

Quarterly update December 2024



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Overview of our funds

As at 31/12/2024

“Salmon and other fish species are now officially labelled as ‘healthy’ – a significant step towards helping consumers make healthy dietary choices.”

U.S. Food and Drug Administration (FDA), December 2024



As of 31/12/2024	NAV	Δ3m	Δ12 m	Δ3 y	Δ5 y	return s.i. (p.a.)	Total AuM in Mio. CHF
Bonafide Global Fish Fund EUR	219.17	-3.70%	2.02%	-5.66%	-2.26%	6.45%	
Bonafide Global Fish Fund CHF	130.24	-3.98%	2.15%	-12.93%	-12.89%	5.03%	
Bonafide Global Fish Fund USD	120.31	-10.09%	-4.64%	-11.46%	-7.03%	2.32%	
Bonafide Global Fish Fund EUR -A-	93.34	-3.64%	2.04%	-5.62%	-2.31%	2.50%	
Bonafide Global Fish Fund CHF -A-	84.53	-4.00 %	2.12%	-12.73%	-12.69%	0.84%	
Bonafide Global Fish Fund EUR -Q-	101.37	-3.63%	1.37%	n/a	n/a	1.37%	
Bonafide Global Fish Fund CHF -Q-	102.01	-3.91%	2.01%	n/a	n/a	2.01%	104
Best Catches I EUR	874.53	-2.19%	-7.08%	-18.56%	-20.69%	-2.19%	17
HBC II NOK	213.83	-2.72%	-36.99%	-76.49%	n/a	-38.84%	4

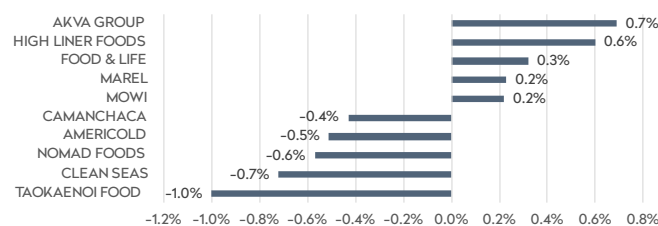
Source: Bonafide/IFM, December 31, 2024

A difficult quarter: -3.70% return in EUR

The fourth quarter of 2024 was weak for the Global Fish Fund with a return of -3.70% in EUR. In mid-December, the fund experienced a significant correction of 5% within eight days, despite strong fundamentals including a successful Christmas season in Norway (+14% sales volume) and positive consumer data from the US.

The top and flop performers of the last quarter

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



Source: Bonafide/IFM, December 31, 2024

Food sector in crisis?

The food sector, long a favourite of investors, has fallen from favour in the last three years: Bloomberg World Food Index -5.67%, STOXX Europe 600 Food & Beverage -22.77%, Nestlé -30.85%¹. High inflation rates, rising raw material costs, disrupted supply chains and falling demand for premium products have put margins and valuations under pressure. But every cloud has a silver lining. Falling interest rates, lessening inflation rates and rising disposable income could lead to a recovery. While food manufacturers such as

¹ each 3Y total return, source: Bloomberg

Nestlé are currently trading at a P/E ratio of 16.6x (for 2025), seafood companies offer much more attractive valuation levels, with the Global Fish Fund at 11.2x.

Strategic positioning and shareholder value

Despite the negative quarter, the strategy of the fund remains clear: diversifying within the fish & seafood universe and focussing on established companies with strong cash flows and orientation towards shareholder value (details in the PM part of this update). At the same time, the sector is benefitting from public sector recommendations, such as the FDA's «Healthy»-label for salmon in America. This will continue to support demand.

What to look out for

The markets, news and social media worldwide have been dominated by Trump, Musk, Bitcoin, Nvidia and, last but not least, FOMO. We highlighted the potential political catalysts for our sector in the last quarterly update and now the dominoes are starting to fall: In Canada, Trudeau has resigned and in Norway, the head of government, **Støre**, has (only) a 14% voter share in the latest polls, which would give the centre-right opposition a clear majority. In Chile, where the incumbent President Boric cannot run in the upcoming elections, there is movement in the sector and positive changes are on the horizon.

Current assessments from our analysts

- [Go to our managers' commentaries](#)
- [Go to our publications](#)

Research/Portfolio management

Who will set future stock market prices?

Contrary to historical yield patterns and the fundamental data, the net asset value of the Global Fish Fund fell by -3.70% (in EUR) in Q4/24. Particularly noteworthy is the drop in value in mid-December, when the portfolio corrected by 5% within 8 days. This is a surprising development, as export data from Norway indicates the **best Christmas sales in terms of value** for farming companies. Additionally, consumer sentiment in the USA continues to brighten (**manager commentary**), which is also reflected in the rising salmon price in Miami. On top of this, factors on the cost side such as biology and feed prices for aquaculture operators are continuing to develop favourably, enabling high profit growth in 2025 (**manager commentary**).

One negative factor was long-term interest rates, which have risen significantly in the US, making dividend-paying stocks and equities in general less attractive compared to interest-bearing securities. Some ETFs with dividend strategies on US equities lost more than 6% in December. The USD currency basket also appreciated by almost 8% during the quarter, which immediately puts strain on currencies such as the JPY and CLP. As the US imports two out of every three fish consumed locally, this development is **favourable for the sector**; the markets simply have to process this with higher earnings estimates.

On the stock markets, the trend towards more passively managed assets continued. The Financial Times (**link**) reports a new record outflow of USD 450 billion from actively managed equity funds in 2024. In contrast, passive ETFs in the USA saw inflows of over USD 1,000 billion in the same period (**link**). The danger of ETFs for the financial market is that they “blindly” inflate prices without making any judgement about the price to be paid. In addition, ETFs mainly buy large-cap stocks as they need the necessary liquidity. Only time will tell how long this concentration and lack of interest in valuations will last. The stock markets, on the other hand, have more to offer. Dwindling interest, characterised by the constant pressure to sell, makes the **remaining segments such as fish & seafood all the more attractive** and turn them into a “hedge” for a diversified stock portfolio.

For 2025, the Global Fish Fund has a price/earnings ratio of 11.2x, a price-to-book ratio of 1.3x and a dividend yield of 4.5%. We have never seen values like this in our sector since the fund was founded more than 12 years ago.

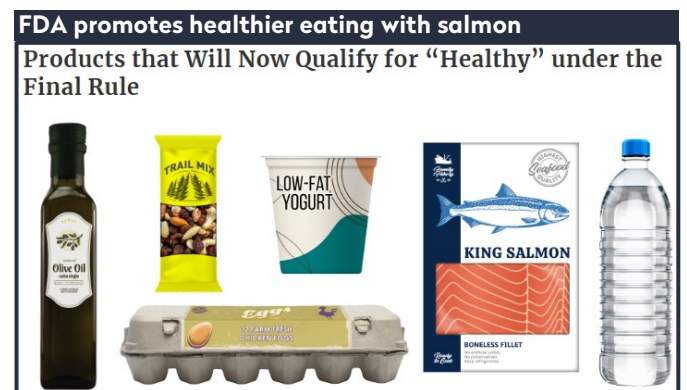
Focus on shareholder value

In addition to diversifying carefully within the fish & seafood universe, our **focus remains on investing in established companies** that either pay high dividends, carry out share buybacks or a combination of both. The only holdings in our portfolio that are not (yet) in a position to serve shareholders financially are the three micro caps Hofseth BioCare, Proximar Seafood and Clean Seas Seafood, as well as the animal health company Elanco. The rest – over 90% of our portfolio – use the cash flow generated to adequately compensate shareholders. Prime examples are Café de Coral

(7.6% dividend yield), High Liner Foods (6.2%) and Thai Union (5.1%). **All three companies also buy back their own shares.**

Salmon in the USA gets a “Healthy” sticker

The USA has one of the highest proportions of people who are overweight as the result of an unhealthy diet. On 20 December 2024, the FDA, the authority responsible for nutritional recommendations, issued the final guidelines on which foods can use the claim “Healthy” in the future. The agency wants to encourage consumers to make healthier purchases and is now working on a sticker that producers will be able to print on packaging. **Unsurprisingly, this includes fish and salmon.** The FDA is prominently advertising the “pink” fish.



Source: US FDA press release, December 20, 2024

The government label can be seen as an accolade for the industry and is likely to further increase demand and consumer awareness. Meanwhile, large-cap food companies are increasingly struggling with campaigns against “ultra-processed foods” and negative reviews of such products, which interestingly also include plant-based meat substitutes.

Trump and the threat of tariffs on imports (**manager commentary**)

Now that Donald Trump has been elected as the 47th US president, import tariffs are back on the agenda. As is well known, Trump’s intention is to use tariffs to protect domestic industry and create jobs. However, the USA does not have a significant aquaculture industry. **Only one in three fish consumed in the US comes from local production.** This is mostly wild-caught fish from Alaska. Potential tariffs on salmon from Chile or Norway would therefore only lead to instantly higher prices for his electorate. Can President Trump afford this home-made inflation? In his first term of office from 2017–2021, Trump introduced tariffs on fish products from China. The wild catch corporations in Alaska had the processing done cheaply in China instead of locally.

Movement on the currency markets

The Norwegian krone traded in a range of +/-2% against the EUR and ended Q4/24 virtually unchanged. The Japanese yen was somewhat more volatile, depreciating by around 2% against the EUR and costing the fund -0.3%. The Chilean peso lost 3% against the EUR, which also cost the fund -0.3% in returns. The USD appreciated by over 7%, which had no significant impact on returns given the structurally low allocation to the US stock markets and the partial hedging.

A slight positive contribution of 0.1% was the result. By contrast, the small allocation to the Hong Kong dollar, which is pegged to the USD, generated a return of 0.2%.

Negative contributions of returns

The largest negative contribution came from Taokaenoi (-1.0% points), shares in which suffered a correction of 22%. Understanding the strength of this reaction is difficult, as the company met expectations for its Q3/24 figures, and consistently communicated that its gross margin would take a temporary hit due to the increased cost of algae raw materials. As a growing company with a P/E ratio of 13.5x and a debt-free balance sheet that **allows for a dividend yield of 7-8%**, our conviction in this stock remains high. Taokaenoi's management takes a similar view, and on 8 January 2025 it announced a **share buyback programme** for the first time since it was listed.

Clean Seas Seafood (-0.7% points) was forced to inform the market about higher-than-expected mortality rates in one generation. Its position in the fund has shrunk to less than 1%. The fall in the Nomad Foods share price (-0.6% points) can be attributed to the appreciation of the US dollar. The company, which operates in the eurozone but is listed in New York, is earning less in USD terms as a result. **Its valuation of 8.6x P/E for a growing business with renowned brands remains highly attractive.** The fall in the share price of logistics company Americold (-0.5% points) is due to the interest rate trend in the USA. Ten-year US bonds are now yielding ~4.5% again, which makes Americold's current dividend yield of just over 4.1% appear less attractive. In contrast to bonds, however, Americold will benefit from the steadily rising demand for temperature-controlled logistics. In Chile, shares in Camanchaca (-0.4% points) fell by 15%. While the wild-caught fish business (including fish oil and fishmeal) is now weakening somewhat, the cycle in the salmon business is now on the upswing with lower feed costs and higher prices.

Valuable assets of Camanchaca: ships in Concepción



Source: Bonafide, November 24, 2022

An EBITDA of around USD 100 million meets a company valuation of USD 435 million. The equity is trading at just 0.4 times its balance sheet value. In terms of valuation ratios, **Camanchaca is the biggest pearl in our portfolio.** A total of 23 out of 35 (66%) stocks made a negative contribution to the portfolio over the past 90 days.

Positive contributions to returns

Gains came from AKVA Group (+0.7% points), which has a broad, innovative product range in the aquaculture supply industry. **Margins and profits were better than expected, which is why the share price rose by 23%.** Shares in High

Liner Foods (+30%) in Canada rose even more strongly (+0.6% points). Management is focussing on its own products and is **consistently divesting itself of unprofitable contracts for third-party suppliers.** Our new position in the Japanese sushi chain Food & Life Companies (+0.3% points) has already paid off. A total of 12 out of 35 (34%) stocks made a positive contribution to the portfolio over the past 90 days.

Reallocations

At Marel (+0.2% points), the M&A transaction with the US company John Bean Technologies (JBT) was completed over the New Year. The fund will receive 2/3 in stocks and 1/3 in cash. Accordingly, the fund **benefited from the price rise in JBT (+29%)**. We reduced our position in Elanco by half (-100 base points) in order to reinvest the money in stocks that will show earnings growth in 2025.

Positioned for 2025

Despite a modest return of +2.02% (in EUR), the past year was by no means a lost one. Valuations have fallen further year-on-year, while dividends have risen and more companies are buying back their own shares. In retrospect, this transformation phase began as far back as 2019. **The risks to achieving returns today are significantly lower than they were five years ago.** This is because the lower the market valuations are, the more companies' real cash flows determine the fund's returns through dividends.

A further indication of our sector's attractiveness can be seen in the ongoing purchases being made by so-called **smart money investors.** Last year, a player not previously active in the sector entered the field: **Novo Holding A/S** (Novo Nordisk Foundation). The investment company completed two transactions in a short space of time. Firstly, it acquired a majority stake in Stingray Marine Solutions and secondly, it bought the genetics business from Benchmark Holding. The latter alone cost over GBP 260 million. **And when will the FOMO effect kick in? We can't wait for 2025!** Together with you, of course.

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

The performance contributions of the individual companies are stated in EUR and relate to gross profit. While our analyses and investment forecasts are prepared with due care, they can never be a guarantee of future performance.



Sustainability

Profit factors in salmon farming operations

As the topic of sustainability becomes increasingly controversial, we analyse the operational level.

What are the key drivers behind a typical aquaculture operation? If we look at revenue as a function of volume and price, and expenses as a function of feed, transport, labour, and asset depreciation, the message soon becomes clear.



Quelle: INTUIT quickbooks.

Revenue

Salmon farmers only produce what can be sold. Demand for food is primarily determined by flavour, but the reputation of salmon in terms of health benefits, food safety, animal welfare and environmental footprint also plays an increasingly important role in purchasing decisions.

As soon as demand appears to be sufficiently high, the focus shifts to the theoretical supply limits. Traditional salmon farming requires licences, and these licences regulate the maximum permitted biomass inside the farming cages. In the Norwegian traffic-light system, licences are issued based on the regional sea lice pressure. If sea lice pressure is too high, production volumes must be reduced. In Canada, production is determined by social licences, whereby the water rights of indigenous peoples, among other things, must be respected. In the past, this has sometimes led to production cuts or profit transfer agreements in affected regions. Currently, salmon farmers in western Canada are expected to have to cease production completely in coming years due to negative public sentiment. In light of Trudeau's resignation, these developments may change again.

Actual production depends heavily on environmental factors. Higher temperatures increase fish growth, but also the risk of diseases and algal blooms. As well as stressing the fish and affecting their appetite, these problems require investments in prevention or costly ad hoc measures which create additional financial burdens.

As a commodity with little scope for product differentiation, salmon has little pricing power. The price of salmon largely depends on the previously mentioned balance between supply and demand and the underlying factors.

Expenses

By far the largest cost factor for salmon farmers is the cost of fish feed, which accounts for 50% of total expenses. Fish feed consists of essential fish oil and vegetable raw materials. Last year alone, fish oil prices quadrupled due to supply

shortages caused by a lack of wild fish stocks and the El Niño weather phenomenon. Sourcing plant-based ingredients is easier to manage, but extreme weather, soil erosion, eutrophication and water scarcity on a global scale are factors here, just as they are for coffee and chocolate.

In second place are transport costs, which account for around 25% of total expenses. Fresh salmon usually has to be transported to its destination by plane, which not only incurs considerable costs but also leaves a significant environmental footprint. Changing our consumption habits towards fillets instead of whole salmon, which can be frozen more quickly using new freezing technology, could make air transport largely superfluous. However, for things to get better, they often have to get worse first. Thanks to the aviation industry, which is currently falling far short of its targets for sustainable fuel, this could soon become a reality, as rising CO2 prices and fines will make flying more expensive in the future.

As far as depreciation of fixed assets is concerned, aquaculture has become more capital intensive in recent years. This is mainly due to increased investment in farming licences, disease prevention technologies and the expansion of land-based farming. All of these investments are at least partly aimed at solving environmental problems.

Let's move on from environmental to social factors and thus to labour costs. Fish farming is a surprisingly difficult trade to master, requiring experienced staff at each site to respond to the ever-changing farming conditions. At a time when the population pyramid is inverting in many countries, holding on to experienced staff is a key concern for many companies. Salary plays a major role in employee satisfaction, but people today also judge the attractiveness of a job on factors such as having a meaningful role, pleasant, fair and equitable working conditions, good safety protocols during production and flexible working arrangements.

Easier said than done

Ignoring sustainability and focussing on operations is often not the miracle solution it is sold as. In today's world, sustainability is an integral part of any successful aquaculture business.

Accordingly, neglecting sustainability is often accompanied by a drop in profits.

Fortunately for our investors, FAIRR has once again confirmed aquaculture as an outstanding performer in terms of sustainability in its latest **Protein Producer Index**.

The Bonafide Global Fish Fund was also once again **awarded three out of three stars** in the German FNG **sustainability label**.

Food safety

The cold chain in the seafood industry

A stable cold chain is essential for the quality and safety of fish and seafood. This means 0° for fresh fish and -18° for frozen fish. From when fish are caught to when they reach end consumers, temperatures must be carefully controlled to avoid spoilage and loss of quality. This has an impact on flavour, consistency and food safety and strengthens consumer confidence.

Global sourcing makes it more difficult to adhere strictly to temperature standards due to long transport routes, legal framework conditions, logistical bottlenecks, etc. But don't worry, specialist companies are happy to help – for a price, of course – and ensure that everything runs smoothly. In the form of STEF and Americold, we currently have two such specialist companies in our portfolio.

Company profile: STEF

STEF is a leading European company specialising in temperature-controlled logistics and the transport of perishable products, including seafood. With a network of refrigerated warehouses, distribution centres and transport fleets, STEF ensures that products are kept fresh and safe from origin to destination through advanced monitoring and quality control.

Company profile: Americold

Americold is a global provider of temperature-controlled storage, distribution and logistics solutions for the food industry. Strategically located facilities, state-of-the-art inventory management systems and efficient handling protocols ensure optimum shelf life, minimise waste and ensure consistent quality throughout the supply chain.

By combining technological innovation, global reach and industry expertise, Americold enables its customers to improve operational efficiency, meet evolving consumer expectations and ensure a consistent, high-quality cold chain.

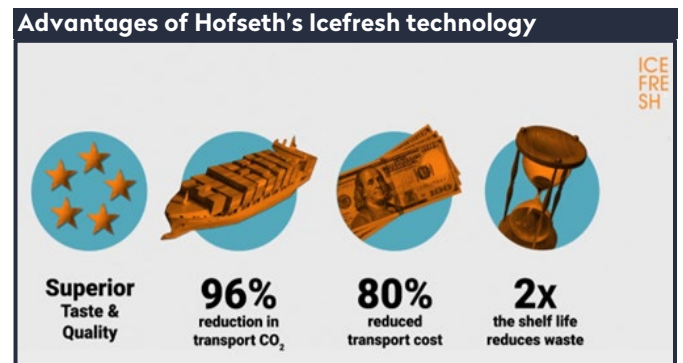
What does the future of cold chain logistics look like? Advanced data loggers and real-time sensors improve temperature and humidity monitoring, enable quick corrections and increase efficiency. Networked systems recognise bottlenecks at an early stage and predictive maintenance ensures smooth processes.

In addition, the Internet of Things (IoT) connects devices, vehicles and systems in a unified ecosystem, which not only makes it easier to identify bottlenecks or inefficiencies, but also enables predictive maintenance that recognises failures before they occur and ensures that systems are fully functional.

Another innovative approach is **Hofseth's Icefresh technology**. Icefresh represents a significant step forward in optimising the cold chain of seafood by reducing the reliance on traditional refrigeration with ice. Instead of piling layers of

ice on top of the product – which can lead to unnecessary moisture, temperature fluctuations and additional transport weight – advanced cooling methods are used to maintain a controlled, stable temperature environment. This approach not only preserves the natural texture, flavour and freshness of the seafood, but also extends its shelf life, which is a key competitive advantage in global markets where consistent quality is paramount.

In addition to improving product characteristics, Icefresh technology also contributes to more sustainable operations. By making sea freight a viable alternative to air freight, Hofseth is helping to drastically reduce both the carbon footprint of salmon shipped around the world and operating costs during the transport phase.



Source: Hofseth International, Vimeo, April 2024

Meanwhile, companies such as **Nomad Foods are researching the next innovation**, as changing the cooling temperature from -18° to -15° should soon make it possible to reduce energy consumption by 10% without any loss of quality.

The most recognised certifications include the British Retail Consortium (BRC) Global Standard for Storage and Distribution, the International Featured Standards (IFS) Logistics certification and the Safe Quality Food (SQF) Code, all of which help to ensure strict temperature controls and hygienic handling. In addition, the Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) Chain of Custody certifications ensure that certified fishery products can be traced back to responsibly managed fisheries or farms.

Hazard Analysis and Critical Control Points (HACCP) systems and ISO certifications such as ISO 22000 for food safety management provide a structured framework for recognising and mitigating risks within the cold chain. These certifications give companies, investors and consumers greater confidence in the safety, sustainability and integrity of seafood products travelling through the cold chain.

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