

Quarterly update

June 2021

| | |
|-------------------------------|---|
| OVERVIEW OF OUR FUNDS | 2 |
| WEBINAR FROM 20/07/2021 | 2 |
| RESEARCH/PORTFOLIO MANAGEMENT | 3 |
| SUSTAINABILITY | 5 |
| LEGAL NOTICES | 6 |

Overview of our funds as of 30/06/2021

«October: This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August and February.»

Mark Twain



| as at 30/06/2021 | NAV | Δ3m | Δ12 m | Δ3 y | Δ5 y | return s.i. (p.a.) | Total AuM in CHF million |
|-----------------------------------|-----------|---------|---------|---------|---------|-----------------------|-----------------------------------|
| Bonafide Global Fish Fund EUR | 2'409.46 | -3.18% | 18.81% | 20.43% | 44.37% | 10.20% | |
| Bonafide Global Fish Fund EUR -A- | 1'157.42 | -3.23% | 18.79% | 20.43% | n/a | 6.58% | |
| Bonafide Global Fish Fund CHF | 1'616.30 | -3.86% | 21.63% | 13.89% | 41.33% | 9.62% | |
| Bonafide Global Fish Fund CHF -A- | 1'170.04 | -3.84% | 21.61% | 14.87% | n/a | 6.49% | |
| Bonafide Global Fish Fund USD | 1'449.77 | -2.22% | 23.56% | 23.28% | n/a | 8.51% | 287 |
| Best Catches I EUR | 1'078.30 | -10.06% | 13.22% | n/a | n/a | 3.65% | 21 |
| Deep Blue – SPC I NOK | 42'200.18 | n/a | -18.41% | 189.12% | 388.29% | 24.80% | |
| Deep Blue – SPC III USD | 1'362.68 | n/a | -4.94% | 36.55 | n/a | 9.99% | |
| Deep Blue – SPC IV GBP | 704.59 | n/a | -12.70% | n/a | n/a | -11.96% | 45 |

After an excellent start to the year, the fish & seafood sector slowed down somewhat in the second quarter

Joe Biden has been in office for more than 100 days now, vaccines are being distributed around the world and large parts of the population are looking forward to their first post-pandemic holiday or have already set out to discover foreign countries. This return to normality can also be seen in the significantly lower volatility on the stock markets. After a very positive start to the year in Q1 (+10.23%), the companies in the Bonafide Global Fish Fund EUR consolidated slightly. This resulted in a return of -3.18% for Q2. In particular, temporary uncertainties about political power shifts in Chile created headwinds. However, this does not affect the positive outlook. On the contrary, certain corrections offer attractive entry opportunities. YTD the fund stands at +6.72%.

NAV development of the Bonafide Global Fish Fund EUR 13.06.2012 – 30.06.2021



Historically, early summer (May/June) has always been the most difficult time for companies in our sector. Nothing has changed about that this year either. The trend for sustainable investment, the ever-increasing demand for fish & seafood, the world's growing population and the knowledge that a healthy diet strengthens the immune system, combined with the fact that supply growth is limited, all clearly speak in favour of investing in the fish & seafood sector.

Bonafide Global Fish Fund starts its 10th year

The Bonafide Global Fish Fund EUR and CHF can already look back on a 9-year track record and have just started their 10th year. Looking at the EUR tranche, Bonafide can boast returns of 140.95%, managing to increase volume from EUR 20,000 to EUR 134,587,000. We see enormous potential in the sector's future development through new technologies and the increasing demand for healthy proteins, as well as numerous IPOs, which we hope to exploit with you.

Webinar from 20 July 2021

We look forward to seeing you at our next webinar on 20 July 2021 at 9:00 am (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 will also have the opportunity to ask questions. Register now on our website (www.bonafide-ltd.com).

Research/Portfolio Management

Stock market environment in Q2/21

The keyword on the stock market for the past three months has undoubtedly been “inflation”. The question in this regard, however, has changed from “Can we expect a higher rate of inflation?” to “How long will prices rise at an above-average rate?”. The inflation rate in the US shot up to 5% in May, while in the previous year it had fallen to almost 0% as a result of the coronavirus pandemic. By way of comparison: from 2017 to 2019 the rate of price increases in the USA fluctuated around the 2% mark. Inflation has a decisive influence on the monetary policy of central banks, because when inflation rises, interest rates have to be raised, otherwise savers lose purchasing power every year. In economic theory, higher interest rates in turn lead to fewer loans, which means that companies are less enticed to invest. Politicians and central banks seem to fear an early braking effect on industry and are therefore continuing to experiment with unprecedented expansive monetary and fiscal policy. They are consciously accepting excess prices on the stock and real estate markets. How long can this work for them? Large-cap growth stocks that are driving global stock indices seem to be back in trend and investors are seeing new record highs every day. The so-called FOMO (“fear of missing out”) in the stock market boom seems to be back. In June alone, the 100 largest NASDAQ stocks in the joint index gained 10%. In stark contrast to this are the negotiations being carried out by currently more than 130 countries with the aim of introducing a global minimum tax rate of 15% for large companies. The heavyweight stock indices seem to have become immune to bad news.

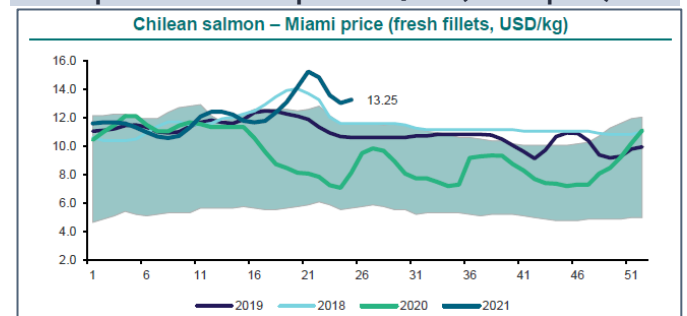
Developments in our sector

In terms of fund returns, Q2/21 was a bit of a rollercoaster ride, finally ending in negative territory at just over -3% in EUR terms. Of the 34 portfolio stocks, 18 fell, and just 16 were listed higher. From a technical perspective, we can speak of healthy consolidation, as the recovery during Q1/21 hinted within a few weeks. Compared to global markets, our valuation has increased in attractiveness. You will find the usual multiple comparisons at the end of the text. In industrialised countries, we are starting to return to our normal, everyday lives and people are starting to enjoy their old freedoms. Caution can still be felt, however, as order quantities and restaurant visits in the food service sector are still below pre-pandemic levels. In Asia, where vaccination progress is slow, the coronavirus is once again on the rise. Governments are imposing new restrictions, which are weighing on stock prices. For these reasons, stocks from the fish & seafood sector have not been highly sought after. In South America, political events have been at work on the markets for some time. Left-wing extremist movements seem to be gaining power in the public eye, leading investors to take risk-reducing measures. In Chile, where there are very interesting opportunities for fish & seafood investors, the overall market lost around 12%, the effects of which aquaculture companies could not help but feel.

Negative contributions to portfolio returns

Our Chile group, consisting of Multiexport Foods, Camanchaca and Blumar, cost the fund 1.8 performance %-points for the reasons mentioned. It is interesting to note that the trading volumes in these smaller “sell-offs” remained low. At Multiexport Foods, less than 3% of the shares changed hands in the past quarter, while at Blumar it was under 0.5%. In Chile, stocks are mainly block-traded through well-networked brokers. In this respect, the small volumes that were traded on the stock exchange led to large price changes. Operationally, however, everything speaks in favour of stock prices reaching pre-COVID-19 levels, if not even higher. The price of Chilean salmon shot up as a result of reduced supply and normalising demand, and is now at new record levels.

Development of salmon price in Q2/21 (Miami price)



Source: DNB Markets, July 2021

Cost-saving measures should also have a positive effect on margins. As a result of the slump in profits caused by COVID-19, Chilean salmon farmers looked to save costs in order to survive the crisis. Even if Chilean stock prices don't rise, investors can at least look forward to high dividend yields. The seaweed snack manufacturer Taokaenoi (performance contribution -1.3%-points), which has its production facilities in Thailand, is suffering from issues in its sales markets and in logistics. The Thai domestic market is struggling with a lack of foreign tourists, while in China the company's sales partner is optimising its inventory and placing fewer orders. The lack of containers is also leading to higher transport costs. The stock exchange reacted very negatively to these results and appeared to negate completely the company's isolated positive developments. Taokaenoi's sales in third markets such as the USA and other Southeast Asian countries grew strongly, meaning that in the medium term the company's sales channels will diversify into a better mix. The solid balance sheet and the measures taken by the management, which include cost savings and product adaptations, make it easier to cope with the slump in the share price. The biotechnology company Hofseth BioCare (-0.9%-points) was successfully able to conclude a large delivery contract with the Nestlé subsidiary "Garden of Life" for the US market in April 2021, but this did not result in any share price increases. The market probably wants to see the quarterly sales figures before prices rise. According to our current assessment, this should be the case in the Q3/21 report, which will appear in November. Australian kingfish producers Clean Seas Seafood (-0.4%-points) focused on their published growth strategy, which is to double their sales volume to around 6,000 tonnes in the medium term. This goes hand-in-hand

with economies of scale. In addition, the company will benefit from a technology transfer from salmon farming in Norway, which is considered "best practice" within the aquaculture sector. The necessary anchor investors were brought on board via a capital increase of AUD 25 million in May 2021. All this good news should lead to rising stock prices in the medium to long term. At the moment, too few investors seem to recognise the company's potential.

Positive performance contributions

Thai Union (1.0 %-points) enjoyed very positive development during the last quarter. After several years of stagnation, the company's management has succeeded in increasing its margins by introducing new products to existing markets. New star products such as vegetable protein substitutes, nutritional supplements and pet food products were added to the product portfolio, which thrives on the cash cow business of canned tuna. This should not only lead to growth and increasing margins, but also to a revaluation on the stock market. The company's new business lines read pretty much like those of food giants such as Nestlé. Nestlé, however, enjoys a valuation premium of around 50% even after Thai Union's strong price development, which is why we not be surprised to be talking more about Thai Union in our next quarterly report. The veterinary concern Elanco Animal Health (0.7%-points) published pleasing quarterly figures, which caused the share price to rise to new record levels after a setback in March (US lawsuit over the side effects of a drug for dogs). Austevoll Seafood (0.4%-points) and its subsidiary Leroy Seafood (0.2%-points) continued their almost 9-month stock price increase. Both companies are still moderately valued after the most recent consolidations and therefore remain our top bet. Veolia Environnement (0.5 %-points), active in the water treatment sector, announced at the beginning of April that it had reached an amicable agreement to take over its competitor Suez. For a long time, the Suez board of directors held out, calling for the purchase price to be improved. Veolia and Suez will become a global "champion" in an attractive industry that offers recycling solutions among other things.

Reallocations

In terms of allocations, it was a quiet quarter with few reallocations. As stated, share prices in most of our portfolio companies did not rise sharply, meaning that we were not forced to take many profits. Likewise, we did not feel compelled to part with investments whose potential we (have) misjudged. In the case of Elanco Animal Health we halved our wager in view of the record prices. The company no longer figures in the top positions. The lawsuit filed regarding a drug's side effects has moved into the background for investors. This fits with the current state of the US market, which is showing a tendency to ignore bad news. We therefore felt that a risk adjustment was appropriate. In return, we expanded our allocations with the Australian salmon farmer Tassal Group and allowed the gains at Thai Union to accrue in order to benefit from further price increases. At Tassal, the share price continues to be well below the normalised level and is valued favourably in relation to its own history. The company only reports half-yearly figures, which makes it difficult for the market to assess operational performance. However, through our

sector analysis, we can see that Tassal is selling salmon at attractive prices in its domestic market, while its excess goods in exports are being sold at the international salmon price, which will at least cover their costs. This was not the case from July to December 2020, when every kilogramme of salmon exported resulted in a loss. Clarity about the company's course of business will arrive in August at the latest, when Tassal presents its annual figures.

Outlook

The prices of numerous stocks in the Bonafide Global Fish Fund have still not fully recovered from the COVID-19 pandemic, despite stock markets being prepared to allow future prospects to flow into valuations. Companies can look to remedy this imbalance with good or normalised quarterly or half-yearly results. These reports will follow over the next 12 months and, as usual, we will be taking a critical look at them. The Bonafide Global Fish Fund has a moderate price-to-book ratio of 1.8x compared to 3.0x for the MSCI All Country World. Based on the current valuation, it will deliver an estimated dividend yield of 2.9% compared to 2.0% for the world share index. The forward-looking price/earnings ratio is 14.5x, while the MSCI All Country World is trading at 18.7x based on analyst estimates. It remains to be seen whether stock market participants will be willing to pay higher valuations for our attractive companies. Sooner or later, investors will benefit from the operational improvements undertaken. Patient investors will reap their rewards, at the latest when profits are distributed to shareholders in the form of dividends.

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



Sustainability

Signing of the UN PRI

By signing the United Nations Principles for Responsible Investment (UN PRI) last quarter, we joined the world's largest network of investors for sustainable investing, with around USD 100 trillion in assets under management.

In particular, we are committed to implementing the six principles outlined below and to providing regular reports on sustainability. Our aim is to contribute to the harmonisation of the sustainability sector, thus increasing the impact of sustainability initiatives and enabling more transparent reporting.

- 1 We will incorporate ESG issues into investment analysis and decision-making processes.
- 2 We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4 We will promote acceptance and implementation of the Principles within the investment industry.
- 5 We will work together to enhance our effectiveness in implementing the Principles.
- 6 We will each report on our activities and progress towards implementing the Principles.

Source: UN PRI

Disclosure of ESG ratings

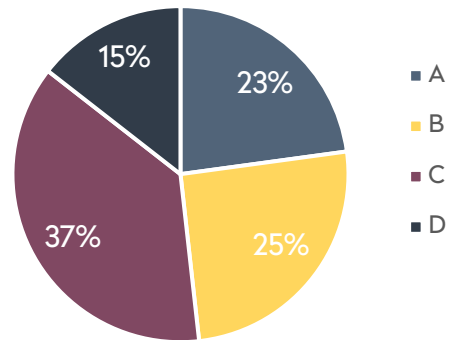
We will also disclose the ESG scores and ESG ratings of our portfolios with immediate effect. As a result of expanded access to the data provided by ISS ESG, we have recently been able to calculate an ESG score for the "overall market" and use this as a benchmark. Our portfolios' ESG

scores can now be viewed in this context and illustrated in the form of relative ESG ratings.

Our stated goal is to have better ratings than our investment universe (very likely) and, in the medium term, the market as a whole. However, we are not aiming to maximise our ESG scores due to the fact that they are still of limited informative value.

Click [here](#) for more information on ESG ratings.

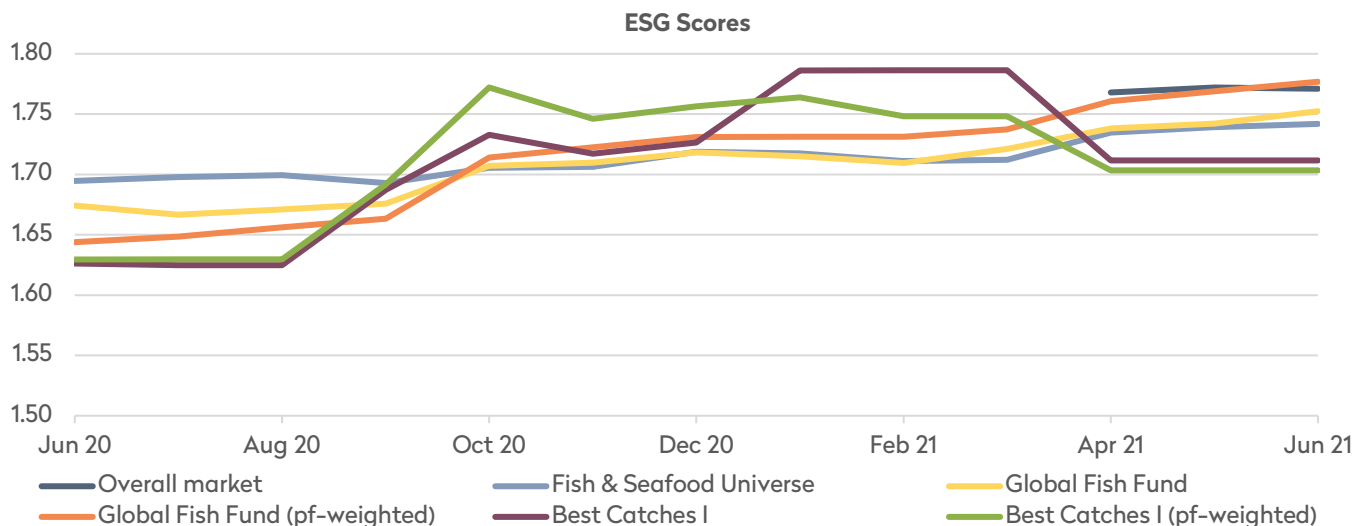
Global Fish Fund - ESG ratings (portfolio-weighted)



Investor declaration to the G20 regarding the publication of agriculture-specific targets for the reduction of greenhouse gas emissions

In the context of an investor declaration presented by the FAIRR investor network, we also recently asked the G20 nations to announce specific targets for the reduction of greenhouse gas emissions in the agricultural sector before the COP26 World Climate Conference.

Although the agricultural sector is responsible for almost a third of global greenhouse gas emissions, none of the G20 nations have so far announced sector-specific emissions targets, as is the case, for example, in the energy and transport sectors. Since we fear that developments and investments will be unnecessarily delayed unless there are specific goals, we are supporting this call for increased transparency.



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- The supervisory authority in the Principality of Liechtenstein is the Financial Market Authority (FMA Finanzmarktaufsicht Liechtenstein) Landstrasse 109, PO Box 279, 9490 Vaduz, www.fma-li.li
- The supervisory authority in Switzerland is the Swiss Financial Market Supervisory Authority (FINMA), Laupenstrasse 27, 3003 Bern, www.finma.ch
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