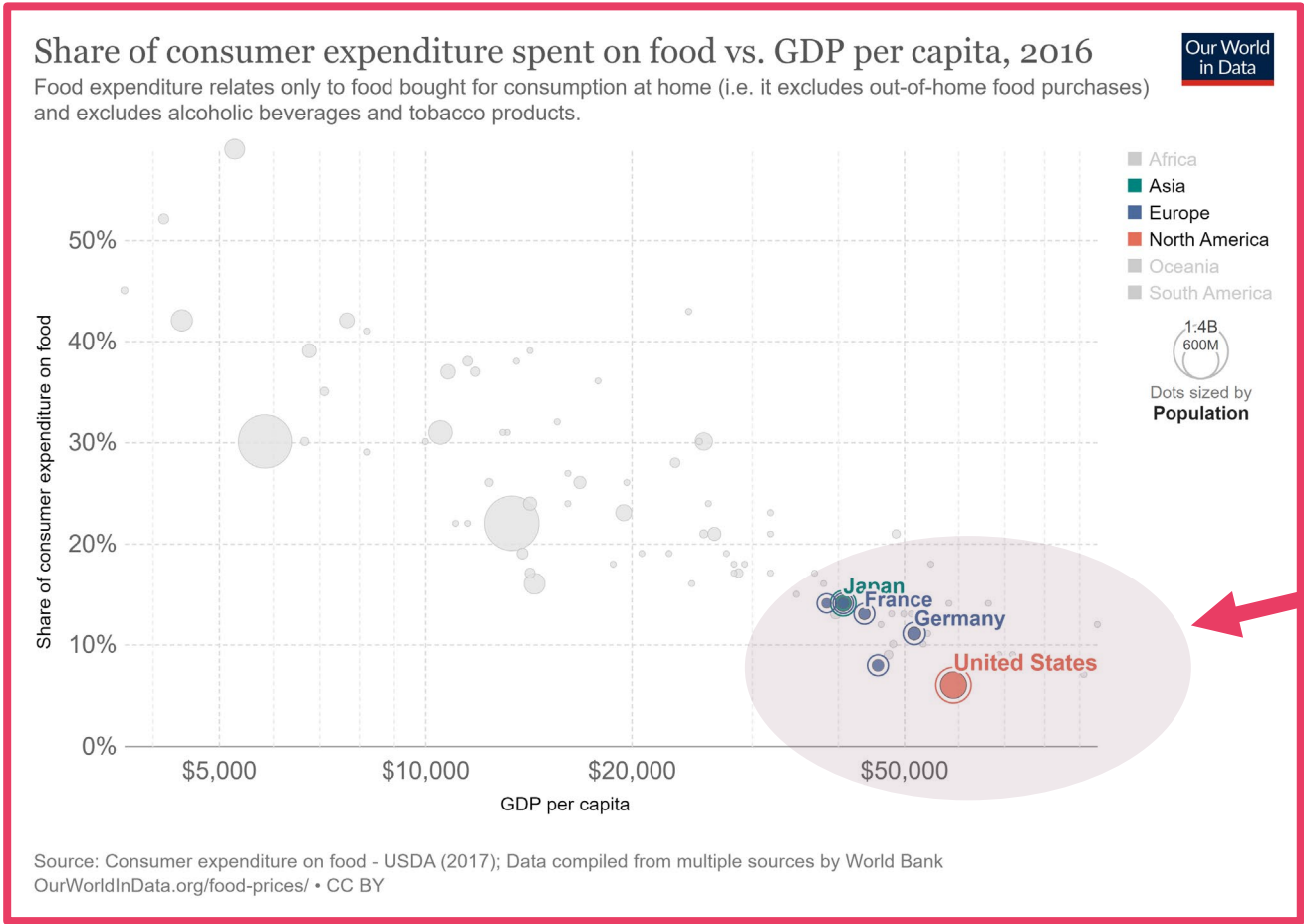


### Example: Salmon

- ➔ The top 6 nations incl. Japan consume 1.7 million tonnes p.a.
- ➔ 2.6 million tonnes were produced in 2021
- ➔ Share of 65% or about two thirds

Source: Mowi Handbook 2022

# Recession/Inflation: Changes in consumption



65% of the salmon consumption in these populations

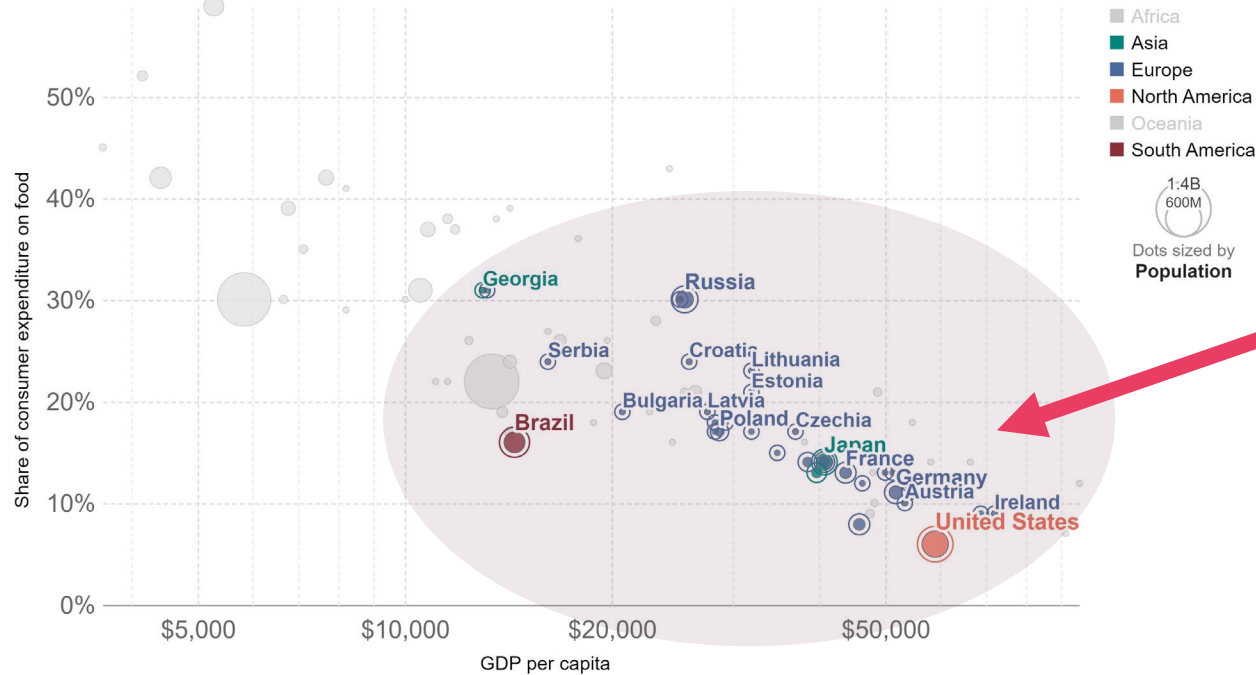
Source: Our World in Data

# Recession/Inflation: Changes in consumption

## Share of consumer expenditure spent on food vs. GDP per capita, 2016

Food expenditure relates only to food bought for consumption at home (i.e. it excludes out-of-home food purchases) and excludes alcoholic beverages and tobacco products.

Our World in Data



Source: Consumer expenditure on food - USDA (2017); Data compiled from multiple sources by World Bank  
OurWorldInData.org/food-prices/ • CC BY

80% of the salmon consumption in these populations

Source: Our World in Data

# Recession/Inflation: Switching to cheaper products?

## Poundland



### UK discount chain Poundland moves into fresh food, debuting salmon and cod fillets

The initial seafood products will be available across 169 Poundland stores initially, and include two 90-gram salmon fillets priced at £3.00 (€3.50/\$3.50) and two 90-gram cod fillets priced at £3.00 (€3.50/\$3.50)

Source: IntraFish.com / 31 August 2022

## WAITROSE & PARTNERS



Waitrose 2 Scottish Salmon Fillets 260g

★★★★☆ 1592 reviews

£5.25 (€20.20/kg)

1 [Add to Trolley](#)

[View all in Salmon](#)

2 defrosted Scottish salmon fillets

[Suitable for freezing](#) [Waitrose own label](#)

PER 100g	Edible portion per (10g)				
Energy 811kJ 194kcal	Energy 819kJ 196kcal	Fat 11.30 g Medium 16% RI	Saturates 2.50 g Medium 13% RI	Sugars <0.5g Low <1% RI	Salt 0.10 g Low 2% RI

[Add to favourites](#) [Add to list](#)

Source: waitrose.com / 10 October 2022

- £3.00 for 180g equals £16.67/kg
- £5.25 for 260g equals \$20.19/kg
- Savings of 17% in a discount store
- **Not to the detriment of salmon producers, as long as salmon remains a commodity...**



# Resource tax: Norway on 6 July 2021



## Norway unveils new aquaculture strategy, seeks to overhaul wide range of regulations

Government says it wants growth but only if it can be done sustainably.

Source : Intrafish.com

### Norwegian Government 2021...

... confirms long-term target of 5 million tonnes of aquaculture volume in 2050.

... wants to revise, harmonise and at best simplify aquaculture regulation.

... wants to make the sector more efficient and promote coordination.

# Resource tax: Norway on 28 September 2022



## 'Those who have the most must contribute more': Norway's minister of fisheries unfazed by salmon farmers cancelling investment plans

Many people believe this is right,' the minister said of the government's plan to levy the additional 40% tax.

Source : Intrafish.com

### Norwegian Government 2022...

... surprisingly plans a resource tax of 40% on profits from aquacultures in fjords.

... assumes that investments will continue despite "expropriation" without compensation and tax rates of up to 85%.

... excludes small producers (under 4-5k tonnes p.a.), but at the same time burdens them with a higher property tax (licence at market value).

# Resource tax: What will be effectively taxed?

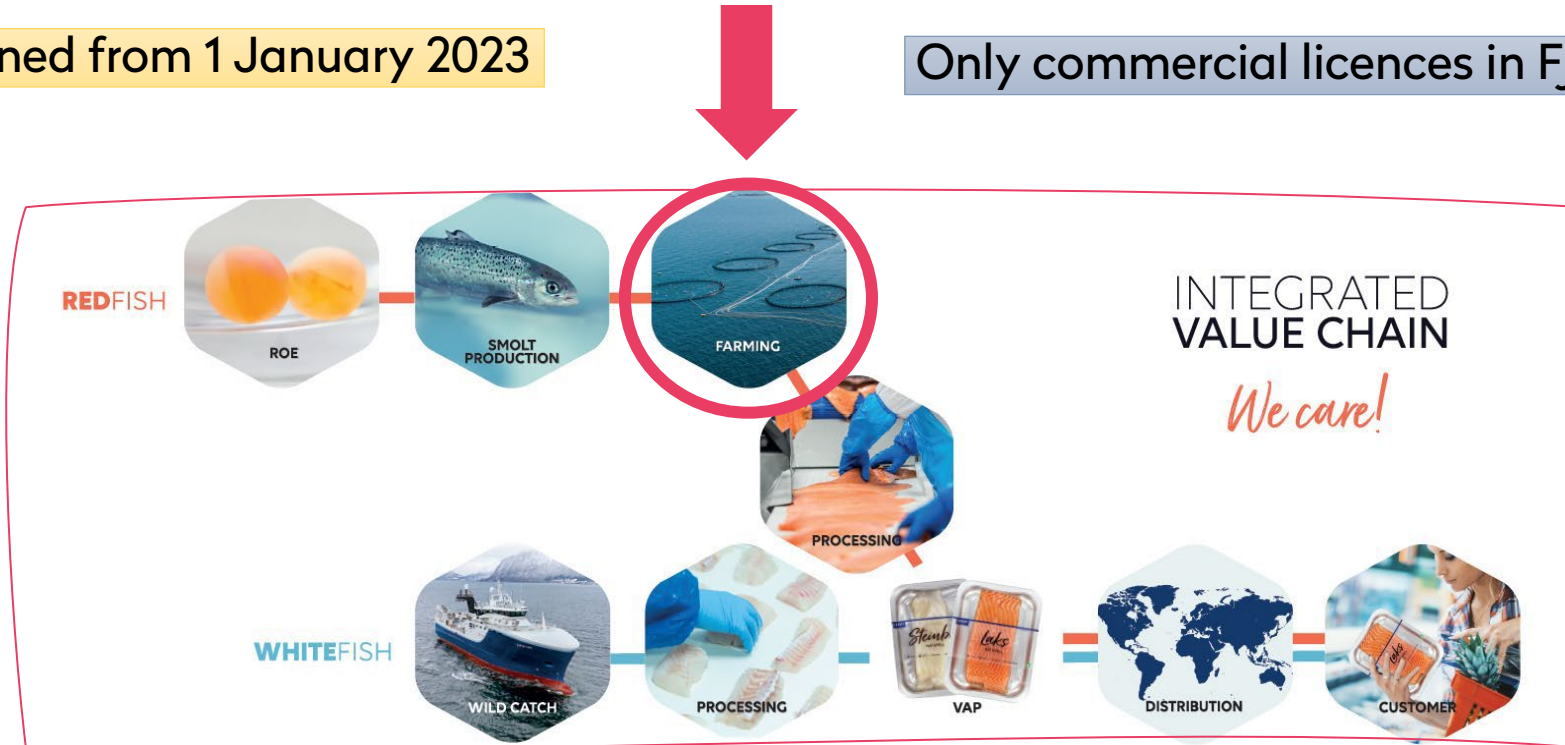
Exemption limit of 4,000-5,000 tonnes p.a.

NASDAQ spot price - EBIT costs = tax base

40% resource tax (resp. 51.3% after corporate tax)

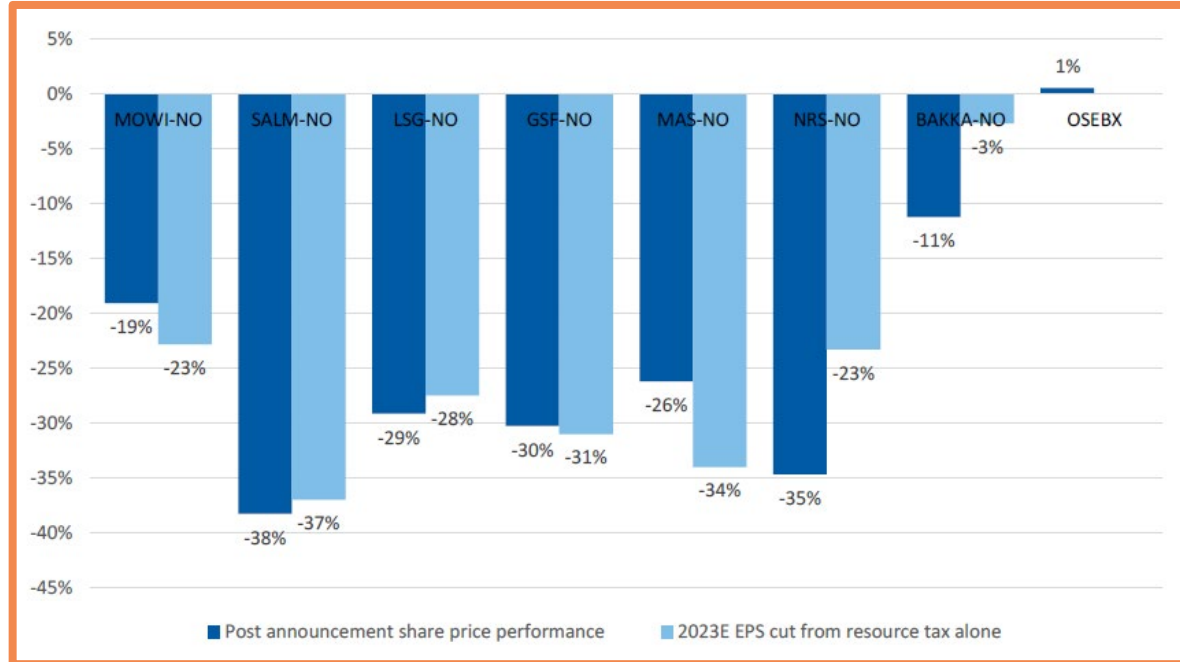
Introduction planned from 1 January 2023

Only commercial licences in Fjord & Offshore



Source: Leroy Seafood, Präsentation Capital Markets Day, 22 September 2022

# Resource tax: First estimates on profit revisions



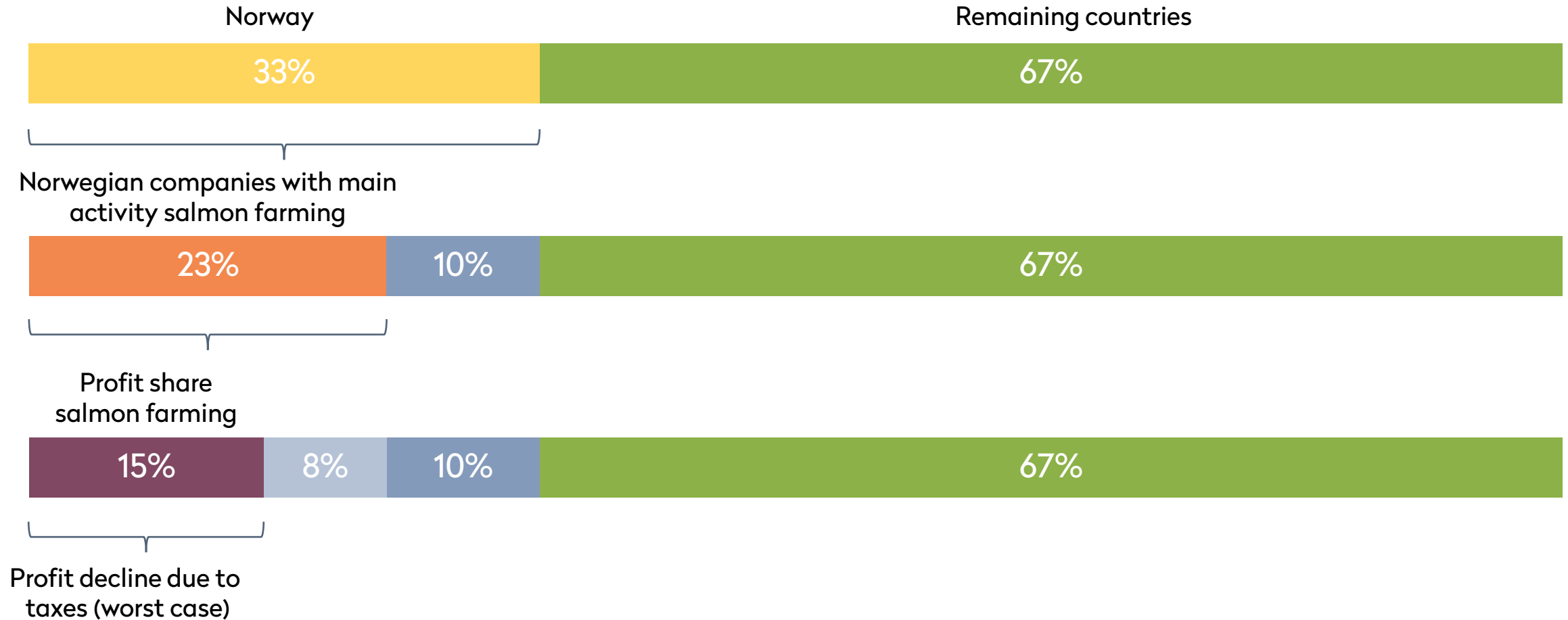
Source: SpareBank 1 Markets, 10 October 2022

## Numerous uncertainties exist:

- Salmon is not a standard product as the NASDAQ reference price suggests (contracts, downgrades).
- Transfer prices within the value chain (profit shifts possible)
- Legal loopholes (sale of licences, but expensive service by farmers)
- Opposition from industry, employees, communities and politics











# Resource tax: How is the Global Fish Fund exposed?



7.5%

# Resource tax: medium-term effects

<p>Aquaculture</p> 	<p><b>'It is clear that we are very concerned': Grieg Seafood puts all investment decisions on hold amid proposed Norway salmon tax hike</b></p> <p>Published 29 September 2022 5:31 GMT</p>
<p>Finance</p> 	<p><b>Nova Sea pulls investments after 40% salmon farming tax plan announcement</b></p> <p>Published 30 September 2022 6:00 GMT</p>
<p>Aquaculture</p> 	<p><b>SalMar scraps capacity expansion permit amid proposed new tax plans</b></p> <p>Published 30 September 2022 10:58 GMT</p>
<p>Aquaculture</p> 	<p><b>'No longer justifiable': Leroy is latest to freeze investments in Norway because of salmon tax</b></p> <p>Published 3 October 2022 15:16 GMT</p>
<p>Salmon</p> 	<p><b>'We risk throttling a major growth engine': Salmon farmer Nordlaks puts \$460 million of investments on hold following tax proposals</b></p> <p>Published 3 October 2022 4:31 GMT</p>
<p>Salmon</p> 	<p><b>Mowi scraps \$17.5 million biomass increase, saying new tax is biggest setback in Norwegian aquaculture's history</b></p> <p>Published 4 October 2022 5:57 GMT</p>
<p>Salmon</p> 	<p><b>Norway Royal Salmon no longer 'dares' seek growth, canceling biomass purchase</b></p> <p>Published 5 October 2022 6:52 GMT</p>
<p>Aquaculture</p> 	<p><b>Cermaq terminates purchase of farming permits in Norway worth \$13 million</b></p> <p>Published 5 October 2022 9:28 GMT</p>

## Reactions of the companies

- ➔ Licence purchases from "Traffic Light System" of NOK 1 billion cancelled
- ➔ Investments of NOK 18 billion put on hold

## Consequences

- ➔ Lower volume growth from 2023 onwards likely to lead to higher salmon prices (positive for profits, negative for consumers)
- ➔ Fewer new jobs
- ➔ Fewer orders for supply industry
- ➔ Research and development stagnates in Norway

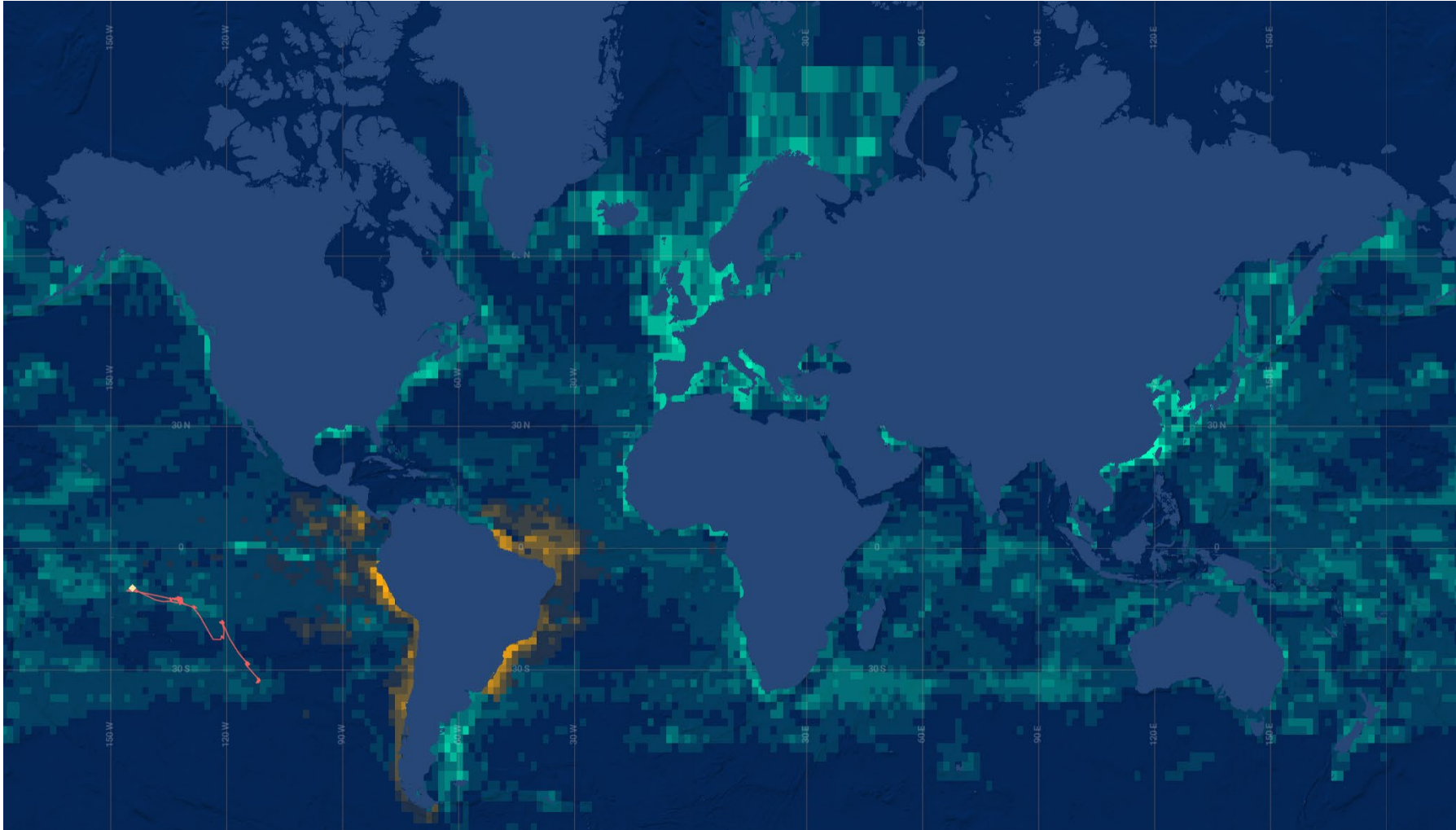
# Resource tax: long-term effects



- Norwegian fjords are immobile, but companies and technology are not (offshore farms are the best example).
- Investors will not put risk capital into aquaculture with new species in Norway, as there is a permanent danger of resource taxation.
- Norway will sooner or later lose its pioneering role and technological edge in aquaculture.

Source: Bonafide, 21 September 2022

# Interactive map shows global fishing activity



GLOBAL  
FISHING  
WATCH



# Data analysis process illustrated

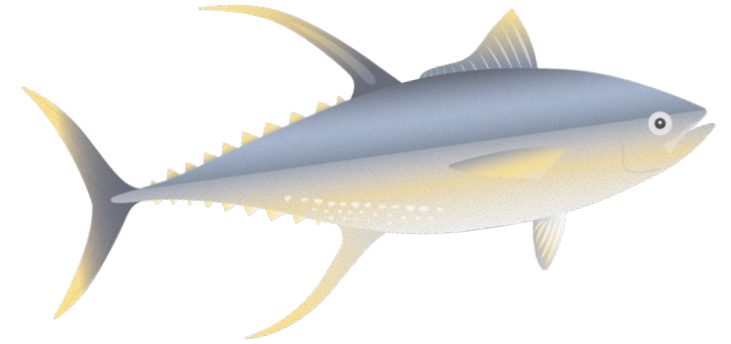


GLOBAL  
FISHING  
WATCH

Global Fishing Watch. (2021). Introducing Global Fishing Watch's revolutionary technology [YouTube], <https://www.youtube.com/watch?v=tKxCuW-WWng>

# Synthesis

- Performance losses largely politically motivated
- Fundamentals of salmon producers remain strong
- Global demand for salmon continues to rise
- Very attractive risk/return potential
- The importance of diversification proves itself once again



Over the course of **10 years**, Bonafide has built up a **unique expertise** in this exciting sector. The Bonafide Global Fish Fund offers a unique opportunity to participate in the **growth market** of market for fish & seafood.

# A GOOD CATCH FOR YOUR PORTFOLIO



# Contact

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