

## 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
2017	3,3%												3.3%
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%

\*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,

Storm Bond Fund continued the year where it ended and delivered 3.3% return in January. As the tide continued to turn within oil services our insignificant position in Polarcus bonds delivered a hike of more than 50% during the month aggregating to 1% on a portfolio level. In addition DOF Subsea and Stena improved further, but are still far below par. Our interest rate duration is now only 1.1 years and the yield to maturity is 9.9%. In the case of inflation and rising interest rates we are in a flexible and robust situation at the moment. Trump has become a binary risk going forward and we see high yield bonds with limited interest rate risk as more favourable going forward.

After a period with strong performance, and potentially rising interest rates, we decided to take profit and sell our EnSCO 2044 fixed rate bonds. This has decreased credit and interest rate duration as well as the volatility in the fund given the long duration of the bond. Furthermore, we decided to sell ~50% of our shares in Polarcus as part of our strategy to gradually reduce the fund's total equity exposure and reduce volatility.

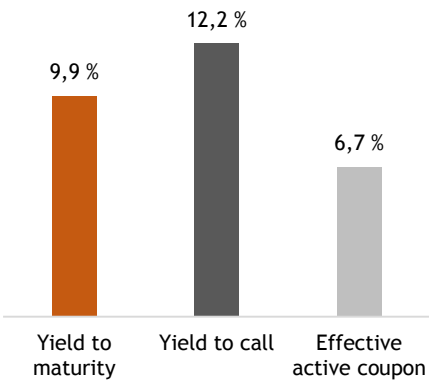
Höegh LNG issued a new 5 year bond at NIBOR + 500bps. We decided to switch our Teekay LNG 2021 bonds with similar duration and credit spread to Höegh LNG 2022 notes as we find Höegh LNG to be a stronger credit than Teekay LNG Partners. HLNG is becoming a play on FSRU, which in its nature is more credit friendly than LNG and LPG due to the long-term contracts with solid counterparties often being governments and/or strong energy companies. TKLNG has no FSRU exposure for the moment and is a more complex company situated in a more complicated financial engineered sphere. Looking at leverage metrics, HLNG is expected to have lower leverage than peers as newbuilds is coming on contracts. Furthermore, HLNG has the strongest backlog in the industry amounting to USD 6.2bn or with 14 years average contract length which should mitigate refinancing risk at maturity.

We have switched part of our exposure in Solør '17 (NOK) with Solør '19 (SEK). The rationale behind the switch is that in our view, the best assets in the Solør Bioenergi Group is by far the "E.On assets", which is pledged to the Solør'19 SEK bond. We believe these assets generate an annual EBITDA of around SEK 130m. Bonds are trading at 91.5% of par which corresponds to an implied value of 6.7x EBITDA vs. transaction market of 15x+. Risk/reward looks very appealing given the nature of the business (very limited cyclicality), the recurring cash flow and the strong asset backing combined with a potential call/redeem trigger at 102% in H1/17. In a default scenario we believe that the SEK-holders are covered by the value of the collateral. While the value of the "NOK-assets" is more uncertain, we note that the "E.On assets" could potentially be sufficient to cover both the SEK-bond and the NOK-bond. According to the company, several transactions of district heating assets in 2015 and 2016 have been priced at +15x EBITDA.

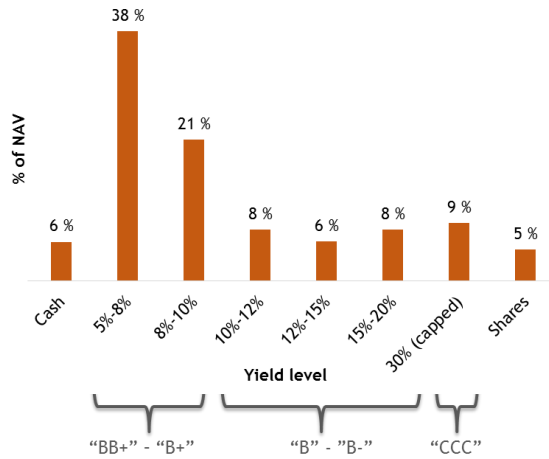
Yield to maturity is currently 9.9%\*, while the yield to call is 12.2%\*. The effective active portfolio coupon is 6.7%.

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

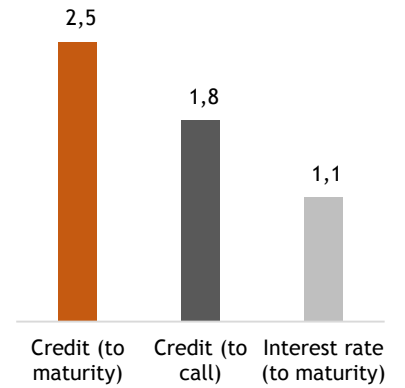
YIELD LEVELS



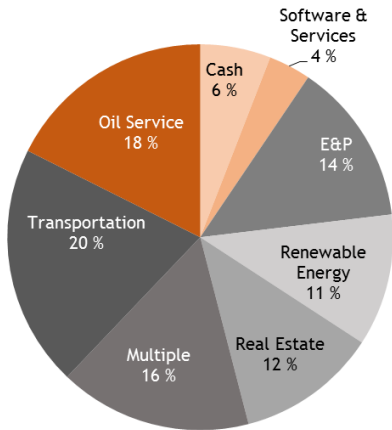
YIELD DISTRIBUTION ("CREDIT RATINGS")



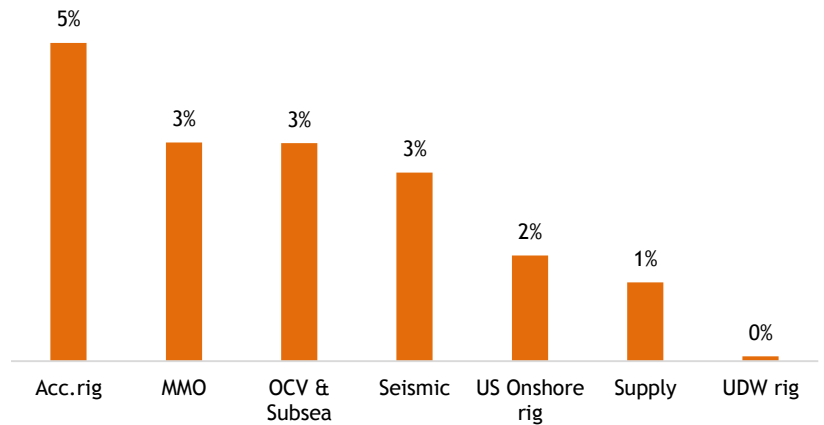
DURATION (YEARS)



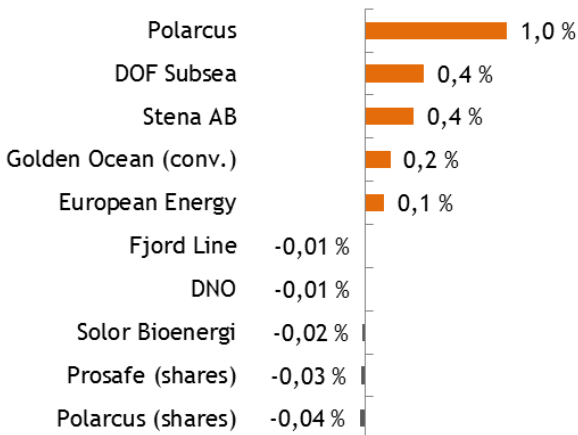
OVERALL INDUSTRY EXPOSURE



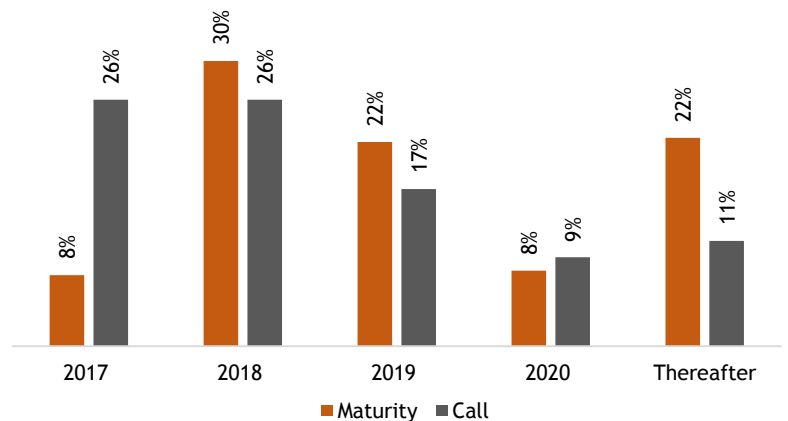
BREAKDOWN OF OIL SERVICE EXPOSURE



CONTRIBUTION ANALYSIS (top 5 / bottom 5)

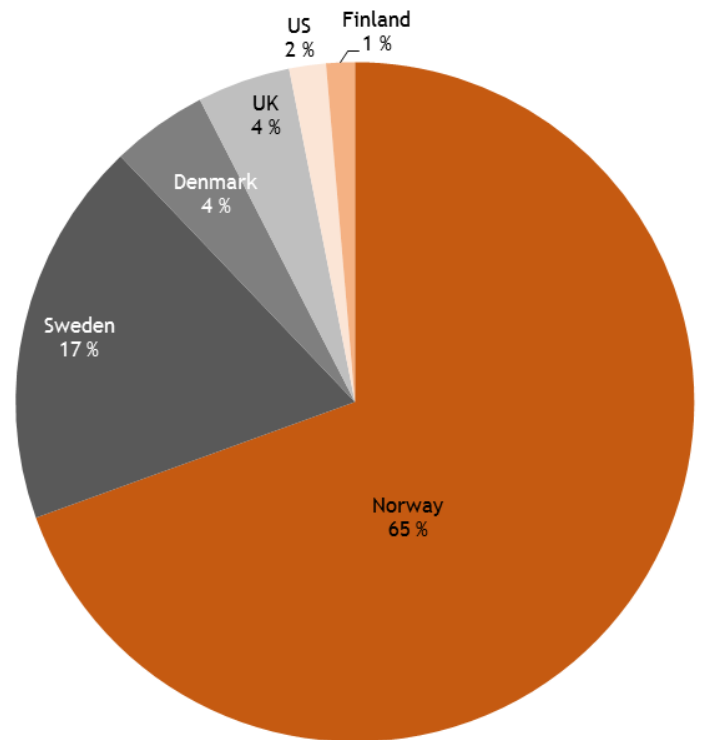
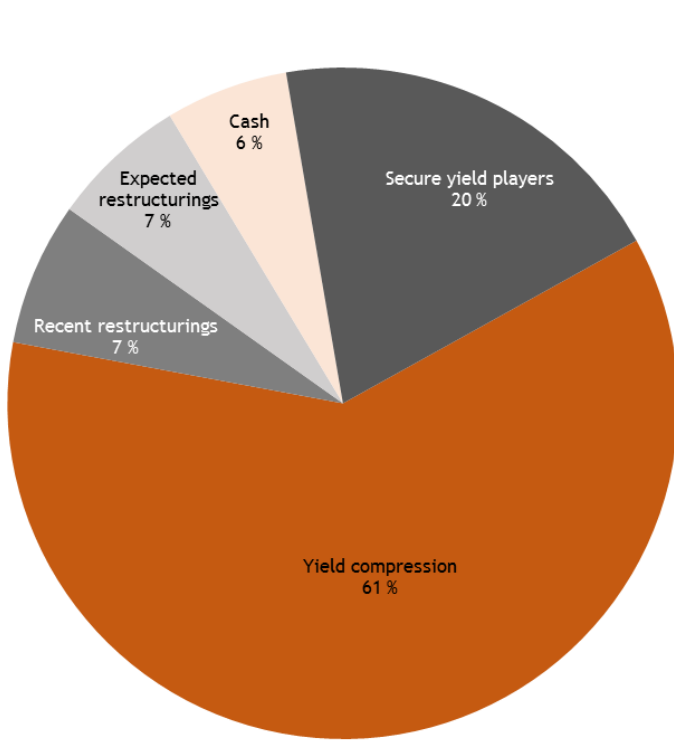


MATURITY PROFILE

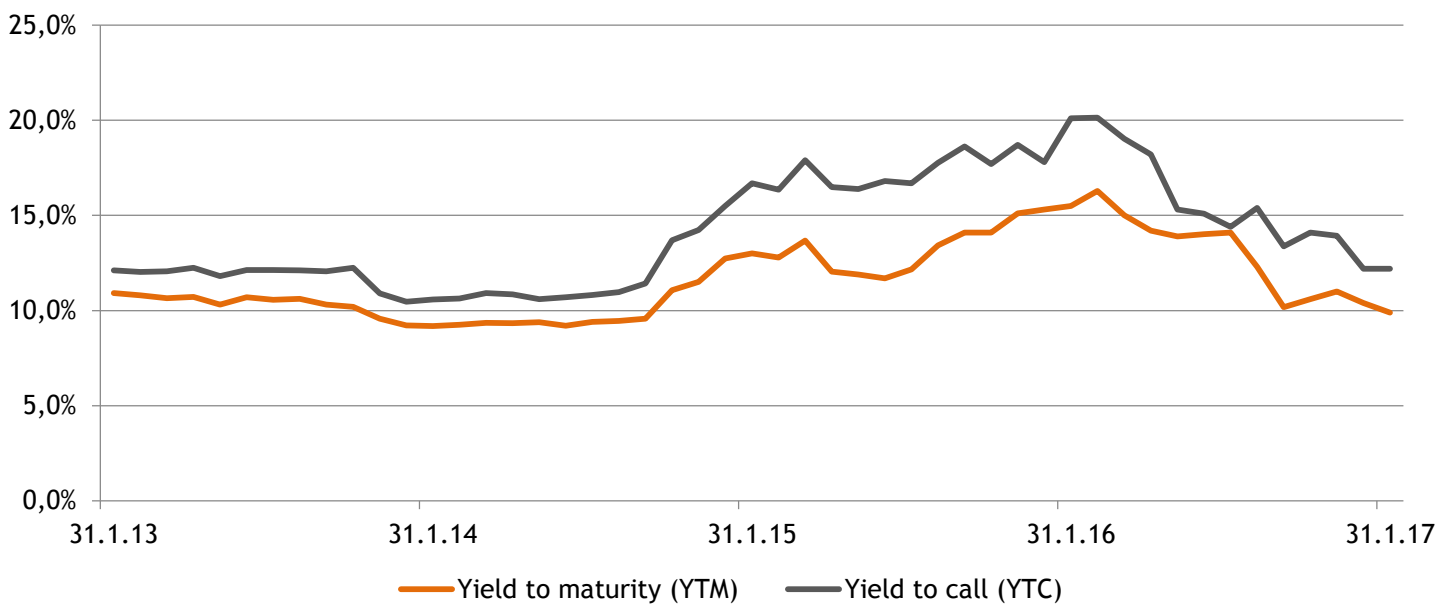


PORTFOLIO OVERVIEW

INVESTMENT BY COUNTRY



YIELD DEVELOPMENT



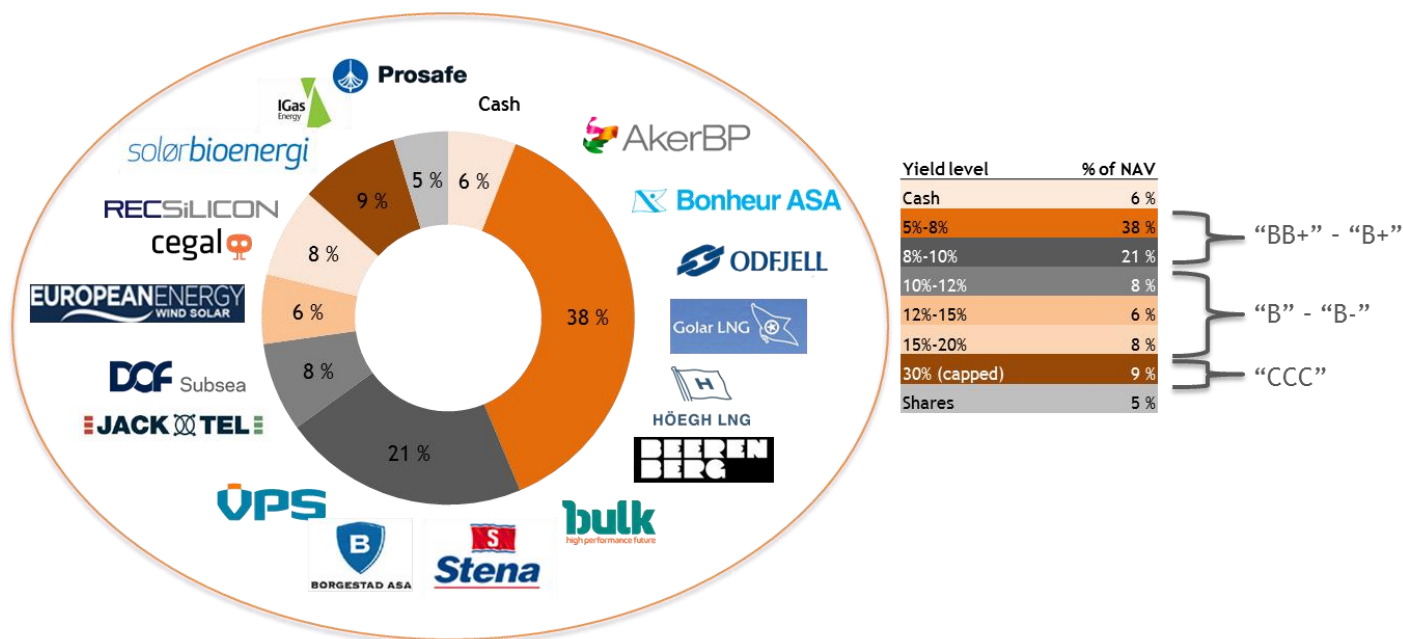
## BOND PORTFOLIO - TOP 20

NAME	ISIN	PRICE	YIELD %	NAV %	SHORT DESCRIPTION
1 AKER BP ASA 15-22	NO0010736382	112,11	7,6 %	7,8 %	Aker BP is a Norwegian E&P company with operations in Norway. The Company has grown substantially through M&A with the acquisition of Marathon Oil Norway and the merger with BP Norway. The cash flow is strong with a low cost production base. Given Aker BP's growth ambitions we do not believe they will call the 2022 bond due to i) no financial covenants and no potential dilution for Aker ASA vs. equity issue.
2 Stena Ab 14-24	USW8758PAK22	94,00	8,1 %	5,8 %	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.
3 Golar LNG Ltd. 15-20 FRN	NO0010736481	96,43	6,6 %	5,0 %	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.
4 Fjord Line AS 13-18 FRN	NO0010671084	100,50	9,2 %	4,5 %	Norwegian ferry operator which has been through an operational turnaround. Balance sheet improved. Strong equity sponsor in Ferd.
5 Jacktel A/S 14-19	NO0010714561	91,25	11,7 %	4,3 %	1st lien pledge in a jack-up built for the Norwegian continental shelf. Won a contract on Johan Sverdrup in November 2015 with STL that secures work until 2020. We expect the company to obtain bank financing before the bond expires.
6 European Energy A/S 14-18 FRN	SE0005677796	93,75	12,5 %	4,3 %	Developing and owning wind- and solar power generating assets. Steady development of projects at approx. 100MW on average over the last 5 years. Strong development pipeline suggests solid financial performance in the years to come. Financial metrics is deemed strong compared to peers - especially with ICR of -2.9x.
7 Bonheur Asa 14-21 FRN	NO0010714538	95,99	5,5 %	4,1 %	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.
8 Odfjell SE 16-19 FRN	NO0010774276	103,33	5,7 %	3,6 %	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.
9 Cegal Group AS 14-17 FRN	NO0010713217	95,37	18,9 %	3,5 %	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.
10 IGas Energy PLC 13-18	NO0010673791	75,19	43,1 %	3,5 %	London-listed company producing oil and gas onshore UK. Stable production of ~2,600boepd at an operating cost of USD ~27/boe. The Company is currently engaging with bondholders due to covenant challenges. With a significant reserve base, availability to hedge production and significant cash and owned bonds we see good recovery prospects for the 1st lien secured bond.
11 Kistefos AS 16-19 FRN	NO0010779291	101,10	8,1 %	3,5 %	Norwegian holding company, which is 100% owned by Christen Sveeas. Strong value support in portfolio companies such as Advanzia Bank and 1881 Opplysningen. Kistefos recently announced that it has sold Bergmoen AS and Gardemoen Forum AS releasing NOK 210m in cash, hence supporting the credit case and reducing refinancing risk.
12 Beerenberg Holdco II A/S 14-18 FRN	NO0010713738	98,33	7,3 %	3,4 %	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.
13 DOF Subsea ASA 13-18 FRN	NO0010670144	93,43	11,5 %	3,4 %	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 2016 revenues). Firm backlog equates to -1.4x NIBD and remaining capex. Unique position in Brazil with local built vessels.
14 Host Property AB 16-19 FRN	SE0009357676	100,13	6,0 %	3,3 %	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.
15 IB Bostad 18 AB 16-18 FRN	NO0010777162	103,50	5,9 %	3,2 %	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).
16 Hoegh LNG Holding Ltd. 17-22 FRN	NO0010782949	100,88	5,8 %	3,1 %	Höegh has had presence in the LNG shipping market since 1969 and is listed on the Oslo Stock Exchange with a market cap of NOK ~7.4bn. The Höegh family is the largest owner with 41.5% of the shares outstanding. The company focuses solely on floating storage and regasification of LNG (FSRU), which in its nature is more credit friendly than LNG and LPG due to the long-term contracts with solid counterparties often being governments and/or strong energy companies. HLNG is expected to have lower leverage than peers as newbuilds is coming on contracts. Furthermore, HLNG has the strongest backlog in the industry amounting to USD 6.2bn or with 14 years average contract length which should reduce refinancing risk at maturity.
17 Bulk Industrier AS 15-18 FRN -144A-	NO0010754534	102,50	6,6 %	2,7 %	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.
18 REC Silicon ASA 11-18	NO0010607476	93,81	15,5 %	2,6 %	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 2.9bn.
19 Solor Bioenergi Holding AB 12-17 FRN	NO0010662356	60,03	82,7 %	2,5 %	Producer of wood-based bioenergy in Norway and Sweden with diversified business through the value chain. Operates in a natural monopoly.
20 Golden Ocean Group Ltd. 14-19 Conv	NO0010701055	88,25	10,0 %	2,0 %	Golden Ocean is a leading international dry bulk shipping company based in Bermuda, mainly operating in the Capesize, Panamax and Supramax segments. GOGL is listed on NASDAQ and the Oslo Stock Exchange with a market cap of NOK ~4.8bn. Mr. John Fredriksen is the largest shareholder through Hemen Holding, owning 14.5% of the company. GOGL owns and controls a fleet of 70 vessels including newbuildings and vessels chartered in on long term time charter contracts. The value of a 5-year old capesize vessel is at a 30-year low. We expect asset values to move higher into 2017 once the seasonally low Q1 is behind us which should further strengthen the credit case.
Sum				76,2 %	

Total number of bond positions: 35 (from 32 issuers).

Total number of shares: 4.

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



PRICES FOR DIFFERENT SHARE CLASSES

SHARE CLASS	ISIN	PRICE
Retail NOK	LU0740578702	115,32
Institutional NOK	LU0840158496	108,72
RCN NOK	LU1382364633	115,85
ICN NOK	LU1382364716	109,84
Retail USD	LU0840159114	98,28
Institutional USD	LU0840159387	91,99
Retail SEK	LU0840159460	93,47
Retail GBP	LU0840159890	95,63
Retail EUR	LU0840158819	92,77
Institutional CHF	LU1076701652	85,90

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

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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