

## ABOUT THE FUND

Storm Bond Fund (UCITS) is a Nordic High Yield fund. The fund seeks to hold 30-40 of the best risk-adjusted high yield bonds in the Nordics at all times. 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 the largest investor 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     |
|------|--------|-------|-------|------|-------|-------|------|-------|-------|-------|--------|--------|---------|
| 2016 | -1,9%  | -3,2% | 6,0%  | 4,1% | -0,5% | 0,6%  | 1,8% | 3,3%  | -0,4% | 1,2%  | 0,1%   |        | 11,3%   |
| 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%  |

\*From January 2010, performance and NAV are reported based on the EC share class. EC share class 31.December 2009: 103.9. \*\*From 1 Jan 2012, performance and NAV are reported on return in NOK. \*\*\*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 investors,

November was affected firstly by fear for Trump and OPEC and then the equity market followed with a relief rally at the end of the month. Our portfolio ended flat at 0.1% and we are now up 11.3% YTD. The decision to cut oil supply by OPEC is highly likely to create a re-pricing of several bonds in December. The decision where Saudi is taking most of the cut is important because we can trust that Saudi do what they say more than the other OPEC members. The meeting therefore is likely to create balance in the oil market during 1H 2017. Hence, we expect to see further yield compression, especially among the longer dated energy related bonds.

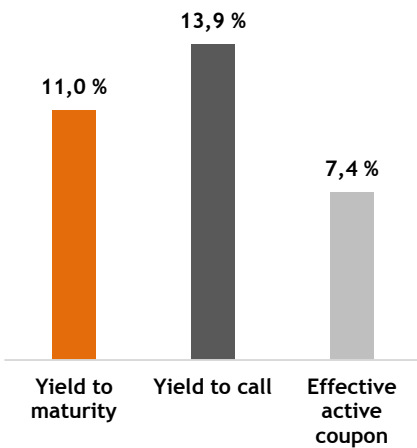
During November, Kistefos and Host Hoteleindom announced refinancing of their bond loans both originally maturing in December 2016. Kistefos issued a new 3 year note carrying a coupon of Nibor + 750 bps, which was somewhat in the tighter end of our expectations. We therefore decided to reduce our exposure in the refinancing. Host Hoteleindom, which was a 2nd lien bond loan with pledge in 3 hotel properties in Norway refinanced through issuing a new 1st lien bond with pledge in eight hotel properties in Sweden. The valuation of the portfolio is estimated at SEK 600m, implying a gross LTV of ~50% which is deemed strong paired with the underlying cash flow and average lease maturity of 13 years.

Furthermore, we have bought bonds in Veritas Petroleum Services, the leading supplier of fuel testing services. The company has over time demonstrated stable revenue growth and EBITDA margins. We decided to sell our Outokumpu convertible bonds at 110, after it reached our price target.

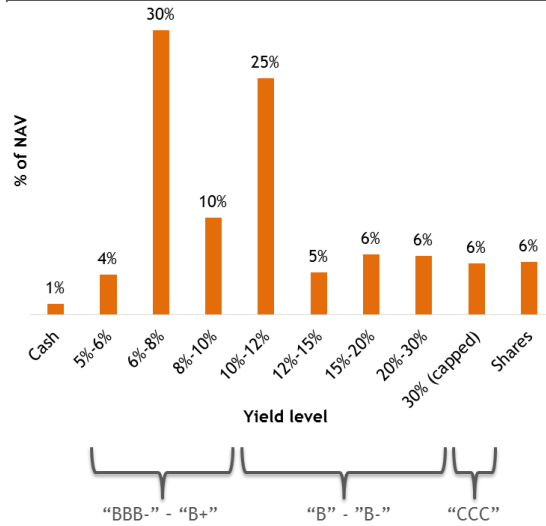
Yield to maturity is currently 11%\*, while the yield to call is 13.9%\*. The effective active portfolio coupon is 7.4%.

\*Yields above 30% are regarded inflated and therefore capped at 30%.

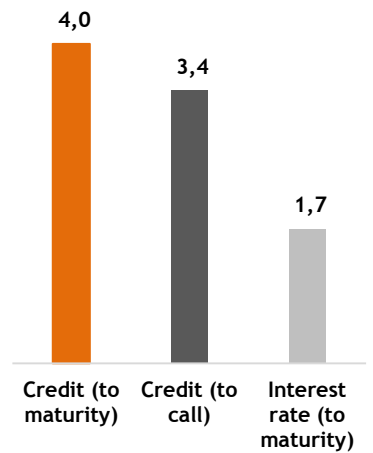
YIELD LEVELS



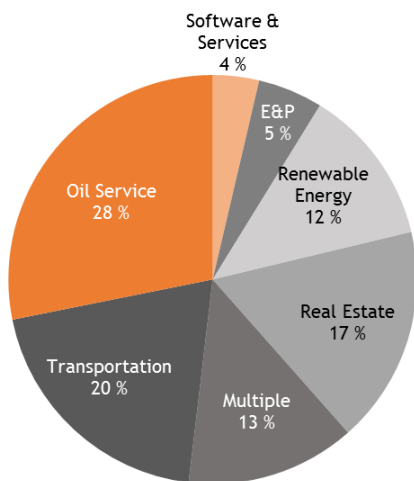
YIELD DISTRIBUTION ("CREDIT RATINGS")



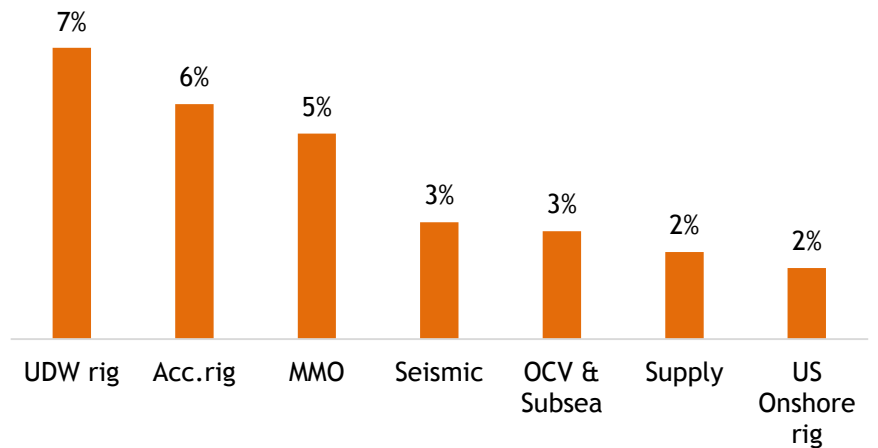
DURATION (YEARS)



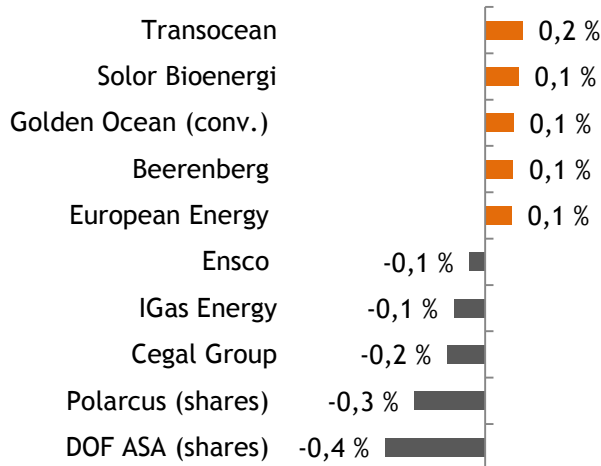
OVERALL INDUSTRY EXPOSURE



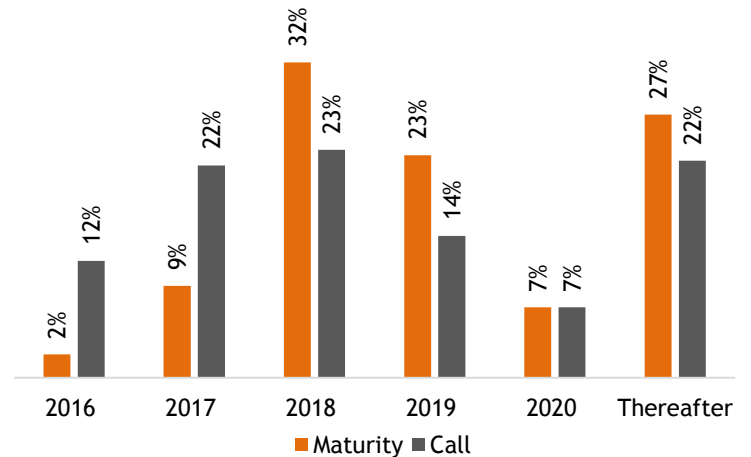
BREAKDOWN OF OIL SERVICE EXPOSURE



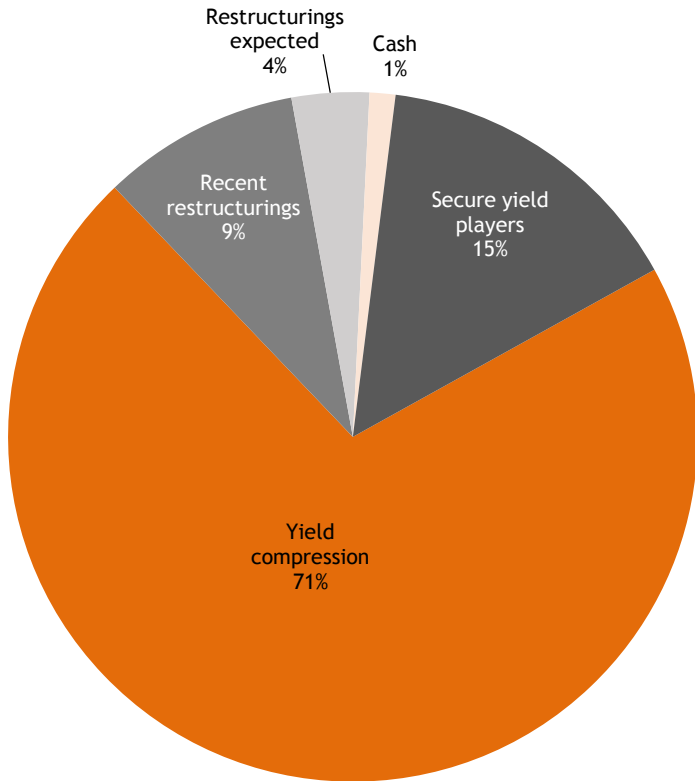
CONTRIBUTION ANALYSIS (top 5 / bottom 5)



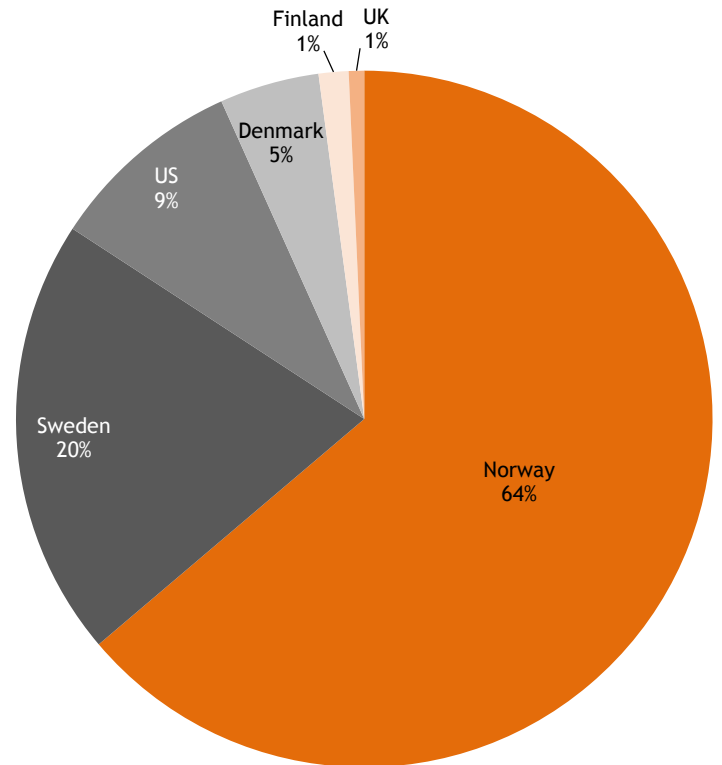
MATURITY PROFILE



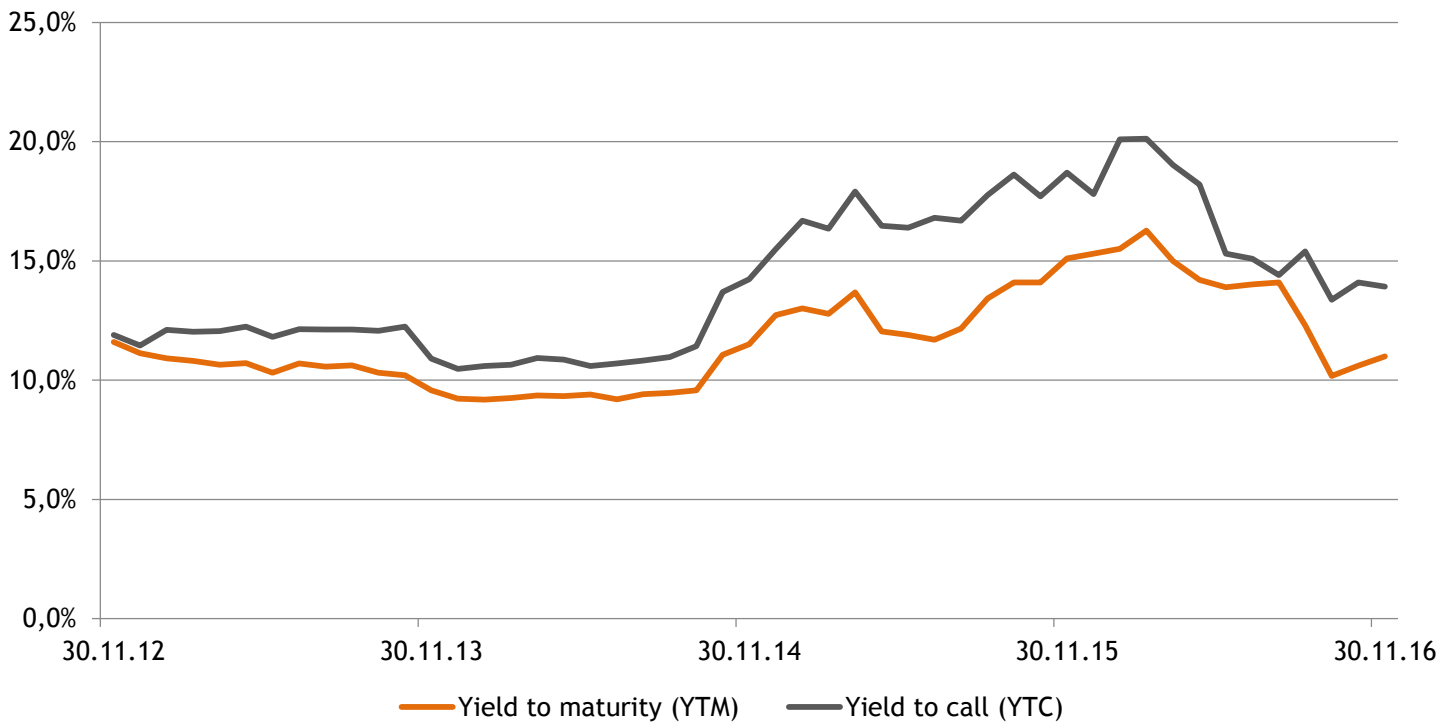
PORTFOLIO OVERVIEW



INVESTMENT BY COUNTRY



YIELD DEVELOPMENT



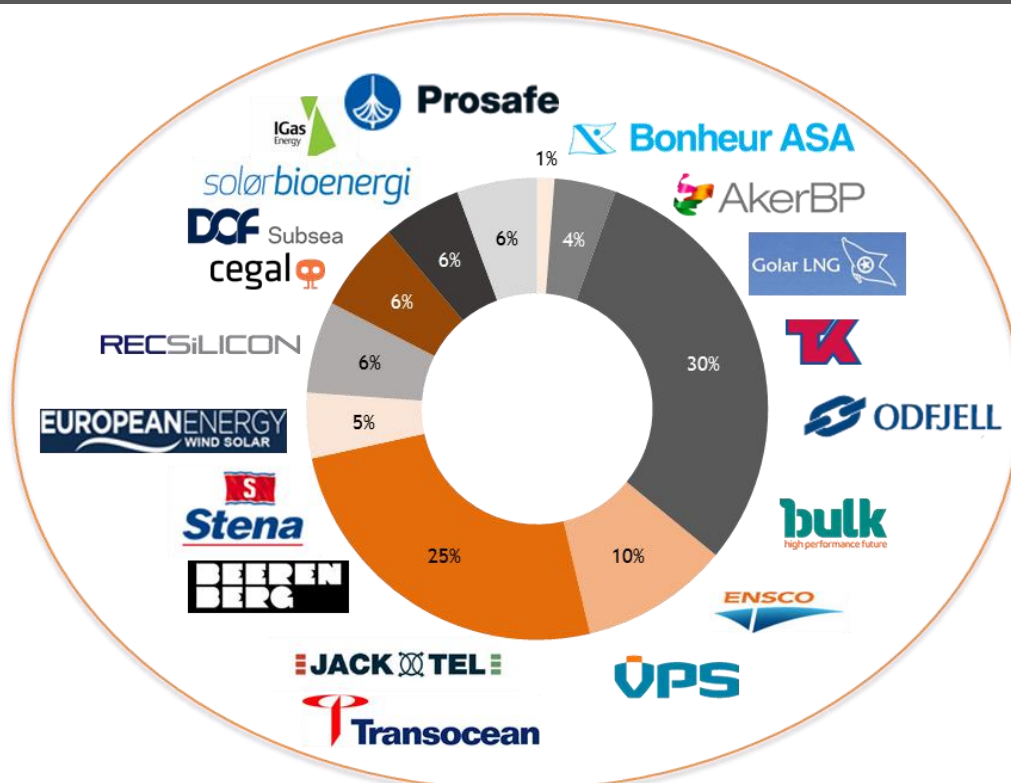
## BOND PORTFOLIO - TOP 20

| NAME                                    | ISIN         | PRICE  | YIELD % | NAV %  | SHORT DESCRIPTION  |
|---|--------------|--------|---------|--------|--|
| 1 Stena Ab 14-24                        | USW8758PAK22 | 81,50  | 10,8 %  | 5,5 %  | Swedish conglomerate 100% controlled by Sten Olsson family. Rated BB- by S&P. Total assets of SEK 120bn. Diversified revenue and asset base with strong market position. Per end-Q3/16 liquidity reserves stood at SEK -19.2bn, which we deem sufficient to weather a difficult market within its drilling operations.   |
| 2 Golar LNG Ltd. 15-20 FRN              | NO0010736481 | 93,75  | 7,4 %   | 5,3 %  | The credit is supported by the Company's contract backlog with solid counterparties such as BG, ENI, State of Kuwait etc. Leverage prospects is deemed modest and with bonds lagging peers we expect to see further yield compression over the next 12 months.   |
| 3 Beerenberg Holdco II A/S 14-18 FRN    | NO0010713738 | 93,67  | 10,5 %  | 5,1 %  | 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. By end-Q2/16, cash was reported at NOK 150m and ICR LTM of 3.75x, hence strong debt service capacity even under challenging market conditions. Bond is secured with pledge in operating entities.   |
| 4 Jacktel A/S 14-19                     | NO0010714561 | 90,31  | 11,8 %  | 4,6 %  | 1st lien pledge in a jack-up built for the Norwegian continental shelf. Currently working for Maersk and won a contract on Johan Sverdrup in November with STL that secures work until 2020. We expect the company to obtain bank financing before the bond expires.   |
| 5 Transocean Inc. 01-31                 | US893830AF64 | 74,00  | 11,2 %  | 4,6 %  | Leading industry position with a large and diversified offshore fleet. The Company has a strong liquidity position of more than USD 5bn and a contract backlog of USD 15bn. Outstanding debt mainly consist of unsecured bonds, which is deemed positive with regards to recovery/downside protection.   |
| 6 European Energy A/S 14-18 FRN         | SE0005677796 | 92,00  | 14,5 %  | 4,6 %  | Developing and owning wind- and solar power generating assets and has about 40% EBITDA margin.   |
| 7 Aker BP ASA 15-22 -144A-              | NO0010736382 | 111,06 | 7,9 %   | 4,3 %  | Aker backed company that recently merged with BP creating AKER BP, hence decreasing the credit risk significantly.   |
| 8 Bonheur Asa 14-21 FRN                 | NO0010714538 | 94,57  | 6,0 %   | 4,3 %  | Fred. Olsen controlled conglomerate with focus mainly on renewable energy. Has a strong balance sheet and a devoted main owner with a long term view on all investments.   |
| 9 Fjord Line AS 13-18 FRN               | NO0010671084 | 100,00 | 9,9 %   | 4,2 %  | Norwegian ferry operator which has been through an operational turnaround. Balance sheet improved. Strong equity sponsor in Ferd.  |
| 10 Odfjell SE 16-19 FRN                 | NO0010774276 | 102,00 | 6,4 %   | 3,7 %  | Diversified operations within chemical tankers, terminals and gas carriers with a long track-record and a strong market position. Company been successful in increasing cost competitiveness by more than 20% compared to FY/14. Strong liquidity position, limited refinancing risk in 2016 and 2017 combined with moderate capex commitments will reduce leverage going forward.   |
| 11 Cegal Group AS 14-17 FRN             | NO0010713217 | 92,25  | 21,2 %  | 3,6 %  | IT/Consultancy company delivering crucial IT infrastructure to the Oil&Gas industry. Strong and recurring cash flow from good counterparties. During the oil downturn the company has grown with 10% YoY with stable margins. Assuming 8x EBITDA implies valuation north of NOK 800m vs. bond debt of NOK 225m. Estimated leverage at maturity of 1.5x-1.75 implies good alternative refinancing sources to the bond market.   |
| 12 Host Property AB 16-19 FRN           | SE0009357676 | 100,00 | 6,0 %   | 3,4 %  | 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.  |
| 13 Solor Bioenergi Holding AB 12-17 FRN | NO0010662356 | 58,67  | 69,9 %  | 3,2 %  | Producer of wood-based bioenergy in Norway and Sweden with diversified business through the value chain. Operates in a natural monopoly.   |
| 14 Bulk Industrier AS 15-18 FRN -144A-  | NO0010754534 | 101,25 | 7,5 %   | 2,8 %  | Leading logistics property developer in Norway with an impressive track-record. Stable underlying cash flows and new projects expected sold forward ensure solid debt service capability. Pledge over the Issuer's shares in the Company. Debt service retention account with interest until December 2017 to give comfort on payments.  |
| 15 Teekay LNG Partners L.P. 16-21 FRN   | NO0010777089 | 100,66 | 7,0 %   | 2,8 %  | One of the leading LNG companies worldwide. USD 12bn in forward revenue and more than 95% backlog coverage for FY/16e and FY/17e. Most counterparties are large oil co's with solid credit ratings. High visibility for significant growth in operational cash flow.   |
| 16 IB Bostad 18 AB 16-18 FRN            | NO0010777162 | 100,25 | 8,0 %   | 2,7 %  | Secured bond with pledge in a well-diversified portfolio consisting of 111 properties and 700 apartments (no development risk), valued to SEK 568m. Stable and predictable earnings from a regulated tenant base with low vacancy. Parent guarantee from large, diversified and solid owner with properties valued at SEK 7.8bn. The bond structure is deemed attractive with share pledge, parent guarantee and no distributions out of group (ring-fence structure).   |
| 17 Index International AB 14-18 FRN     | SE0005797537 | 94,00  | 11,4 %  | 2,7 %  | Swedish real estate company with net assets above SEK 2bn. Over the past 5 years annual ROI is more than 60% and is yielding significantly above peers.  |
| 18 REC Silicon ASA 11-18                | NO0010607476 | 92,81  | 15,6 %  | 2,7 %  | Pure play polysilicon producer. Currently suffers from a US/China trade-war. Strong equity sponsor with history of supporting the Company. Unsecured bond maturing in 2018 of NOK 300m vs. mcap of NOK 2.4bn.  |
| 19 DOF Subsea ASA 13-18 FRN             | NO0010670144 | 77,69  | 24,4 %  | 2,7 %  | 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 21bn with tier-1 counterparties (or approx. 3.3x 2016e revenues). Firm backlog equates to -1.4x NIBD and remaining capex. Unique position in Brazil with local built vessels.   |
| 20 Enso PLC 14-44                       | US29358QAD16 | 65,25  | 9,2 %   | 2,6 %  | One of the major drilling companies globally with a total of 61 rigs owned. The debt financing in Enso comprises of USD 4.8bn of outstanding debt, all being unsecured bonds with maturities from 2019 to 2044. In addition the Company has a USD 2.25bn undrawn RCF. With no debt maturities until 2019, we do not expect Enso to utilize its revolver. Even with reported remaining capex for its four newbuilds of USD 725m at end of Q2, the cash flow from the contract backlog paired with solid cash position, the liquidity situation looks comfortable. |
| Sum                                     |              |        |         | 75,4 % |  |

Total number of bond positions: 35 (from 34 issuers).

Total number of shares: 4.

EXAMPLES OF PORTFOLIO COMPANIES AT RESPECTIVE YIELD LEVELS ("CREDIT RATINGS")



| Yield level  | % of NAV | Credit Rating |
|--------------|----------|---------------|
| Cash         | 1 %      |               |
| 5%-6%        | 4 %      | "BBB-" - "B+" |
| 6%-8%        | 30 %     |               |
| 8%-10%       | 10 %     | "B" - "B-"    |
| 10%-12%      | 25 %     |               |
| 12%-15%      | 5 %      | "CCC"         |
| 15%-20%      | 6 %      |               |
| 20%-30%      | 6 %      |               |
| 30% (capped) | 6 %      |               |
| Shares       | 6 %      |               |

PRICES FOR DIFFERENT SHARE CLASSES

| SHARE CLASS       | ISIN         | PRICE  |
|-------------------|--------------|--------|
| Retail NOK        | LU0740578702 | 105,47 |
| Institutional NOK | LU0840158496 | 99,38  |
| RCN NOK           | LU1382364633 | 106,90 |
| ICN NOK           | LU1382364716 | 101,31 |
| Retail USD        | LU0840159114 | 89,83  |
| Institutional USD | LU0840159387 | 84,03  |
| Retail SEK        | LU0840159460 | 86,04  |
| Retail GBP        | LU0840159890 | 87,60  |
| Retail EUR        | LU0840158819 | 85,53  |
| Institutional CHF | LU1076701652 | 79,41  |

OTHER INFORMATION

|                    |   |
|--------------------|---|
| Share classes      | NOK, SEK, EUR, USD, GBP, CHF (all hedged) |
| Domicile           | Luxembourg                                |
| Investment Manager | Storm Capital Management Ltd              |
| Prime Broker       | Oppenheim Asset Management Services       |
| Administrator      | Deutsche Fund Platforms                   |
| Management Fee     | Retail: 0.75%, Institutional: 0.5%        |
| Performance Fee    | 10% (high water mark)                     |
| Redemption Fee     | 0,25% (accrues to the fund)               |
| Liquidity          | Daily                                     |
| Auditor            | KPMG                                      |
| VPS-registered     | For Norwegian clients                     |

## 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 over 8 years' experience from research and brokerage
- Before Storm he worked as a credit analyst, covering the offshore high yield space, at Arctic Securities in Oslo and before that in 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

SPECIAL SITUATIONS**ERIK M. MATHIESEN***Corporate Finance / Restructurings / Founding Partner*

- He has over 20 years of investment banking and asset management experience and prior to Storm he was an investment banker with Hambros Bank in London
- Erik is responsible for:
  - Restructuring processes
  - Corporate Finance related issues
- He holds a bachelor in Finance & Economics from University of Edinburgh and is authorised and regulated by the FCA

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

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

- He has over 6 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

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