

## ABOUT THE FUND

Storm Bond Fund (UCITS) is a Nordic High Yield fund. The fund seeks to hold a diversified portfolio of the best risk-adjusted high yield bonds in the Nordics. The investment process is based on a top-down market screening of the universe and a detailed bottom up analysis of the individual companies. The management team has extensive experience in Nordic High Yield and is among the largest investors in the fund.

## NET RETURN HISTORY (SHARECLASS RC NOK\*\*\*, NET OF FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	1.1%	0.5%	-0.4%	0.4%	0.8%	0.6%	0.1%	0.5%	0.4%	0.5%			4.5%
2017	3.3%	3.0%	2.1%	1.3%	0.6%	-1.1%	0.8%	1.1%	1.1%	0.3%	-0.2%	0.3%	13.3%
2016	-1.9%	-3.2%	6.0%	4.1%	-0.5%	0.6%	1.8%	3.3%	-0.4%	1.2%	0.1%	5.8%	17.8%
2015	-2.7%	-1.3%	-0.2%	1.5%	2.1%	0.4%	0.4%	-3.7%	-2.8%	1.3%	-0.7%	-4.2%	-9.6%
2014	1.1%	1.0%	0.9%	0.7%	0.7%	0.8%	0.6%	0.1%	-1.3%	-5.5%	-0.3%	-11.5%	-12.7%
2013	1.1%	0.8%	1.0%	1.0%	1.5%	0.0%	1.1%	1.2%	1.1%	-0.1%	1.1%	0.8%	11.0%
2012	2.7%**	1.7%	1.1%***	1.0%	0.2%	1.0%	0.8%	1.2%	0.7%	-1.0%	1.5%	1.6%	13.0%**
2011	1.9%	2.3%	2.0%	1.4%	-1.7%	-2.4%	1.0%	-2.3%	-2.6%	1.4%	0.0%	0.6%	1.5%
2010	6.2%*	0.8%	2.0%	3.8%	-3.4%	1.3%	1.4%	2.2%	2.8%	1.5%	1.1%	-1.0%	19.9%
2009	8.9%	0.3%	-4.2%	2.1%	1.2%	7.9%	6.8%	3.0%	5.7%	2.6%	1.4%	4.1%	46.8%
2008									-2.6%	-3.2%	-10.4%	-13.5%	-26.9%
YTD													4.5%
1-year													4.7%
3-years (ann.)													9.9%
Since inception (ann.)													6.0%

From inception to end of 2009, the fund was EUR-denominated (unhedged). \*From January 2010, performance and NAV are reported based on the EC share class, EUR-denominated (hedged). \*\*From 1 Jan 2012, the fund has been a hedged NOK-denominated fund. \*\*\*From March 2012, performance and NAV are reported based on the EC NOK share class, EC changed name to RC NOK as of January 2013. Past performance is no guarantee for future performance.

## PORTFOLIO COMMENT - MORTEN E. ASTRUP (CHIEF INVESTMENT OFFICER)

Dear investor,

Storm Bond Fund was up 0.5% in October and is up 4.5% YTD.

After a fairly calm period with in general positive market performance, volatility struck back in October with the majority of international equity markets trading down significantly since the end of September. This has been driven mainly by continued political tension, worries about rising interest rates, along with concerns about the longevity of the financial cycle. Both US and European High Yield was affected negatively by the turmoil yielding -1.8% and -1.3% respectively. Oil prices did also come under pressure during the month with Brent Oil trading down -9% mainly due to raising concern about global oil demand and increasing stockpiles in the US. Consequently, energy stocks has come under pressure with OSX index decreasing with -20% during the month. The Nordic High Yield market continued its strong relative performance in October yielding on average positive returns with our Nordic peer group yielding 0.4% vs. Storm Bond Fund at 0.5%.

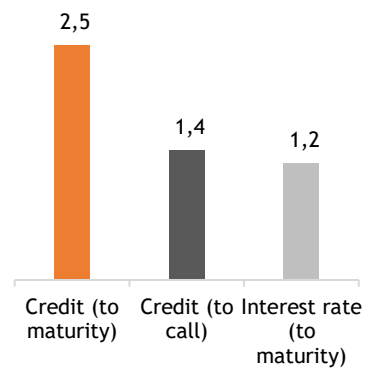
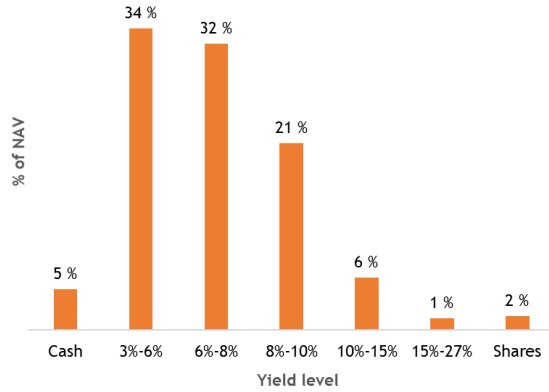
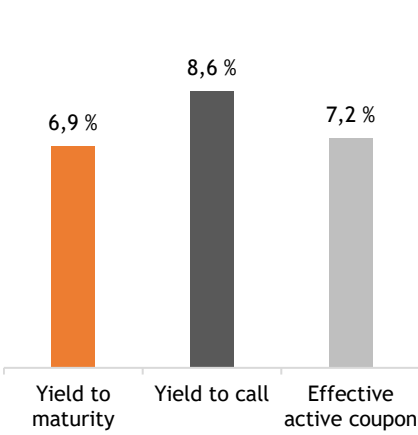
During the month our largest portfolio company, Veritas Petroleum Services ("VPS"), decided to early redeem its outstanding bonds at 101.5% of par. The credit benefitted from a strong market position, resilient earnings and high cash conversion. Storm Bond Fund initiated the position in 2016 and it has contributed with solid returns and low volatility. Point Resources, which announced merger plans with Eni Norway earlier this year, did also announce its intention to early redeem its outstanding bonds. The company's proposal to introduce a call at 115.044% of par was rejected by more than 1/3 of the bondholders votes. Furthermore, Noram Drilling announced that it plans to acquire and upgrade two additional drilling rigs. The acquisition will be financed with USD 24m of new equity from the main shareholders, cash at hand and an extension of the secured bond loan with two years. We deem the transaction to be credit positive as it increases the fleet size and strengthens the asset backing in an improving market.

We acknowledge that we are positioned late in the financial cycle and our main objective is to create a portfolio that offers solid return prospects, but at the same time provides our investors with downside protection in the event of market turmoil. Our main strategic focus areas to achieve this remains to be exposed to a concentrated but well diversified portfolio of quality Nordic credits with short credit duration (2.5 years) and low modified duration (1.2 years) going forward. The yield to maturity in the portfolio is 6.9%.

**YIELD LEVELS**

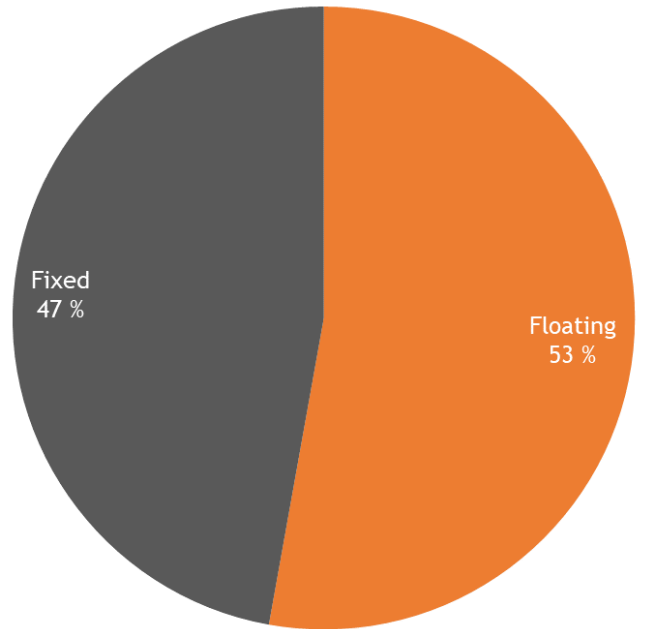
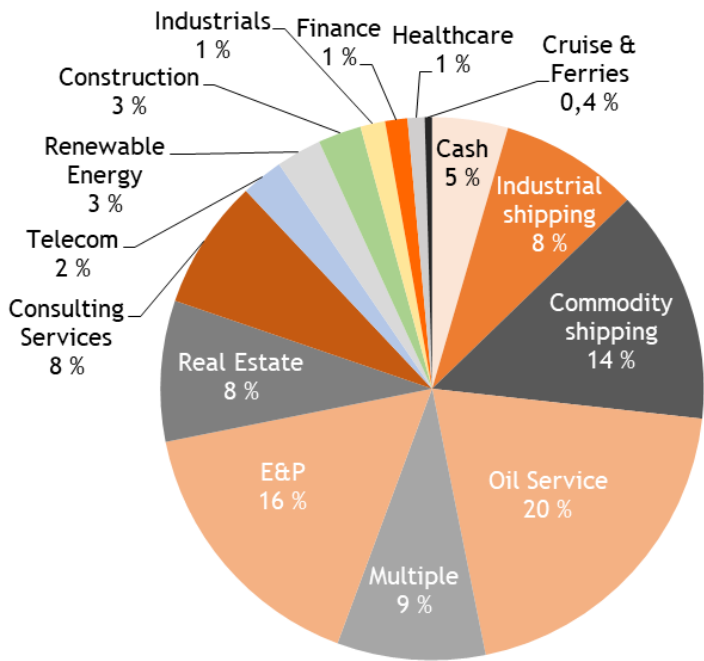
**YIELD DISTRIBUTION**

**DURATION (YEARS)**



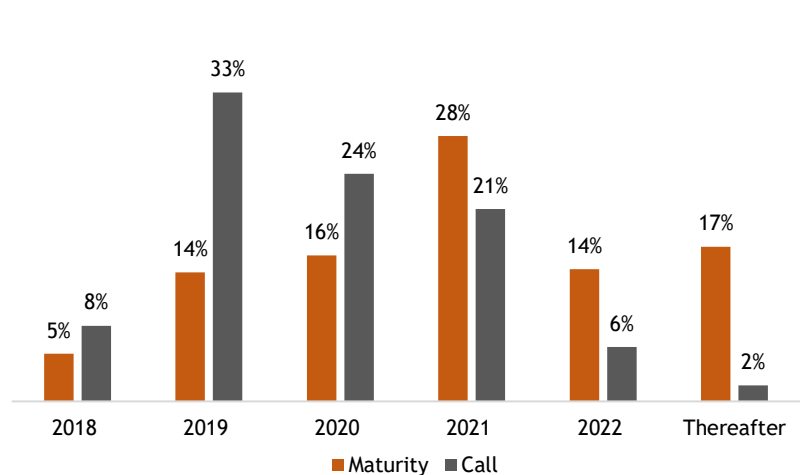
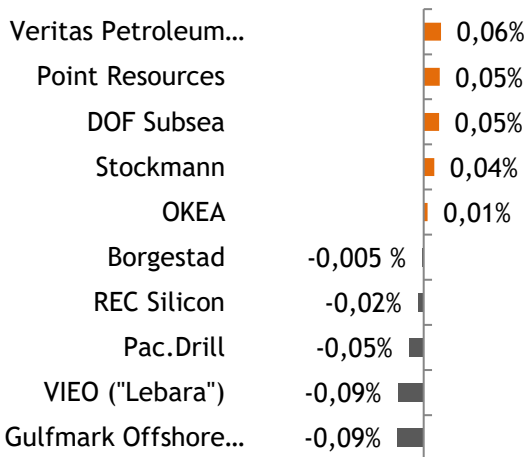
**SECTOR ALLOCATION**

**FLOATING VS. FIXED RATES**

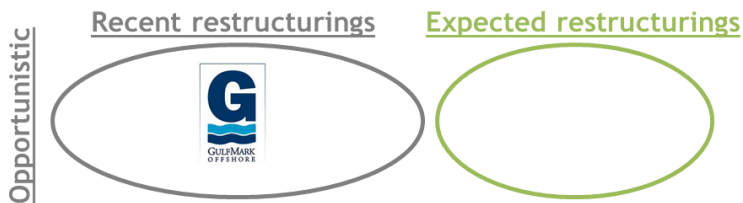
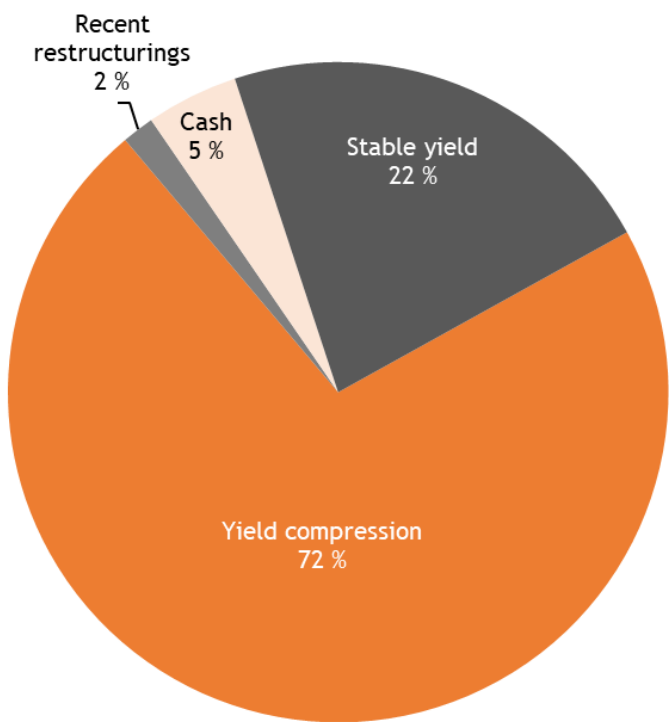


**CONTRIBUTION ANALYSIS (top 5 / bottom 5)**

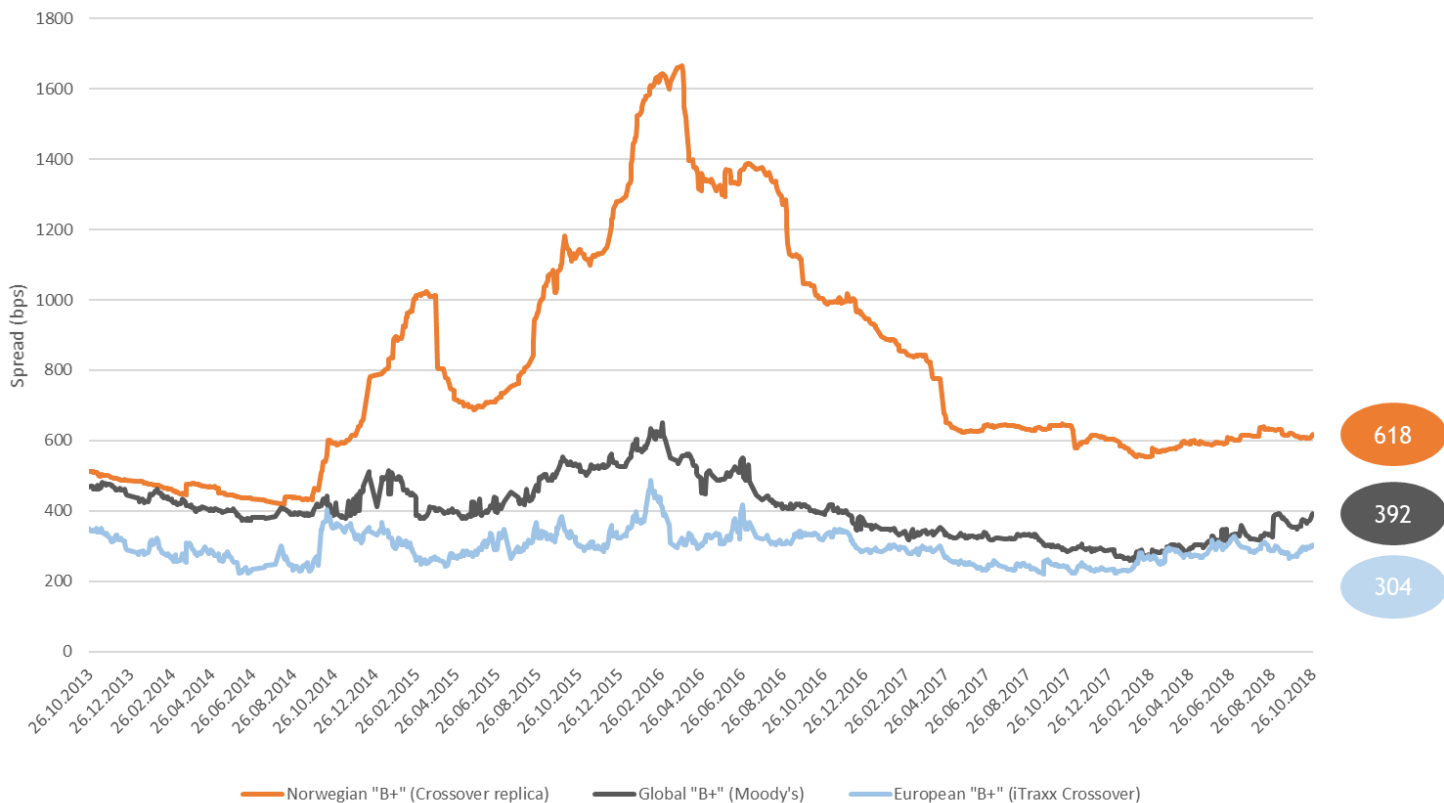
**MATURITY PROFILE**



PORTFOLIO OVERVIEW



SPREAD PREMIUM IN B+ COMPARED TO INTERNATIONAL MARKETS



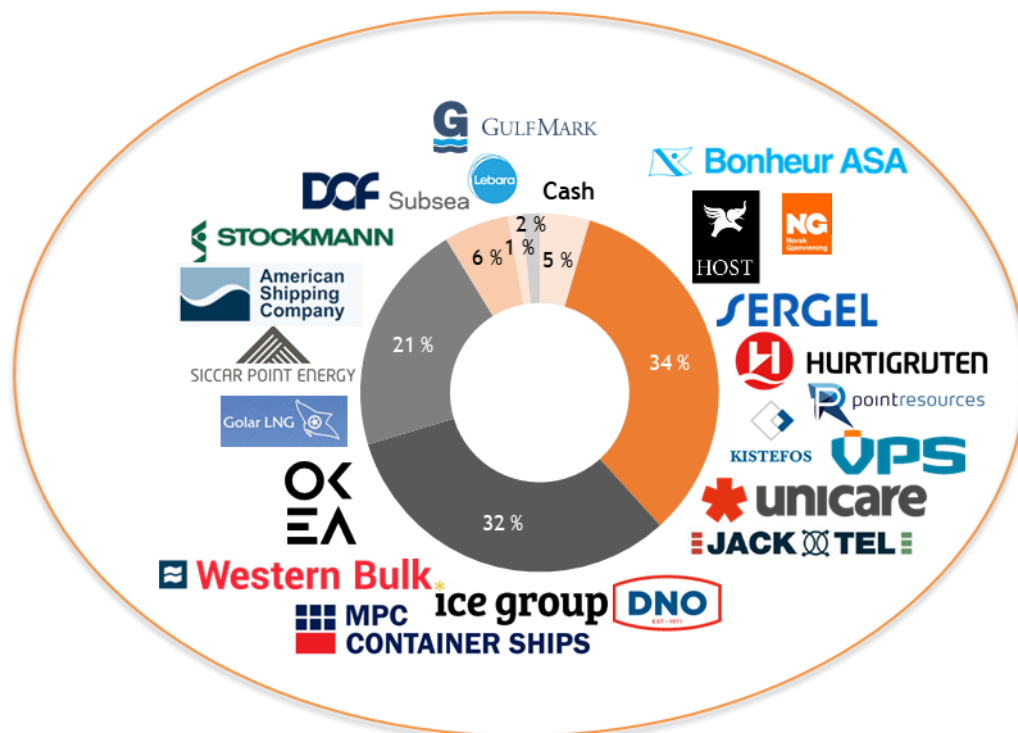
Source: Sparebank 1 Markets, as of 26.10.2018.

## BOND PORTFOLIO - TOP 20

NAME	ISIN	PRICE	YIELD %	NAV %	SHORT DESCRIPTION	
1	Veritas Petroleum Services B.V. 14-1N00010708506	101,55	5,4 %	5,1 %	Veritas Petroleum Services ("VPS"), decided to early redeem its outstanding bonds at 101.5% of par. The credit benefitted from a strong market position, resilient earnings and high cash conversion. Storm Bond Fund initiated the position in 2016 and it contributed with solid returns and low volatility under the investment period.	
2	Point Resources AS 18-24	N00010819485	115,24	5,5 %	5,1 %	Point Resources is a Norwegian E&P company with assets on the NCS. The company is currently controlled by HitecVision. Point Resources and Eni Norway recently agreed to merge, creating a company producing 180,000 bopd with 1,250 mmbob reserves and resources. The Company has announced its intention to introduce an early redemption clause in the bond documentation at 115.044%. The was rejected by more than 1/3 of the bondholders votes.
3	Golar LNG Partners LP DL-FLR Notes	N00010786056	100,63	8,5 %	4,3 %	Golar LNG Partners is an international owner of LNG and FSRU tonnage listed at the NYC stock exchange with a market cap of USD -1.0bn. The GMLP bonds remains the widest in the LNG peer group despite improving LNG market outlook due to the perceived risk of the Hili project. The Company has a very solid liquidity position and the lowest leverage in the LNG peer group. Hence, we view the GMLP credit to offer very attractive risk/reward.
4	Kistefos AS 17-21 FRN	N00010809700	103,31	5,9 %	4,1 %	Norwegian investment company, which is 100% owned by Christen Sveeas. Kistefos holds investments within financial services, Telecom & IT, commercial real estate, offshore services and other financial investments. Kistefos announced earlier this year an impressive deal within VSS which takes estimated value adjusted equity to NOK -5.3bn. This corresponds to an IBD/VAE of 39% suggesting very strong asset backing for the bonds
5	American Tanker Inc. 17-22 -144A-	N00010777519	99,66	9,6 %	3,6 %	American Shipping company owns 10x modern US Jones Act Tankers. The Company is listed on the Oslo Stock Exchange with an mcap of NOK 2.1bn. The credit benefits from an improving US tanker market, fairly robust asset backing and debt service capabilities.
6	DNO ASA 2020	N00010740392	103,21	6,7 %	3,5 %	DNO is a Middle East and North Africa focused oil and gas company listed on the Oslo Stock Exchange with a market cap of NOK -17.3bn. Although the Company is operating in regions with political risk the credit benefits from low lifting cost, a strong balance sheet and now more regular and stable cash flows from the authorities (KRG).DNO also holds a significant position in Faroe Petroleum.
7	MPC Container Ships Invest B.V. 17-2N00010805872	102,23	6,6 %	3,5 %	Pure play container shipping company. USD close to 500m in equity raised, listed on the Oslo Stock Exchange with an mcap of NOK 3.5bn. Senior secured bond with 1st priority in the fleet. Bond with significant downside protection with LTV of -50% on historical low valuations. Estimated loan to scrap ratio of -120%.	
8	Jacktel A/S 14-19	N00010714561	100,88	5,8 %	3,3 %	1st lien pledge in a jack-up built for the Norwegian continental shelf. Currently working for Statoil on the Johan Sverdrup field until 2020 with further options thereafter. The Company is in the market to refinance its outstanding bonds.
9	Bonheur Asa 14-21 FRN	N00010714538	100,65	4,4 %	3,0 %	Fred. Olsen controlled conglomerate listed on the Oslo Stock Exchange with a market cap of NOK 4.2bn. Bonheur has investments within shipping, offshore, renewable energy and cruise. Bonheur consolidated IBD amounts to NOK -14bn, but only NOK 3.1bn is recourse to parent. Bonheur has NOK 3.3bn of cash vs. NOK 2.4m of bonds. In addition the company has sidelined another NOK 2.2m of cash in 100% owned entities that management noted will be streamed up to parent.Hence, we view asset backing in bonds to be sufficient.
10	Noram Drilling Company AS 14-19	N00010711948	100,31	8,6 %	3,0 %	Noram Drilling is an onshore drilling company owning nine drilling rigs, all of which operate in the Permian Basin. The largest shareholder is John Fredriksen's Geveren, owning 58%. We view Noram as a solid credit due to its strong cash flow, solid asset backing which in its turn reduces the refinancing risk, positive market outlook and a strong and industrial owner.
11	Okea AS 17-20	N00010810062	103,53	7,1 %	2,8 %	Okea is an independent E&P company focused on small field developments on the NCS. Okea recently acquired Shell Norway's 44% interest in Draugen and 12% interest in Gjøa for NOK 4.5bn. The recent acquisition increased Okea's asset base substantially. The bond is secured and offers significant asset backing for bondholders.
12	GasLog Ltd 16-21 FRN	N00010767858	106,41	5,4 %	2,7 %	Gaslog is an international owner and operator of LNG carriers listed at NYC stock exchange with a market cap of USD 1.6bn (+MLP Gaslog Partners mcap at USD -1.1bn). The Company is benefitting from the improving LNG spot rates and has a strong MLP entity which has contributed with USD -270m in 2017. This has resulted in a very strong liquidity position of USD 414m per end-Q2/18. Despite the somewhat high leverage, we find the 2021 bonds to offer solid risk/reward due to the strong backlog, solid balance sheet and improving LNG market.
13	Western Bulk Chartering AS 13-19 FR	N00010675572	102,42	6,8 %	2,6 %	Western Bulk Chartering is a global dry bulk operator with a trading oriented business model, focusing on the Supramax and large Handysize segment. The Company is listed on the Norwegian OTC list and is 74% owned by Kistefos. We view the credit as strong with limited refinancing risk due to i) strong support from main shareholders whom has contributed with NOK -350m of equity since 2016, ii) strong balance sheet with a net cash position and iii) improving market fundamentals.
14	Frigaard Property Group AS 18/21	N00010826092	100,25	7,5 %	2,6 %	Norwegian based construction company with operations mainly in South-East of Norway. The bond is secured and leverage is deemed conservative with a NIBD/EBITDA'18 estimated to be -1.5x. The credit case further benefits from relatively strong earnings visibility.
15	Host Property AB 16-19 FRN	SE0009357676	100,68	5,4 %	2,3 %	1st lien pledge in 8 hotel properties in Sweden with a total value of SEK 680m. Prime locations in their respective regional cities. Gross LTV of approx. 50% and average lease maturity of 13 years.
16	Pac.Drill.Second L.Esc.I.Ltd. DL-Notc	US69419WAA71	105,00	11,2 %	2,3 %	Pacific Drilling has gone through a restructuring of their balance sheet. Bonds has been equitized and upon emergence of chapter 11 PACD's capital structure will consist of two bonds; a 1st lien if USD 750m and a 2nd lien USD 250m bond. Pacific Drilling owns 7 high-end drillships (2x Samsung 10,000 and 5x Samsung 12,000). Using RIG/ORIG transaction price of USD 278m + EBITDA backlog - run rate SG&A for 12m the LTV at emergence is -40%.
17	Beerenberg Holdco II AS 17-21 FRN	N00010786296	103,94	5,8 %	2,2 %	Leading supplier of ISS services in the North Sea, which is one of the largest MMO markets. Strong and long-term relationships with blue-chip companies. Solid earnings visibility and flexible cost base. Net leverage came in at 3.7x by end-Q2/18 which is considered moderate and expected to come down over the coming years, with the company having a strong de-leveraging capacity and a NOK 10.5bn backlog providing comfort
18	Hoegh LNG Holding Ltd. 15-20 FRN	N00010739683	100,64	7,1 %	2,2 %	HLNG is an owner and operator of floating storage and regasification units and has a leading position within this market. The Company is listed on the Oslo Stock Exchange with a market cap of NOK 3.0bn. The main owner Leif Höegh & Co owns -40% of the Company. The majority of the fleet is on long-term contracts with solid counterparts providing the company with solid cash flow visibility going forward. We believe the '2020 bonds offers strong risk/reward as we see limited risk of liquidity shortfall ahead of the bond maturity.
19	Euronav Luxembourg S.A. 17-22	N00010793888	99,27	7,9 %	2,1 %	Largest publicly listed tanker company in the world with a market cap of USD -2.0bn. Conservative financial strategy with target to keep a minimum of 2 year operational liquidity runway. Recently acquired Gener8 Maritime with shares increasing its fleet from 51 to 81 vessels.
20	DOF Subsea AS 17-22	N00010788177	98,97	10,1 %	2,1 %	Provider of subsea tonnage, subsea construction and IMR services. 51% owned by DOF ASA and 49% owned by First Reserve. Strong order backlog of NOK -18bn (NOK 37bn inc options) with tier-1 counterparties. The firm EBITDA backlog is estimated to cover net debt and remaining capex.
Sum				62,4 %		

Total number of bond positions: 46 (from 42 issuers). Total number of shares: 1.

EXAMPLES OF PORTFOLIO COMPANIES AT RESPECTIVE YIELD LEVELS



Yield level	% of NAV
Cash	5 %
3%-6%	34 %
6%-8%	32 %
8%-10%	21 %
10%-15%	6 %
15%-27%	1 %
Shares	2 %

PRICES FOR DIFFERENT SHARE CLASSES

SHARE CLASS	ISIN	PRICE
Retail NOK (soft closed)	LU0740578702	132,22
Institutional NOK (soft closed)	LU0840158496	125,06
Retail NOK (RCN)	LU1382364633	131,43
Institutional NOK (ICN)	LU1382364716	125,18
Institutional USD	LU0840159387	106,98
Retail SEK	LU0840159460	103,23
Institutional SEK	LU0840159544	107,51
Retail GBP	LU0840159890	108,74
Institutional GBP	LU0840159973	100,00*
Retail EUR	LU0840158819	103,86
Institutional EUR	LU0840158900	100,64
Retail CHF	LU1428000985	100,00*
Institutional CHF	LU1076701652	96,59

\*to be opened with first investment in share class

OTHER INFORMATION

Share classes	NOK, SEK, EUR, USD, GBP, CHF (all hedged)
Domicile	Luxembourg
Investment Manager	Storm Capital Management Ltd
Administrator	Hauck & Aufhäuser Asset Management Services
Custodian Bank	Hauck & Aufhäuser Fund Platforms S.A.
Management Fee	Retail: 0.75% Institutional: 0.5%
Performance Fee	10% (high water mark)
Redemption Fee	0.25% (accrues to the fund)
Minimum Investment	Retail (50,000 NOK) Institutional (15,000,000 NOK)
Liquidity	Daily
Auditor	KPMG
VPS-registered	For Norwegian clients
Ethical guidelines	Follow the ethical guidelines as defined by Norway's sovereign wealth fund (formal name: Government Pension Fund Global)
AUM (NOKm)	1 169

## TEAM

## PORTFOLIO MANAGEMENT

**MORTEN E. ASTRUP***Chief Investment Officer / Founding Partner*

- He has over 20 years of financial and asset management experience including several board positions
- Morten is responsible for:
  - Portfolio management
  - Restructuring processes
- He holds a Master in Business and Economics from the Norwegian School of Management/City University London and is authorised and regulated by the FCA

**MORTEN VENOLD***Portfolio Manager/ Analyst*

- He has 10 years of experience from research and finance
- Before Storm he worked as a credit research analyst, covering the offshore high yield space at Arctic Securities in Oslo and before that he worked at ABG Sundal Collier and DNB in London
- Morten is responsible for:
  - Portfolio management
  - Research and daily monitoring of investment universe
- He holds a BSc in Business & Economics from the Norwegian School of Management and a MSc in Finance from Cass Business School in London

## INVESTOR RELATIONS / SALES

**TORE ANDERSEN***Sales and Marketing Director*

- He has over 20 years of experience in financial advisory and sales. Before he joined Storm he founded Axir ASA (1995), which was sold in 2010
- Tore is responsible for:
  - Sales and marketing activity
  - Investor relations
- Tore holds a bachelor in Business and Economics from the Norwegian School of Management and is authorized as a financial advisor, AFR and is also authorized through Norwegian Securities Dealers Association

Contact details: +47 920 35 908 or [tore@stormcapital.no](mailto:tore@stormcapital.no)

**MARCUS S. MOHR***Sales Manager*

- He has over 8 years of experience from investment banking and sales. Before he joined Storm he worked in the investment banking division at Citigroup in London
- Marcus is responsible for:
  - Sales and marketing activity
  - Investor relations
- Marcus holds a Master in Finance and Economics from the University of Strathclyde (Scotland) with distinction

Contact details: +47 951 35 853 or [marcus@stormcapital.no](mailto:marcus@stormcapital.no)

## AWARDS



Winner of the Allocator/CNBC Investors Choice Awards as the Long Only Credit Fund of 2016 in the EMEA & APAC. The awards were judged by a distinguished panel of institutional investors in funds and they took into account a set of qualitative criteria covering the investment process, risk management framework and depth of research team, as well as a set of quantitative performance measures including annualized returns, volatility and maximum drawdown.

## IMPORTANT INFORMATION

The material contained in this document is not to be regarded as an offer to buy or sell fund shares. The information in this document is general in nature and does not constitute legal, tax, or investment advice. Potential investors are urged to consult their professional advisers on the implications of making an investment in, holding or disposing of shares of, and the receipt of distribution from any investment. Past performance is not indicative of future results. This document has been prepared by Storm Capital Management Ltd. and should not be considered impartial research under FCA Rules. The views expressed may not be supported by independent analysis. The author of this document may be remunerated as a result of transactions generated by this information. Storm Capital Management Ltd. is authorised and regulated in the United Kingdom by the Financial Conduct Authority. Its registered office is at Berger House, 36-38 Berkeley Square, London W1J 5AE, United Kingdom.