

Quarterly update

June 2024

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Overview of our funds

As at 30/06/2024

“The sea, once it casts its spell, holds one in its net of wonder forever.”

Jacques Yves Cousteau



As at 30/06/2024	NAV	Δ3m	Δ12 m	Δ3 y	Δ5 y	return s.i. (p.a.)	Total AuM in Mio. CHF
Bonafide Global Fish Fund EUR	213.04	-6.86%	0.17%	-11.58%	0.89%	6.48%	
Bonafide Global Fish Fund CHF	129.29	-8.32%	-1.23%	-20.01%	-10.15%	5.18%	
Bonafide Global Fish Fund USD	121.13	-7.46%	-1.09%	-16.45%	-1.71%	2.57%	
Bonafide Global Fish Fund EUR -A-	90.69	-6.87%	0.19%	-11.66%	0.80%	2.29%	
Bonafide Global Fish Fund CHF -A-	83.94	-8.31%	-1.26%	-19.78%	-9.58%	0.80%	
Bonafide Global Fish Fund EUR -Q-	98.44	-6.84%	n/a	n/a	n/a	n/a	
Bonafide Global Fish Fund CHF -Q-	101.19	-8.46%	n/a	n/a	n/a	n/a	141
Best Catches I EUR	917.17	-5.48%	-11.65%	-14.94%	-9.44	-1.68%	20
HBC I NOK	259.76	-2.52%	-25.03%	n/a	n/a	-37.92%	2
HBC II NOK	261.82	-2.32%	-24.29%	n/a	n/a	-39.95%	5

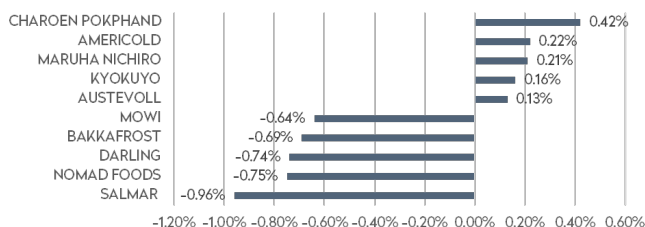
Source: Bonafide/IFM

Discrepancy between fundamental data and current portfolio performance

The Bonafide Global Fish Fund -EUR- recorded a correction of -6.86% in the second quarter of 2024, which is at variance with the solid fundamental performance of its portfolio companies. The P/E ratio ratio for 2024 stands at 12.4x, meaning that the portfolio is valued at a historical discount of 50% to the world equity index. This is unprecedented. The forecast dividend yield for the Global Fish Fund has risen to a record high of 4.4%, which is on a par with the yield on 10-year US government bonds (4.3%). The fund also offers effective protection against inflation.

The top and flop performers of the last quarter

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



Source: Bonafide

Seasonal variations and fundamental strengths

The negative price trend in the second quarter is mainly due to seasonal factors, in particular the fall in spot prices for salmon. This seasonal fluctuation is a recurring pattern which seafood analysts take into account when making their estimates. Despite this seasonal price decline, companies such as SalMar and BakkaFrost continued to report solid profits thanks to their declining cost base from falling

feed prices. Lerøy Seafood is a good example of the fundamental development: it has increased its book value by 15% over the last three years, which clearly highlights its long-term potential to create value. And not through accounting tricks, but with real investments in the business model (factories, fish, debtors). **Including the dividends paid, Lerøy Seafood has created 50% fundamental value for shareholders. However, the share price has fallen by 30% in the same period.**

The real key to Lerøy Seafood's valuation is buried in its intangible assets such as licences. If you apply the most recent average market price per kilo paid for salmon farming licences in Norway, multiply this by Lerøy Seafood's planned harvest volume for 2025, then add the tangible assets such as factories and biomass and deduct the net debt, you end up with an intrinsic value of NOK 85 per share. **That is 100% up from the current share price.**

It's calculations like this that get our hearts racing. **Investing in the Global Fish Fund means investing in excellent value stocks and being part of the "Blue Revolution" in the long term. Come aboard!**

Webinar on 23 July 2024

We are pleased to invite you to our next webinar on 23 July 2024 at 09:00 (CET).

>>> [Register now.](#)

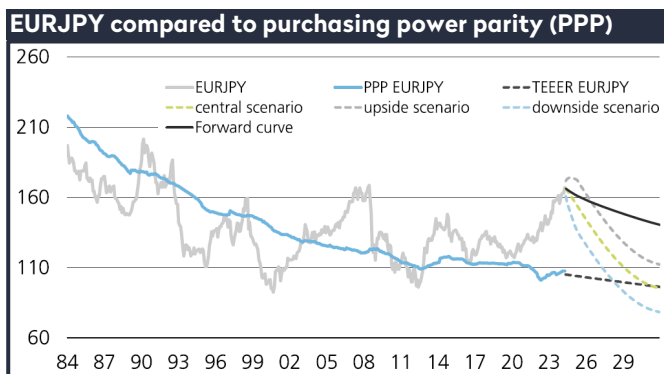
Research/Portfolio management

Divergences are widening. So where are the opportunities?

Over the past three months, the Global Fish Fund performance has been nothing less than a rollercoaster ride, finally bottoming out at the end of June. **The net asset value in EUR fell by -6.86% in the reporting period.** The portfolio began to perform negatively in mid-May, after an interim spurt to a **15-month high.** **From a cashflow perspective, the past 90 days have been extremely profitable.** A number of top positions such as SalMar (6.3% dividend yield), Lerøy Seafood (5.9%) and Austevoll Seafood (5.5%) paid out dividends for the 2023 financial year, some of which were record highs. Others, such as Café de Coral (7.1%), announced that they would be paying out soon. **The aggregate forecast dividend yield for the Global Fish Fund has risen to 4.4% – an all-time high in the fund's history.** By way of comparison: 10-year US government bonds currently offer a yield to maturity of 4.3%, but do not offer protection against inflation. In the event of a turnaround in interest rates in the USA, defensive equities are likely to favour investors again. The P/E ratio at fund level has become more attractive. **With a 12.4x P/E ratio for 2024, the portfolio is valued at a 50% discount to the world equity index, which is made up of almost 70% US equities.** Another unprecedented divergence. A still extremely moderate price-to-book ratio of 1.3x for the fund's securities illustrates its substance. The traffic light on the fundamentals side continues to point to "buy". So, are we just talking about seasonal variations? More on this after the currencies.

Currencies have helped

In terms of currencies, the market continues to bet against the Japanese yen (-6%), which weighed on the fund by -0.6% during the quarter. **Since 2019, a 60% appreciation gap in favor of the JPY has emerged in the EUR/JPY exchange rate based on purchasing power parity theory.** The theory states that the exchange rate tends to move around parity in the long term. A similarly large gap existed before the 2007 financial crisis, before the JPY appreciated by 45% in the space of 10 weeks in the autumn of 2008.



Source: UBS, 6 May 2024

The Norwegian krone (+3%) appreciated slightly against the euro, which brought the fund a net gain of 0.6%. The Chilean

peso (+5%) also recorded gains, giving the fund a return of 0.5%.

Seasonal variations in the price of salmon

The water temperature plays a significant role in fish farming. Colder water inhibits growth, while warmer conditions stimulate the fishes' appetite. This means that salmon grow particularly well in spring and summer, which is currently increasing the supply on the fresh market and putting seasonal pressure on the price. Seafood analysts factor this annually recurring pattern into their estimates, meaning that investors who base their decisions on fundamentals do not have to adjust their assessments. Event-driven investors, on the other hand, can be motivated to move salmon stocks on the stock market. Daily trading volumes have fallen since the resource tax was announced in 2022. **In June 2024, for example, a mere 2.4% of SalMar shares were responsible for a 12% drop in the share price.** At NVIDIA, 2% of shares are traded daily, implying a theoretical complete turnover of the shareholder base four times per year. **In contrast, 97.6% of investors in SalMar saw no reason to sell in June and yet all of them made up for the unrealised loss in their temporary valuation.** The price of fresh farmed salmon dropped due to the increased supply. And because supply was low in March and April due to difficult biological conditions in the Norwegian fjords, the **price dropped significantly in absolute terms from the record highs of over NOK 130 to the current NOK 75.**

Seasonal variations continue to affect the price of salmon in 2024.



Source: Bloomberg, 8 July 2024

It will be several weeks before the lower price reaches end consumers and stimulates higher demand. Higher demand will cause the price of salmon to rise again and **incentivise short-term stock market players to buy. Seasonal variations can also be positive.**

Negative contributions to returns

Shares in the abovementioned Norwegian salmon farmers SalMar (-1.0% points) recorded the highest valuation losses. The margin king cannot escape the lower salmon price, but thanks to its low cost base, the company is still earning good money. The same applies to Bakkafrøst (-0.7% points), which farms on the Faroe Islands and in Scotland. Both companies have organic growth opportunities in their highest-margin regions, **which is why they are very attractively valued with a view to 2025 (both 13x P/E) and 2026 (12x P/E) relative to their own history (~20x P/E).** Mowi, the largest and most liquid stock among the salmon companies, shows the highest return potential (-0.6% points). The

company produces its own feed and will be among the first to benefit from the lower prices for fishmeal and fish oil. **The deflation of farming costs has generally been somewhat lost in the din surrounding the lower salmon price.** Shares in Nomad Foods fell by 16% (-0.8% points). Like Nestlé & Co., the company operates with branded goods and has been affected by consumer “downtrading” and thus falling sales volumes. **A P/E ratio of 9x for 2024 seems somewhat pessimistic, given that price increases are leading to higher profits.** If sales volumes were to return to growth, which could already become apparent in Q2/24, this would probably trigger skyrocketing prices. Darling Ingredients (-0.7% points), which revalues animal waste by turning it into collagen and fuels (among other things), is struggling with lower sales prices, while the raw materials processed during the quarter were still purchased at high prices. Management is confident that the weakest phase of the recurring cycle will soon be over and margins will normalise. **In order to create shareholder value, they are buying back their own shares.** A consolidation of their stock prices was experienced by Japanese companies Nichirei (-0.6% points) and Nissui (-0.3% points). Japanese companies always begin the financial year on 1 April and their profit forecasts are always conservative. If business develops normally, forecasts are increased from quarter to quarter, so **we are looking out for the August reports.** A total of 25 out of 36 (69%) stocks made a negative contribution to the portfolio over the past 90 days.

Positive contributions to returns

Charoen Pokphand Foods (+0.4% points), which is listed in Thailand, has shown how quickly exaggerated pessimism can drain away. **Shares in the company made up for the 2023 bear market in the second quarter of 2024.** It benefited from higher protein prices in Asian countries coupled with lower feed costs. Newcomer Americold, a frozen food logistics company based in the US, quickly manoeuvred its shares into the profit zone (+0.2 points). Maruha Nichiro (+0.2% points) and Kyokuyo (+0.2% points) also made gains. The latter raised fresh share capital in February 2024 and has now presented its **new 3-year plan, which promises 50% earnings growth.** Despite exceeding its last 3-year plan by 25%, the share price in Kyokuyo only rose by a somewhat modest 7%. A total of 11 out of 36 (31%) stocks made a positive contribution to the portfolio over the past 90 days.

Reallocations

Few stocks reached an appropriate valuation during the quarter, which is why we made only a handful of reallocations. We said goodbye to Sprouts Farmers Market, whose shares have been undervalued for six years and have now risen to 28x P/E ratio within a year. When Nichirei was at record highs of over JPY 4,000, we began to reduce our allocation before the share price fell again significantly. We invested the proceeds from Nichirei in Maruha Nichiro, which performed 20% better on a relative basis. We were dealt a good hand with our new addition Americold, where we were able to build up a position of over 200 basis points at rock-bottom prices in April.

Americold trucks in front of deep-freeze facilities



Source: Americold, 8 July 2024

Americold is organised as a tax-optimised “REIT” in the US and provides frozen food logistics services. The Global Fish Fund covers the attractive niche of “temperature-controlled logistics” in the West through STEF in Europe and Nichirei in Japan. The business of cold storage facilities is being driven by population growth, increasing demand for seasonal products to be available year-round and the need for high levels of food safety. We also added 50 basis points each to Nomad Foods, High Liner Foods and Café de Coral. **The cash ratio has fallen further in view of the attractive valuations.**

When do intrinsic values come into play? Where are the opportunities?

Market divergence is reaching extreme levels. Large caps are becoming more expensive, especially in the US, while **small and mid caps in Europe and the rest of the world remain cheap.** Both categories create economic value.

Looking for an example? **Lerøy Seafood**, which has been in the portfolio for years, has increased the book value of its shares by 15% over the past three years. And not through accounting tricks, but with real investments in the business model (factories, fish, debtors). **Including the dividends paid, Lerøy Seafood has created 50% fundamental value for shareholders. However, the share price has fallen by 30% in the same period.** And what else would weigh positively on the balance sheet? Lerøy’s intangible assets such as licences, for example, which are not exactly marginal. If you apply the most recent average market price per kilo paid for salmon farming licences in Norway (2024 auction), multiply this by Lerøy Seafood’s planned harvest volume for 2025, then add the tangible assets such as factories and biomass and deduct the net debt, you end up with an intrinsic value of NOK 85 per share. **That is 100% up from the current share price. We hope you can guess where our lifeblood is flowing. Come aboard and become part of the #BlueRevolution.**

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

Performance contributions of individual companies are shown in EUR and refer to gross profit. We prepare our analyses and investment forecasts very carefully, but they can never offer an absolute guarantee of future performance.

Sustainability

Improvement in the principal adverse impacts of investment decisions on sustainability factors

At the end of June, Bonafide published its **Statement on the main adverse impacts of investment decisions on sustainability factors** at company level for the second time in accordance with SFDR. This enabled us to compare two reporting years for the first time. The comparison showed a significant increase across numerous PAIs. Overall, the number of non-compliances relating to binary PAIs across 92 companies was reduced from 442 at the end of 2022 to 310 at the end of 2023.

Target setting/achievement report published as part of the UNEP FI Sustainable Blue Finance Initiative

The Sustainable Blue Economy Initiative is a global programme that aims to combine economic growth with the protection and sustainable use of marine and coastal ecosystems. This year, for the first time, its members were asked to report on their targets and achievements. The members' responses can be found on the **UNEP FI website**.

This year, Bonafide paid particular attention to compliance with the exclusion criteria set by UNEP FI for aquaculture and fisheries companies. These criteria are designed to avoid negative environmental impacts and promote sustainable practices.

You can find this year's Bonafide report **here**.



Source: UNEP FI

SalMar addresses myths surrounding salmon farming¹

SalMar has recently launched a new app and **website** to clear up misconceptions and myths concerning salmon farming. This initiative aims to create transparency and raise awareness of sustainable practices in salmon farming. The platform provides comprehensive information on the environmental and economic benefits of salmon farming and addresses common concerns such as environmental pollution, antibiotic use and animal welfare. Users can learn about the reality and progress of the industry by means of easy-to-understand articles, videos and interactive content.

If you are looking for more detailed information, you should also take a look at the **Sustainability Library from Lerøy**. Those interested in sustainability will find the latest figures on detailed sustainability indicators relating to climate, fish

feed, water and waste management, biodiversity, fish welfare and more.

SalMar's new info portal addresses the myths surrounding salmon farming



Source: SalMar

Fourth coral bleaching event underway

According to NOAA, the world is currently experiencing its fourth coral bleaching event since the 1980s. During this process, corals reject symbiotic algae that provide them with food and their vibrant colours, often leading to the death of the corals.

Coral reefs play a crucial role in marine biodiversity, as they are home to almost 25% of marine species. With a global temperature rise of just 1.5°, however, it is predicted that 70 to 90 per cent of coral reefs will disappear. An increase of 2° would wipe out almost all coral reefs worldwide.

To prevent this, it is important for investments to have as neutral an effect on the climate as possible! Around 30 per cent of the companies in the Global Fish Fund are SBTi companies and therefore in compliance with the Paris Agreement, meaning that Bonafide is already achieving this to a far above-average extent. The innovative strength of the seafood industry and the generally favourable resource efficiency of fish give us further hope that we will be able to increase this proportion significantly in the near future.

Coral bleaching: before, after



Quelle: Upworthy

¹ The information presented above is based on statements from SalMar and has not been independently verified by us.

Food safety

Consumers are regularly told that they should be concerned about the quality of salmon, especially farmed salmon. Although we do not believe that food safety concerns should be paramount, it seems that people often search for problems in the wrong place. **It is not salmon production methods that occasionally cause quality problems, but processing and logistics – especially when eaten cold.**

In recent years, the European Union has seen a worrying increase in human cases of listeriosis, the leading cause of foodborne death in Europe. Between 2021 and 2022, the number of cases increased by 15.9%. This trend has prompted the EU to adopt new regulations to improve food safety, particularly for ready-to-eat (RTE) foods such as smoked salmon.

It is important to emphasise that food safety issues with farmed salmon are generally rare. The aquaculture industry has made significant progress in improving farming practices, reducing the use of antibiotics and implementing strict monitoring protocols. Companies such as SalMar, for example, report that far less than 1% of their fish are treated with antibiotics, and only under veterinary prescription. Regular testing and compliance with international standards have made farmed salmon a generally safe food choice.

However, cold-smoked salmon in particular presents unique food safety challenges. **The smoking process, which takes place at temperatures below 33°C, is insufficient to eliminate *Listeria monocytogenes*** – a bacterium that can survive and grow slowly even at refrigerator temperatures. This makes cold-smoked salmon a higher-risk product than other types of salmon.

New EU regulation to reduce listeriosis cases through ready-to-eat food



Source: Food Manufacture

To address these concerns with ready-to-eat foods, the EU has proposed new regulations that also affect the processing of salmon, in particular the so-called “stiffening” process. Stiffening involves lowering the temperature of fresh salmon fillets to between -4°C and -14°C to facilitate slicing and provide additional safety measures against harmful bacteria such as *Listeria monocytogenes*.

The new EU regulation sets a maximum time limit of 96 hours (4 days) for the stiffening of smoked salmon. This is a significant change from previous practices where processors could set their own stiffening times according to Hazard Analysis and Critical Control Point (HACCP) standards. Some companies reportedly took up to two weeks to complete this process.

Cold-smoked salmon poses particular challenges for food safety

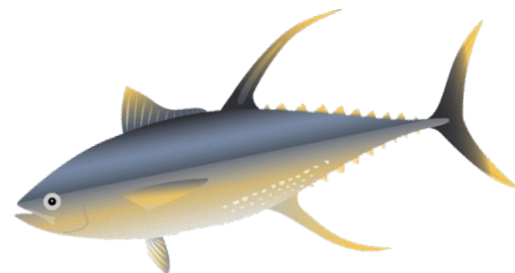


Source: West & Reid

While this change has raised concerns in the industry about potential job losses, sub-optimum utilisation of capacity and increased food waste, regulators argue that it will improve food safety and reduce the risk of listeria contamination. The new time limit is designed to prevent the exploitation of vague rules that have allowed some processors to keep salmon in a frozen state for extended periods and then sell it as “fresh” without proper labelling.

The resulting decline in stocks at salmon processors is contributing to the current weakness of salmon prices on the market. However, we expect this trend to reverse in the near future.

By implementing these stricter regulations, the EU aims to increase the safety of smoked salmon and other ready-to-eat foods further and ultimately reduce the incidence of listeriosis. **For consumers, this means that the salmon on their plates is now subject to even stricter safety standards, making it an even safer choice for consumption.**



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