

ABOUT THE FUND

Storm Bond Fund (UCITS) is a Nordic High Yield fund inceptioned in September 2008. 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%	-0.4%	-1.1%	2.9%
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%

YTD	2.9%
1-year	2.9%
3-years (ann.)	11.2%
10-years (ann.)	9.3%
Since inception (ann.)	5.7%

From inception (September 2008) 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 down 1.1% in December and up 2.9% in 2018.

The year of 2018 and in particular the second half was difficult for most markets. Investors have had to cope with increased geopolitical worries, a slow-down in European business confidence, higher interest rates in the US and weaker Chinese growth. MSCI Europe was down more than -13%, MSCI World more than -10% and US stock markets approx. -5% on average. Both US and European high yield markets came under pressure yielding negative returns of -2% and -3.6% respectively through the year. The Nordic High Yield market, which is characterized by its lower credit and modified duration and on average higher credit spreads, was one of the few bright spots in 2018 which ended the year on the plus side.

December proved to be a very challenging month for investors with most major asset classes posting solid negative returns. Oil prices remained under significant pressure for its third consecutive month and experienced a decrease of close to -20% during December due to a combination of continued supply concern, increased growth in U.S shale production and in general risk-off sentiment in the financial markets. The sharp decline in oil prices had a negative effect on oil related equity and fixed income securities with the Philadelphia Oil Service Index and the US Energy High Yield Index decreasing by -23% and -4% respectively. The significant market turmoil resulted in a broader spread expansion in the Nordic High Yield market which was most evident within the energy segment and in bonds with longer dated maturities. Per end-18, Storm Bond Fund had 12% of the portfolio exposed to oil producing (E&P) companies with quality assets and low break-even cost and 18% to oil services with solid balance sheets and strong liquidity runway. From a credit perspective, our oil and oil service exposure can withstand significantly lower oil prices over time.

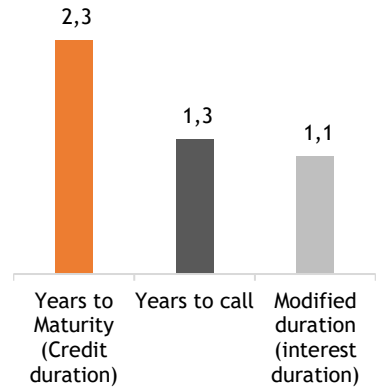
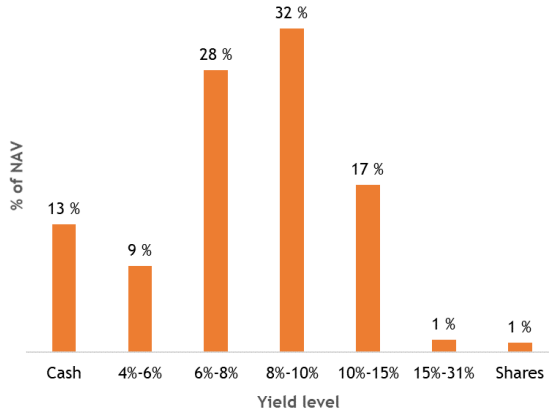
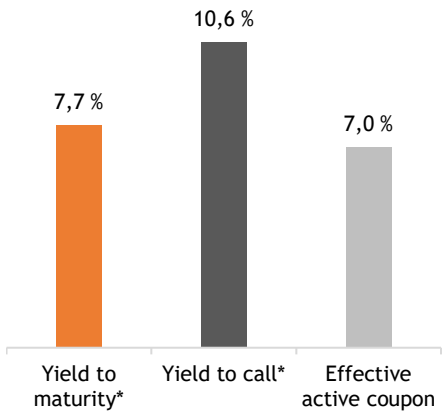
Our main objective is to create a portfolio that offers solid return prospect, but at the same time provides our investors with downside protection in the event of further market turmoil. We continue to highlight that the Nordic High Yield market with its shorter credit duration, less interest rate sensitivity, limited impact from EU tapering effects, low degree of ETF flows and higher spreads than historical averages offers solid risk/reward. By end-18 our cash position stood at 13% which is higher than usual due to early call effects during the month.

The current yield in the portfolio is 7.7%, credit duration is 2.3 years and modified duration of 1.1 years.

YIELD LEVELS

YIELD DISTRIBUTION

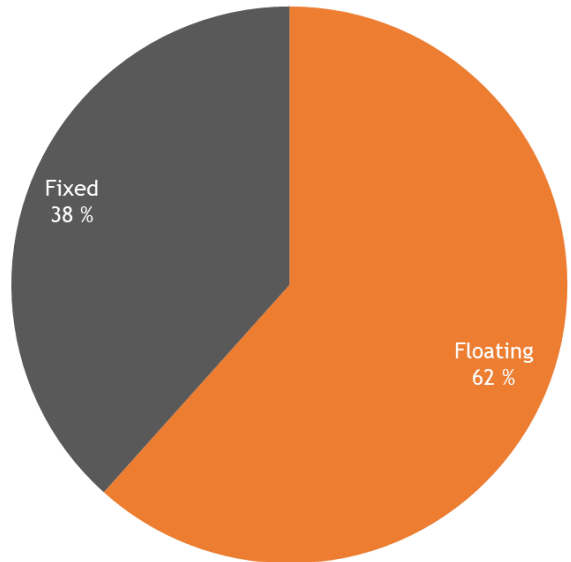
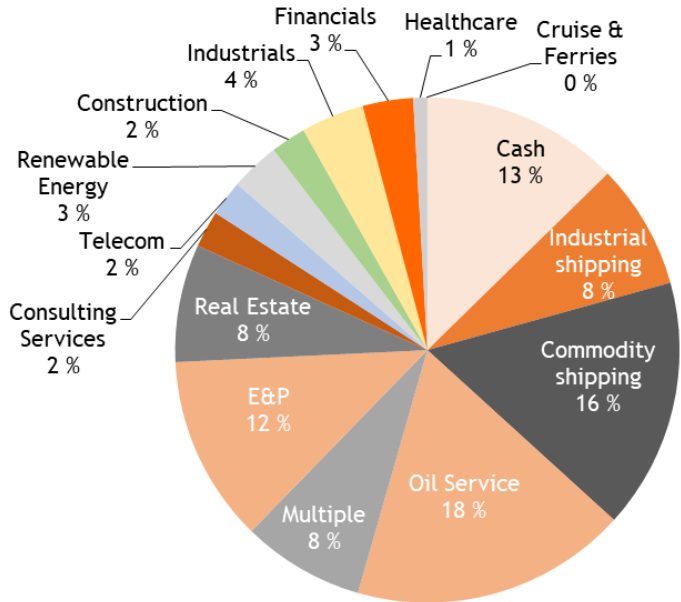
MATURITY / DURATION (YEARS)



* individual bonds capped at 30% in calculation.

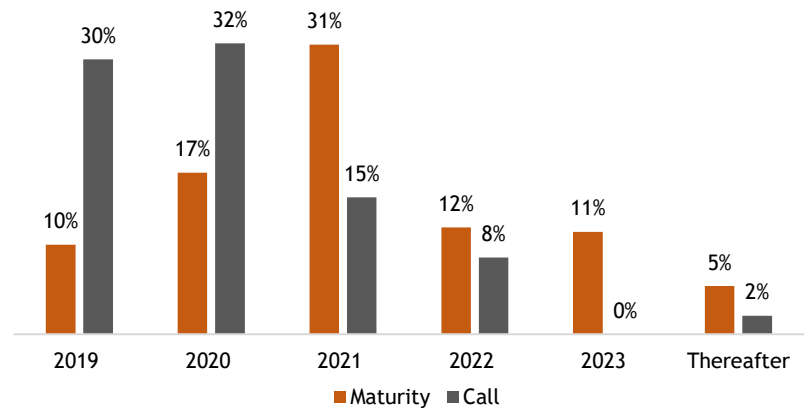
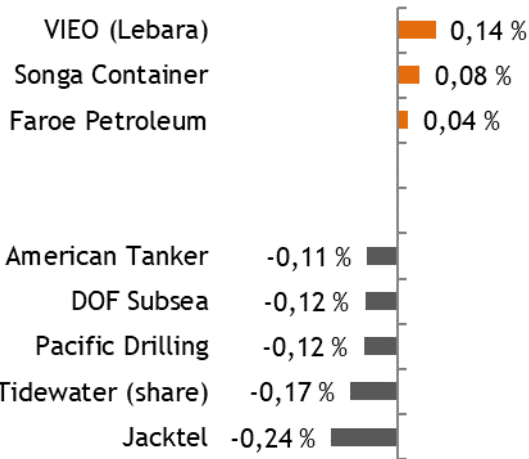
SECTOR ALLOCATION

FLOATING VS. FIXED RATES



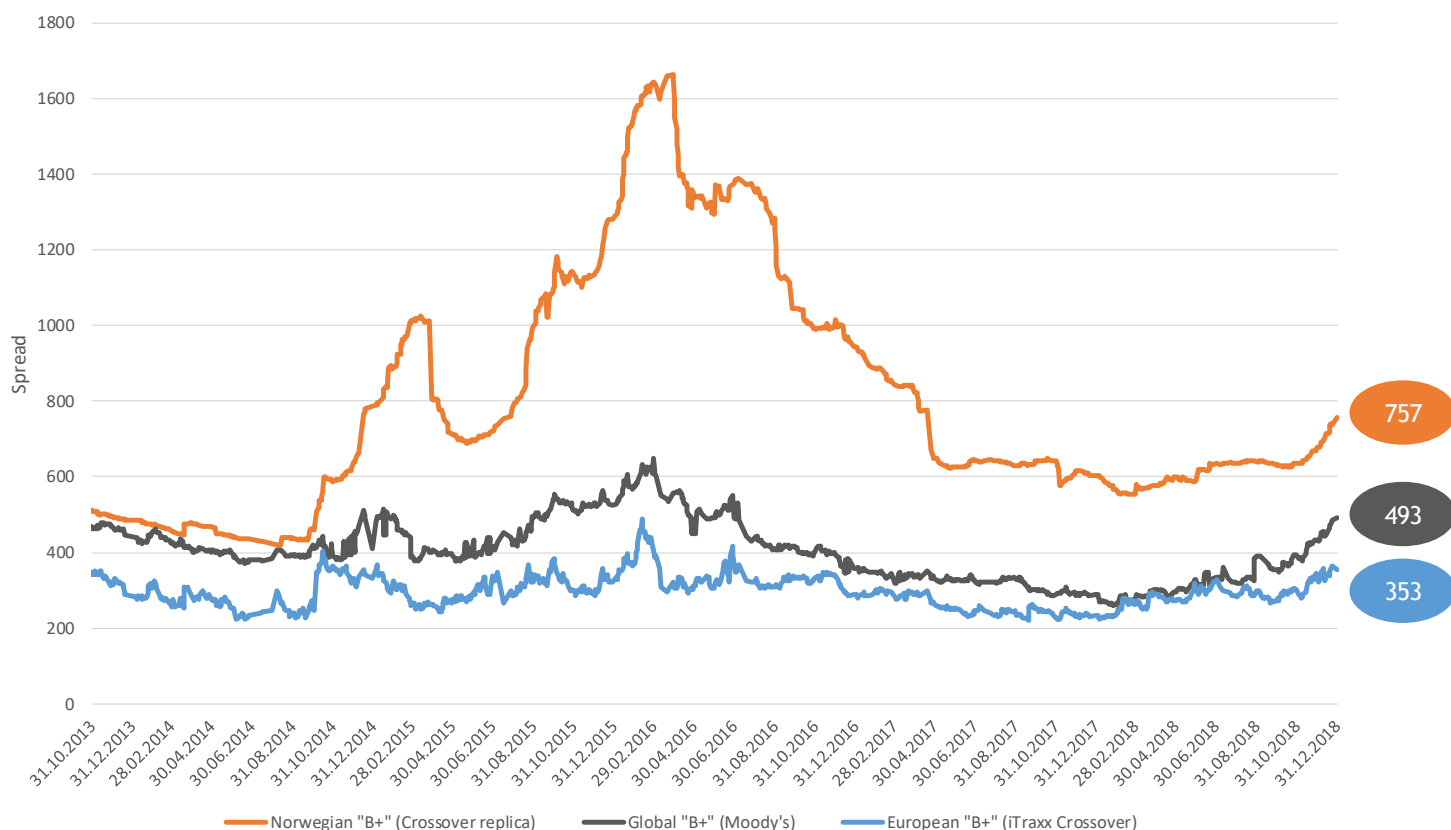
CONTRIBUTION ANALYSIS (top 5 / bottom 5)*

MATURITY PROFILE



*based on nominal market prices (interest/accrued not included)

SPREAD PREMIUM IN B+ COMPARED TO INTERNATIONAL MARKETS



Source: Sparebank 1 Markets, as of 31.12.2018.

PRICES FOR DIFFERENT SHARE CLASSES

SHARE CLASSES	ISIN	PRICE
ACCUMULATION SHARE CLASSES		
Retail NOK (soft closed)	LU0740578702	130,16
Institutional NOK (soft closed)	LU0840158496	123,16
Retail NOK (RCN)	LU1382364633	129,40
Institutional NOK (ICN)	LU1382364716	123,27
Institutional USD	LU0840159387	105,77
Retail SEK	LU0840159460	101,86
Institutional SEK	LU0840159544	105,74
Retail GBP	LU0840159890	107,15
Institutional GBP	LU0840159973	100,00*
Retail EUR	LU0840158819	102,02
Institutional EUR	LU0840158900	98,77
Retail CHF	LU1428000985	100,00*
Institutional CHF	LU1076701652	94,84

DISTRIBUTION SHARE CLASSES**

Institutional NOK	LU1915698069	100,00*
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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)	1 306

*to be opened with first investment in share class.

** other currencies to be opened on demand from investors.

BOND PORTFOLIO - TOP 20

NAME	ISIN	PRICE	YIELD %	NAV %	SHORT DESCRIPTION
1 VV Holding AS 14-19 144A FRN	NO0010714033	99,86	6,8 %	4,0 %	Norsk Gjenvinning is Norway's largest waste management company with a market share of ~25%, which is around 4x the closest peer in terms of revenue. VVH benefits from having a diversified customer base with low churn and a high share of recurring customers. Adjusted for operating leases, we estimate leverage of ~5.2x. The Company was acquired last year by Summa PE from Altor PE, with an estimated acquisition price of NOK ~4bn vs. bond at that time of NOK 2.2bn.
2 Golar LNG Partners LP DL-FLR Notes 2	NO0010786056	99,73	9,2 %	4,0 %	Golar LNG Partners is an international owner of LNG and FSRU tonnage listed at the NYC stock exchange with a market cap of USD ~0.8bn. The credit benefits from USD 2.4m in firm backlog, a strong LNGC market, solid liquidity prospects and moderate financial gearing of 5.0x NIBD/EBITDA. Further MLP dropdowns and FSRU contract awards would further improve the credit story.
3 Kistefos AS 17-21 FRN	NO0010809700	101,71	6,6 %	3,6 %	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
4 Songa Container AS 18/21	NO0010837248	100,50	8,6 %	3,4 %	Songa Container AS was established in 2017 and is an asset play focusing on the recovery of the container feeder market. The Company has acquired a fleet of 15 feeder vessels with an average age of 9 years, with sizes ranging from 1,000 TEU -5,000 TEU. All of the vessels will be fitted with scrubbers within IMO2020. The fleet is cash flow positive at current rates and gross loan to value including the scrubber investment is estimated to be ~55%. The Company is backed by experienced ship-owner Arne Blystad which is deemed to be a strong sponsor. The bond is senior secured.
5 American Tanker Inc. 17-22 -144A-	NO0010777519	96,40	10,9 %	3,2 %	American Shipping company owns 10x modern US Jones Act Tankers. The Company is listed on the Oslo Stock Exchange with an mcap of NOK ~2.0bn. All vessels chartered out on bareboat contracts to OSG. These rates are sufficient to cover debt service and dividends. The counterpart risk in OSG is reduced through improved market fundamentals and newly refinanced balance sheet. Strong financial sponsor in Aker ASA.
6 DNO ASA 2020	NO0010740392	100,32	8,7 %	3,2 %	DNO is an oil and gas company listed on the Oslo Stock Exchange with a market cap of NOK ~15.5bn. 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). Per end-Q3/18 the cash position was reported at USD 640m vs. outstanding 2020 bond of USD 200m. DNO has made a bid on the remaining shares in Faroe, the transaction would in our view improve the overall risk profile.
7 MPC Container Ships Invest B.V. 17-22	NO0010805872	98,37	8,1 %	3,1 %	Pure play container shipping company. USD close to 500m in equity raised, listed on the Oslo Stock Exchange with an mcap of NOK 2.7bn. 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. 18/23	NO0010836778	92,19	12,7 %	3,1 %	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 has recently refinanced its secured notes maturing next year.
9 Bonheur Asa 14-21 FRN	NO0010714538	99,70	4,9 %	2,7 %	Fred. Olsen controlled conglomerate listed on the Oslo Stock Exchange with a market cap of NOK 4.35bn. 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 Okea AS 17-20	NO0010810062	102,31	7,8 %	2,6 %	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.
11 Noram Drilling Company AS 14-19	NO0010711948	99,56	9,4 %	2,6 %	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 Gevean, 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.
12 Hoegh LNG Holding Ltd. 15-20 FRN	NO0010739683	99,90	7,9 %	2,4 %	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 3.3bn. 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.
13 GasLog Ltd 16-21 FRN	NO0010767858	105,17	5,9 %	2,4 %	Gaslog is an international owner and operator of LNG carriers listed at NYC stock exchange with a market cap of USD 1.4bn (+MLP Gaslog Partners mcap at USD ~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 ~400m per end-Q3/18. 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.
14 Western Bulk Chartering AS 13-19 FRN	NO0010675572	102,28	6,9 %	2,3 %	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.
15 Frigaard Property Group AS 18/21	NO0010826092	98,37	8,5 %	2,3 %	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.
16 Host Property AB 16-19 FRN	SE0009357676	100,05	6,0 %	2,2 %	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.
17 REC Silicon ASA 18-23	NO0010820590	98,27	12,4 %	2,0 %	REC Silicon is a Norwegian solar company listed on the Oslo Stock Exchange with a market cap of NOK 1.6bn. The company is currently affected negatively by the ongoing trade-war. The bond is secured in the Butte plant which is producing some USD 40m of run-rate EBITDA. Hence, implied bond valuation currently stands at 2.75x.
18 DNB Bank ASA DL-FLR Cap.Notes 2015XS1207306652		97,62	6,7 %	2,0 %	DNB is Norway's largest financial services group and one of the largest in the Nordic region with a market cap of NOK 220bn. Per end-Q3/18 CET1 ratio was reported at 16.5%. The bond is callable in 2020 and we view call risk to be low due to DNB's strong balance sheet.
19 Euronav Luxembourg S.A. 17-22	NO0010793888	96,31	9,0 %	1,9 %	Largest publicly listed tanker company in the world with a market cap of EUR ~1.45bn. 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 Pac.Drill.Second L.Esc.I.Ltd. DL-Notes US69419WAA71		95,97	13,4 %	1,9 %	Pacific Drilling has gone through a restructuring of their balance sheet. Bonds have 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%.
Sum				55,1 %	

Total number of bond positions: 47 (from 45 issuers). Total number of shares: 1.

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 Nordic high yield market 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

**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

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

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