

Quarterly update September 2024

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Overview of our funds

As at 30/09/2024

“I have dedicated my life to staying healthy to perform at the highest level, and seafood has always been part of my diet.”

Erling Haaland, Norwegian football player



As of 30/09/2024	NAV	Δ3m	Δ12 m	Δ3 y	Δ5 y	return s.i. (p.a.)	Total AuM in Mio. CHF
Bonafide Global Fish Fund EUR	227.60	6.83%	4.09%	-3.43%	6.24%	6.91%	
Bonafide Global Fish Fund CHF	135.64	4.91%	1.33%	-13.51%	-4.71%	2.00%	
Bonafide Global Fish Fund USD	133.81	10.47%	8.76%	-4.21%	10.89%	3.80%	
Bonafide Global Fish Fund EUR -A-	96.87	6.81%	4.09%	-3.49%	6.11%	3.07%	
Bonafide Global Fish Fund CHF -A-	88.05	4.90%	1.29%	-13.32%	-4.46%	1.40%	
Bonafide Global Fish Fund EUR -Q-	105.19	6.86%	n/a	n/a	n/a	n/a	
Bonafide Global Fish Fund CHF -Q-	106.16	4.91%	n/a	n/a	n/a	n/a	119
Best Catches I EUR	903.13	-1.53%	-12.81%	-14.65%	-15.17%	-1.88%	18
HBC I NOK	217.25	-16.37%	-40.90%	-75.49%	n/a	-39.04%	2
HBC II NOK	219.80	-16.05%	-40.25%	n/a	n/a	-40.85%	4

Source: Bonafide/IFM, September 30, 2024

Strong quarter; 6.83% return in EUR

Q3 was a very positive quarter for the Bonafide Global Fish Fund. With a **return of 6.83% in EUR**, the Fund outperformed global equity markets over the same three-month period. Particular emphasis should be put on the focus on long-term profit growth, which will continue to gain momentum in the coming quarters. Technological innovation is key as it increases both efficiency and margins while reducing the environmental footprint of fish farming. As part of the Consumer Staples sector, the fund offers an attractive and differentiated profile with manageable risk and low correlation to global equity markets, making it an excellent diversification opportunity in your portfolio.

The top and flop performers of the last quarter

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



Source: Bonafide, September 30, 2024

Technological Innovation and Future Strategies

A particular highlight of the quarter was the Capital Markets Day hosted by MOWI, the world's leading aquaculture operator. The company unveiled ambitious growth plans:

targeting a production volume of 600,000 tons by 2029, backed by growth investments of EUR 600 million. Our models forecast a payback period of less than three years. MOWI is increasing its focus on land-based juvenile fish farming and using artificial intelligence to optimize fish production, which will lead to further efficiency gains and cost reductions.

On track – 2025 Outlook

After a summer defined by weaker performance, the Global Fish Fund has been back on a growth trajectory since mid-July. The most profitable 90 days of the year are ahead of us, with an average quarterly return of 3.22% (over the last 13 years). Falling feed prices, technological advances, political tailwinds and strong growth forecasts from leading companies support this positive outlook.

Leading the way on ESG

Our portfolio companies have recognized the need for transformation. This is also evident in the improvement of their ESG ratings: More than 17% of our portfolio has already been awarded the “Prime” rating by ISS ESG, which clearly illustrates the leading role these companies play in future-oriented corporate development.

Webinar on October 22, 2024

We are pleased to invite you to our next webinar on October 22, 2024, at 09:00 (CET).

>>> [Register now.](#)

Research/Portfolio management

Back on track and a promising 2025 ahead?

The Fish & Seafood sector needs investors to stay level-headed in 2024. The summer dip with its mid-July lows was followed by another test in early August, driven by yen carry trades. The risk-off mode was short-lived – the Global Fish Fund clearly recovered. The net asset value in EUR rose by 6.83% in Q3/24. Only back in 2013 did the fund achieve a stronger Q3 return. And now follows the strongest 90-day period in the fund's 13-year history, with an average return of 3.22% in the final quarter. All signs indicate that, after four – crisis-ridden – years, the fish and seafood sector is ready for a comeback and will finally reward patient investors. The tide has turned: Feed prices for farmed fish continue to fall, growth strategies such as MOWI's offer a clear growth path, and there is a renewed political tailwind. The sector-specific risks will not disappear; however, the probability of occurrence and the combination of several adverse events will return to the long-term average. Earnings estimates for 2025 are coming into focus and – as of today – the consensus foresees 40% year-on-year growth for several of our top positions. The aggregate valuation of the portfolio at 11.5x P/E for 2025 reflects its attractiveness, with a strong dividend yield of 4.2% as the cherry on top. It's time for a revaluation!

Capital Markets Day of the largest aquaculture producer

The highlight came at the end of September, when MOWI's management hosted a Capital Markets Day in Norway. The world's largest player in the aquaculture industry (2.9 billion meals per year) caught our attention by announcing a volume target of 600,000 tons for 2029 (+20% vs. 2024). With growth investments of EUR 600 million and an EBIT/kg of EUR 2.16 (based on 2023), the payback period is under three years. Growth will be achieved by expanding land-based farming. The salmon are bred to 700 grams instead of 150 grams before reaching the 5 kg harvest weight in the fjords. This ensures shorter cycles and better monetization of the licenses. MOWI is also extending its sophisticated "Smart Farming 4.0" concept to all farming systems with the use of AI.

Artificial intelligence underwater



Source: MOWI CMD presentation, September 26, 2024

The system called "Tidal", which originated in Google's "X" lab, was named one of the best AI inventions of 2023 by Time magazine.

Quantifying MOWI's announcements through 2029 implicitly calculates earnings growth of 70% over 2023. This does not include emerging lower feed costs or higher salmon prices.

Resource tax reductions in the party manifesto

Norway's next parliamentary elections will be held in September 2025. The largest opposition party, Høyre, which has consistently led the polls since 2022, has stated in its published draft party manifesto that the resource tax should be reduced and the calculation simplified. In a TV interview on September 9, 2024, the program director added that a tax rate of around 15% (currently 25%) would be appropriate. The election campaign is underway, and we see that the large salmon farmers (e.g. MOWI) are activating their investment programs to get back on the growth track against the background of the foreseeable political changes.

Party leader Erna Solberg visits aquaculture site



Source: Høyre Party, October 1, 2024

Forex market movement

In July and August, the market learned that carry trades in the Japanese yen are not risk-free. The Bank of Japan triggered an upheaval with its modest interest rate move, causing its own currency to appreciate by 10% against the Euro within just three weeks. This generated a 1.0% return for the Global Fish Fund. There is a risk that the JPY will depreciate in the short term, but the momentum seems to favour the pacific island nation. Sooner or later, the U.S. and Europe will implement further interest rate cuts. The Thai baht rose by a similar amount (+10%) and generated a 0.9% return for the fund. While the government is stimulating the economy with direct payments to the population, the central bank is keeping interest rates unchanged. The Norwegian krone (-3%) cost the fund a net -0.7% after currency hedging transactions. Thanks to hedging, the depreciation of the USD (-4%) contributed only -0.2% net.

Positive return contributors

The largest contributor to returns was Nichirei (+1.1%-points), whose share price rose by 27%. Despite a brief 10% drop in the share price during the early-August sell-off, the recovery that followed more than made up for it. Investors like the defensive business model, which benefits from the stronger JPY, as the company currently generates 70% of its profits in Japan. Austevoll Seafood (+1.0%-points) is approaching the NOK 100 mark again due to its highly profitable wild-catch business. Nomad Foods (+0.8%-points) benefited from the stronger euro, as the stock is listed in USD. The company is also experiencing renewed growth thanks to higher sales volumes of its "Iglo" and "Findus" brands. The shaken share of Leroy Seafood (+0.6%-points) was bought

by the market due to promising results with new "submerged" cage technologies. The company is a "first-mover" in this field. Shares in Taokaenoi (+0.5%-points) briefly rose by over 20% in September following reports that the supply of algae will increase due to both better biological conditions and additional cultivation area. Taokaenoi's main raw material for snacks is seaweed. In total, 27 out of 36 (75%) stocks in the portfolio contributed positively over the last 90 days.

Negative return contributors

Shares in Hofseth BioCare (-0.5%-points) lost 15% over the reporting period. The quarterly results published in August did not provide the hoped-for breakthrough on the way to achieving the 2024 target of "Positive EBITDA". AKVA Group (-0.5%-points) presented an extremely strong result, although its shares fell by 15% on very low trading volumes. In July, it became known that a major competitor had to file for bankruptcy as a result of offering land-based projects at unprofitable terms. AKVA deliberately withdrew from such price wars and can now step in as a saviour to complete ongoing projects. A trading volume of a mere USD 220,000 caused the share price of Chilean salmon farmer Multi X (-0.5%-points) to fall by 10%. The company reported that after eight quarters of rising feed prices, the trend had reversed and will now be reflected in the income statement. In total, 9 out of 36 (25%) stocks in the portfolio contributed negatively over the last 90 days.

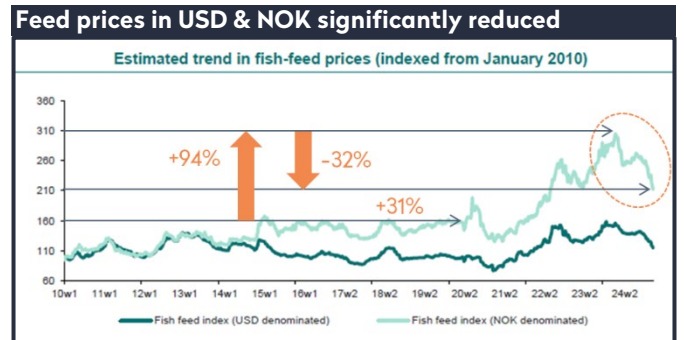
Allocation changes

During the stock market crash in Japan, we took advantage of attractive prices to buy into Food & Life Companies, a Japanese sushi chain. The company, which is growing strongly outside Japan, was on our watch list for some time, but the timing was not right. During the pandemic, the share price became the subject of real hype, with multiples of up to 70x P/E being paid. Valuation is now moderate and Japanese cuisine continues its global conquest. Conversely, we made profits with the high-flyer Nichirei, where we reduced the allocation by 100 basis points. The undervaluation relative to 2022 has been eliminated. However, with the prospect of further earnings growth, the fund remains invested with a quota of 3%. We also reduced the allocation to Thai Union by 100 basis points to 4% in favour of Nomad Foods. According to our analysis, the latter has higher earnings potential over the upcoming quarters. We closed our position in Charoen Pokphand Foods, whose shares recovered to the 2022 level. In our view, other stocks are better suited for the fund. To this end, we have slightly increased the allocation percentage in Proximar Seafood, which breeds Atlantic salmon locally in Japan. Smaller increases were also made in the holdings of Kyokuyo, High Liner Foods, Corbion and Marel.

Key developments in September 2024

The financial sector needs vision and stability when making investment decisions. MOWI has recognized the signs and, with their outlook for the next five years, demonstrated a highly profitable path for the industry. The globally operating company, which leads the market in terms of production volume and turnover, clearly demonstrates its intention to maintain and expand its pioneering role. Investments that were halted in 2022 due to the introduction of the resource

tax will resume. In terms of stability, most of the Norwegian population has already recognized in the 2023 regional elections that the governing parties are taking the country in the wrong direction. In 12 months, there will be just as much clarity in the Oslo parliament. Similar political developments can be observed in Chile and Canada, where current leader can no longer stand for election (Chile), or face being voted out of office (Canada). The "Wind of Change" has picked up speed and will support the Global Fish Fund.

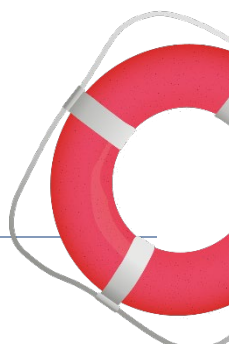


Source: DnB, Fat Trout Weekly, October 4, 2024

Quarterly results for the second half of the year may cause some short-term volatility due to high water temperatures in northern Norway, but the equity market will focus on the future. This looks promising for 2025 with lower feed prices (see chart), technological progress, the absence of El Niño and interest rate cuts. It is time to reap the fruits that have been sown.

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

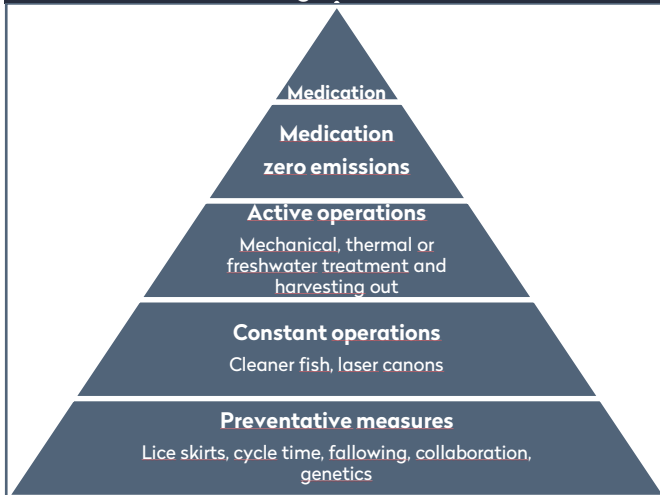
Overview: Key industry risks in salmon farming

Since the revision of the Sustainability section on the Bonafide website, our positive contribution to the SDGs is mentioned in the Impact section, along with a steadily growing number of key industry risks.

The list of industry risks contains concise graphics that illustrate the essential relationships between farmed salmon and nature. These graphics address some of the key concerns we are often presented with in relation to the consumption of farmed salmon.

- **Antibiotics**
- **Fish lice**
- **Feed use**
- **Plastic in seafood**
- **Wild fish sustainability**
- **Fish welfare**
- **Water and soil quality**

Industry risk fish lice: Escalation levels for treatment of fish lice in salmon farming



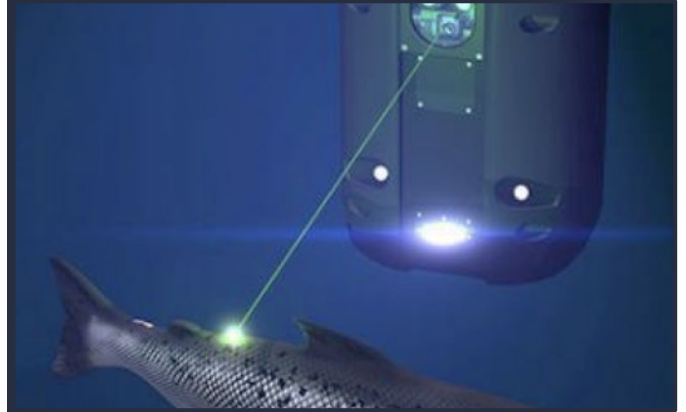
Source: Bonafide, October 01, 2024

A "pyramid of measures" is used to combat fish lice, outlining escalating steps, with chemical intervention as the last resort.

Star Wars and AI

Recently, the focus of the industry has been on the mechanical cleaning of fish and the use of barriers to separate fish and lice. Simultaneously, the among the public ever so popular, laser cannons are increasingly gaining recognition. SalMar recently purchased the entire production volume for the next two years to counteract fish lice in a targeted, gentle manner – and in true Star Wars fashion – already at low infestation levels.

Industry risk fish lice: Fish lice, which are only 5mm in size, are being targeted with a laser as an ongoing counter-measure



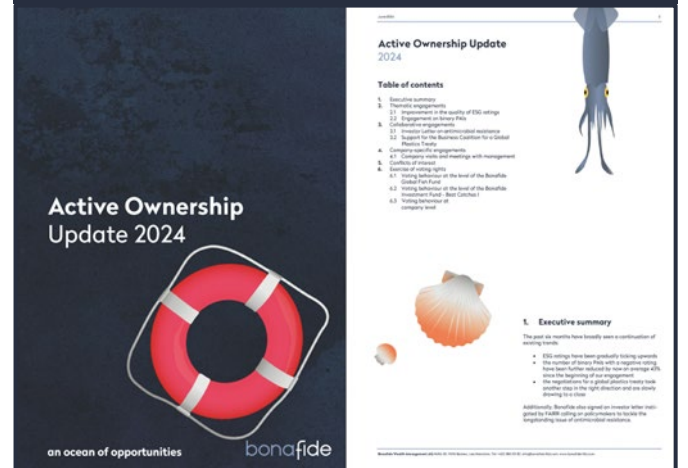
Source: Stingray, October 01, 2024

Publication of our Active Ownership Update 2024

Since last year, Bonafide publishes a semi-annual report on our Active Ownership efforts.

The latest report can be found [here](#).

Our latest Active Ownership Update is now available on our website



Source: Bonafide, August 31, 2024

Food safety

Why isn't salmon "white"?

Some consumers are concerned about the use of colorants in farmed salmon, believing it to be unnatural or unhealthy. The idea that the fish's distinctive color is the result of additives in the feed is met with skepticism, especially by people who prefer food in its most natural form. For many, this concern is part of a general distrust of processed or modified foods, especially when synthetic ingredients are used.

Salmon in different shades of orange, depending on the amount of colorants in the feed.



Source: *The Food Manufacturing Guy in X*, October 06, 2024

Critical documentaries such as *Seaspiracy* are quick to address these concerns, suggesting that practices such as adding colorants to farmed fish are questionable methods used by the seafood industry. These documentaries often focus on how farmed salmon get their color from pigments in the feed, leaving the impression that this process is an artificial manipulation of nature. While such documentation can address important matters about the industry, it tends to oversimplify complex issues, thereby contributing to misunderstandings among consumers.

Critical Netflix documentary on ocean exploitation. You can read our commentary on this [here](#).



Source: produced by Kip Andersen, available on Netflix, October 10, 2024

In reality, however, the coloration of farmed fish is often the result of a natural diet. Take flamingos, for example: These birds are born with gray feathers and only take on their pink color because they eat carotenoids found in algae and small crustaceans. Without this diet, flamingos would remain completely pale. For wild salmon things are similar. It also gets its pink color from astaxanthin, a pigment found in krill and other marine organisms. The vibrant color we associate with and enjoy in flamingos and wild salmon is therefore a completely natural result of their diet.

What exactly is astaxanthin?



Astaxanthin belongs to the family of carotenoids, which also includes well-known nutrients such as beta-carotene and lycopene. However, astaxanthin is the poster child of the family, with antioxidant powers that dwarf those of its relatives.

When used as a dietary supplement in fish, astaxanthin has a vitamin-like effect that boosts fertility and improves the immune system. Ten times more potent than beta-carotene, astaxanthin not only greatly enhances the red pigmentation in fish, but also yellow, green and blue, giving the flesh a salmon-red color.

Source: *cmgrouponline.com*, October 08, 2024

So why are some people still concerned about astaxanthin in farmed salmon then? Potentially because **synthetic astaxanthin** is often added to aquaculture feed rather than using a natural source. The term "synthetic" can cause concern among consumers because it is often associated with artificial chemicals and raises safety concerns. In the eyes of many consumers, this distinction between natural astaxanthin, which is absorbed through the food chain in nature, and its synthetic form, makes farmed salmon appear less healthy or natural than wild salmon.

So, is synthetic astaxanthin really dangerous? **The short answer is no** – if it were, it would not be allowed in food. In the European Union, novel food ingredients such as synthetic astaxanthin must **undergo a strict approval process** before they can be introduced to the market. This process includes toxicological studies, nutritional and exposure assessments. After all, as consumers in the EU, one thing we can be sure of is that new regulation gets introduced with a zeal that is probably unique worldwide.

Consumers should note that both natural and synthetic astaxanthin provide health benefits for **animals and humans**, beyond just coloring. Astaxanthin's antioxidant properties can help neutralize free radicals, which potentially lowers the risk of diseases such as cancer. Given these benefits, the inclusion of astaxanthin in the diet of farmed salmon may even be considered a positive rather than a negative aspect.



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Responsible for the creation of this publication

Bonafide Wealth Management AG, Höfle 30, 9496 Balzers, Liechtenstein

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