

# PERFORMANCE REPORT

JANUARY 2015

## Net return history (shareclass RC NOK\*\*\*, net of fees)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	-2.7%												-2.7%
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%

## Net asset value (shareclass RC NOK\*\*\*, net of fees)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	102.0												-2.7%
2014	121.5	122.6	123.7	124.6	125.5	126.5	127.3	127.4	125.7	118.8	118.	104.8	-12.7%
2013	109.5	110.3	111.3	112.5	114.2	114.2	115.4	116.8	118.0	117.9	119.2	120.1	11.0%
2012	131.0**	137.5	101.1***	102.1	102.3	103.3	104.1	105.4	106.2	105.0	106.6	108.3	13.0%**
2011	126.9	129.9	132.4	134.4	132.1	128.9	130.2	127.2	123.9	125.6	125.7	126.4	1.5%
2010	110.3*	111.3	113.4	117.7	113.6	115.1	116.8	119.3	122.6	124.4	125.8	124.54	19.9%
2009	79.6	79.8	76.5	78.1	79.0	85.2	91.1	93.8	99.2	101.8	103.1	107.3	46.8%
2008								100.0	97.5	94.3	84.5	73.1	-26.9%

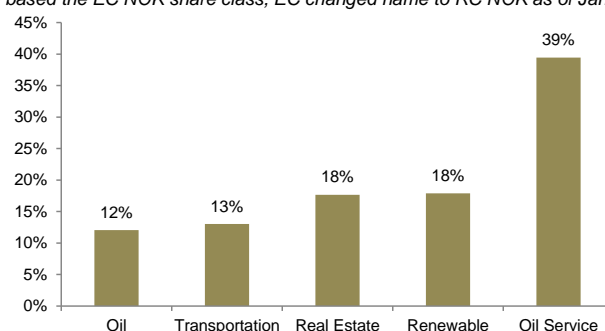
\*From January 2010, performance and NAV are reported based on the EC share class. EC share class 31.December 2009: 103.9  
Past performance is no guarantee for future performance

\*\*From 1 Jan 2012, performance and NAV are reported on return in NOK

\*\*\*From March 2012, performance and NAV are reported based the EC NOK share class, EC changed name to RC NOK as of January 2013

### Key statistics

Performance per January 2015, Net of fees (RC NOK)	-2.7%
Performance YTD 2015 (RC NOK shareclass)	-2.7%
Performance since inception	39.0%
Number of positions 31/01/2015	36
Number of issuers	34
Interest rate duration	1.9 years



### Fund terms

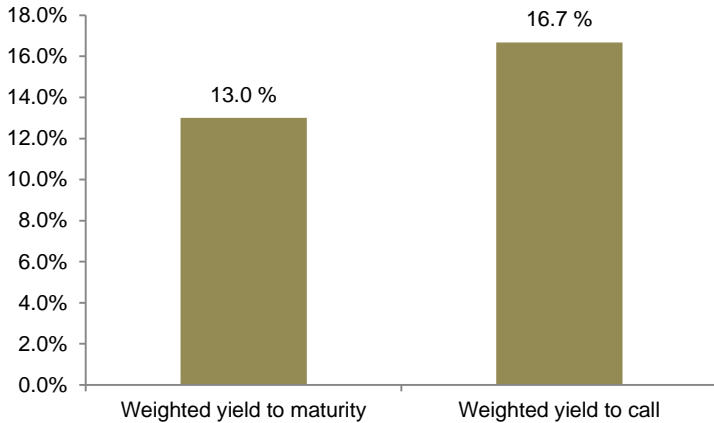
<b>Currency</b>	NOK
<b>Domicile</b>	Luxembourg
<b>Investment Manager</b>	Storm Capital Management Ltd
<b>Prime Broker</b>	Oppenheim Asset Management Services
<b>Administrator</b>	Deutsche Fund Platforms

<b>Management Fee</b>	Retail: 0.75%, Institutional: 0.5%
<b>Performance Fee</b>	10%
<b>Liquidity</b>	Daily
<b>Auditor</b>	PriceWaterhouseCoopers

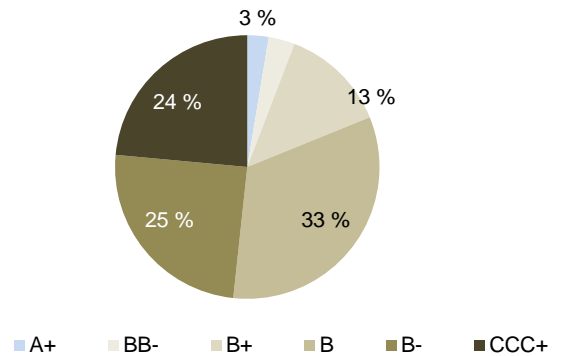
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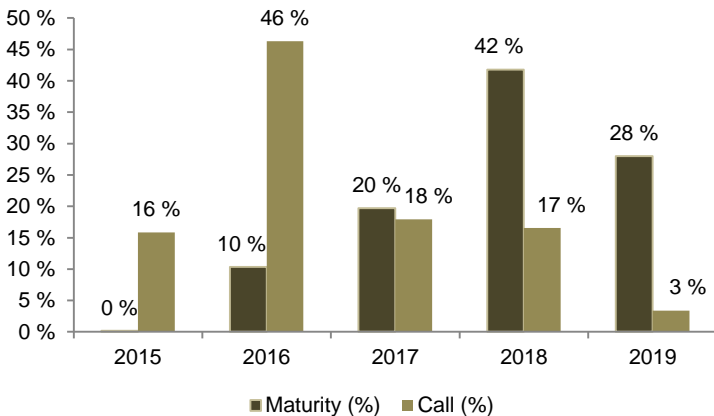
## Yield to maturity and yield to call



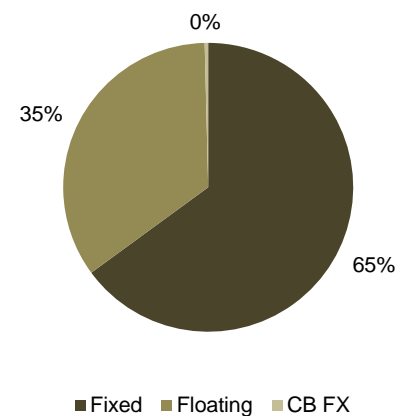
## Credit rating



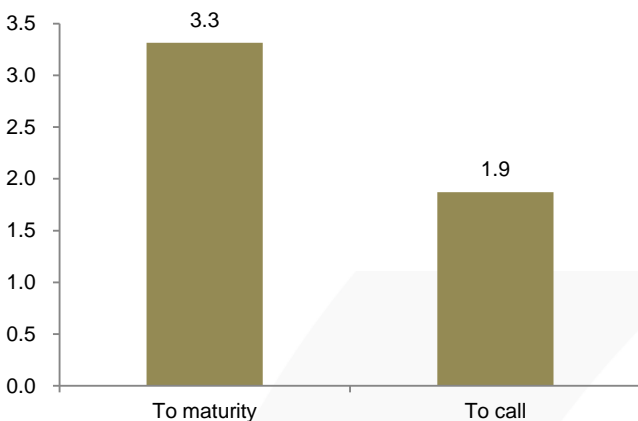
## Maturity profile



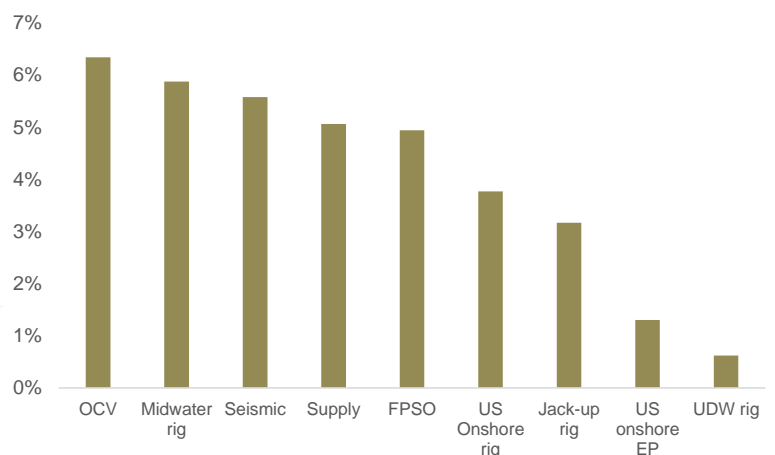
## Coupon allocation



## Duration, years



## Oil service exposure

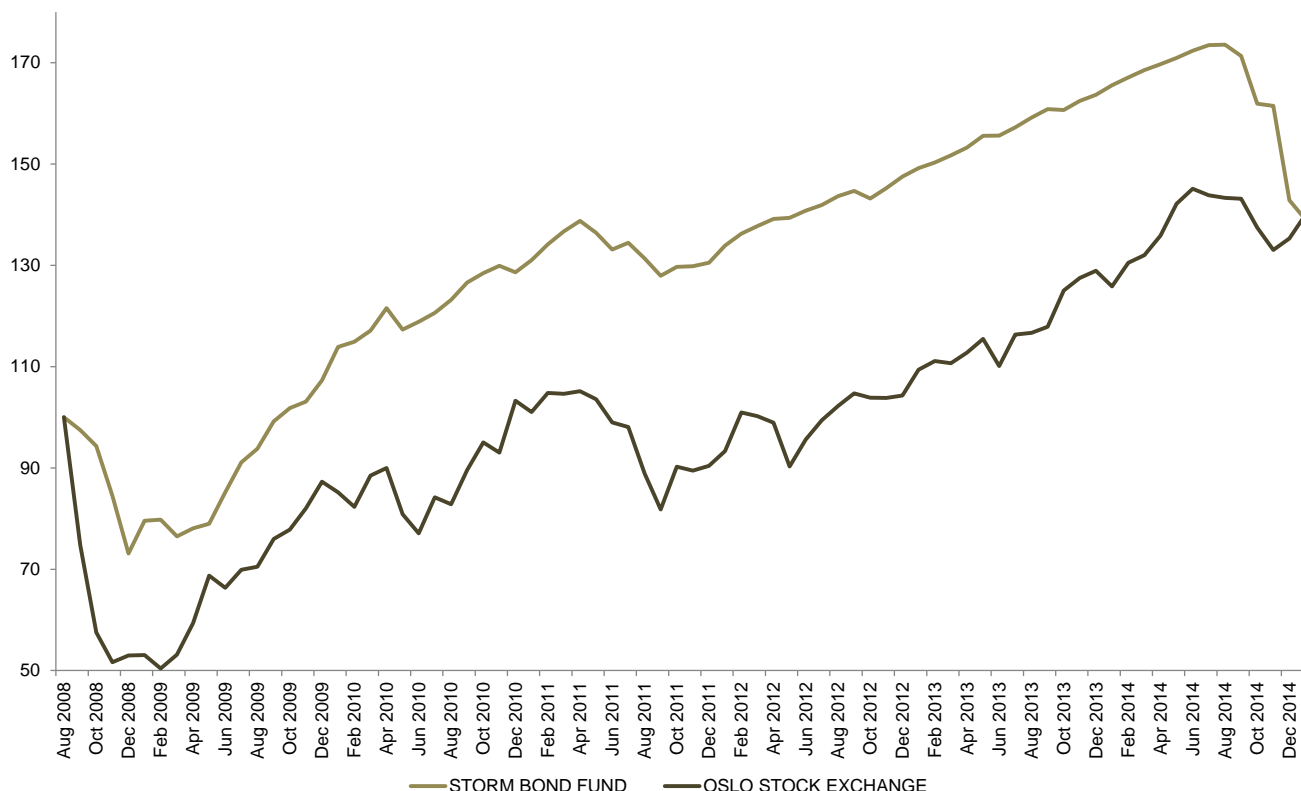


Top 20 positions

Name	Price	Yield %	NAV %	Information
1 Oceanteam Shipping ASA 12-17 FRN	102.00	10%	6.3%	35% to be repaid at 106 in April. LTV 80% on a contracted OCV fleet. 50% of the EBITDA from an unleveraged asset light business.
2 Borgestad ASA 14-17 FRN	100.25	8%	5.9%	Loan to value at ~60-70% with 1st and 2nd priority pledge in real estate in Poland and Grenland, Norway.
3 Etrion Corp. 14-19	87.00	12%	5.8%	Stockholm listed Lundin-family owned company installing, owning and producing solar power on long contracts. High leverage, but long term secured cash flow.
4 REC Silicon ASA 11-18	94.74	12%	5.2%	Unsecured bond in a company with NOK 300m net cash and market cap of NOK 4bn
5 Kistefos AS 13-16 FRN	91.00	14%	5.0%	Norwegian holding company with ~50% loan to value on assets. Owned 100% by Christen Sveaas.
6 LM Group Holding	94.00	10%	5.0%	Private equity owned Danish company with global production of wind blades. Below 2x levered on EBITDA
7 Fjord Line AS 13-18	95.00	11%	4.9%	Recently Norwegian restructured ferry operator with ~80% loan to value on brand new ferries running on gas.
8 Bluewater Holding B.V. 13-19	87.00	14%	4.9%	Privately owned Dutch FPSO company with long contracts producing oil. Loan to value ~70-80% and de-levering over life.
9 Global RiG Co. ASA 14-19	97.00	10%	3.8%	1 <sup>st</sup> priority pledge in 9 land rigs (2 under construction) on 18-month contracts in the USA. ~60-70% loan to value. Fredriksen Group largest shareholder.
10 Songa Offshore ASA 11-18 FRN	84.59	16%	3.6%	Norwegian rig company with market cap of NOK 1,5bn and 4x brand new rigs on 8Y contracts to Statoil.
11 Elematic Oy AB 14-18	88.00	15%	3.4%	Finnish private equity owned company-producing modules for precast concrete. Founded in 1959.
12 Iona Energy Company (UK) 13/18 9,50% USD	62.00	25%	3.4%	UK and Canada listed E&P company with 1 <sup>st</sup> pri pledge in Huntington, Orlando and Trent & Tyne.
13 Oro Negro Drilling Pte. Ltd. 14-19	68.00	19%	3.2%	1 <sup>st</sup> pri pledge in 4 state of the art jack-ups on contracts with Pemex. Mexican and Singaporean pension money is invested in this company.
14 Tallink Grupp AS 13-18 FRN -144A-	100.97	6%	3.1%	Tallink is the leading ferry operator in the Baltics with significant earnings potential from a lower oil price
15 Dolphin Group ASA 13-17 FRN	75.00	21%	3.1%	Dolphin has among the best marine seismic fleets in the market and has secured a backlog of USD 340m with a flexible asset base.
16 IGas Energy PLC 13-18 Secured	87.00	15%	2.9%	Igas is a listed London company producing oil and gas onshore UK. Backed by Blackstone. The company has hedged a significant portion of the oil production. This bond has 1 <sup>st</sup> priority pledge in all assets.
17 Index International AB 14-18 FRN	90.50	10%	2.9%	The company is a 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 IGas Energy PLC 13-18 Unsecured	75.00	20%	2.8%	Please see above.
19 Polarcus Ltd (Cayman Islands) 8 07.06.2018	45.00	25%	2.5%	Polarcus is currently suffering due to 1) a convertible bond maturing in 2016 and 2) a relatively low oil price. Has booked 55% of 2015 capacity on a USD 320m backlog.
20 Host Hoteleindom AS 13-16 FRN	97.00	10%	2.4%	1 <sup>st</sup> and 2 <sup>nd</sup> priority in three hotels in Oslo and Lillehammer (Breiseth, Millennium and Grims Grenka)

### Storm Bond Fund

Storm Bond Fund was down 2.7% in January and the Oslo Stock Exchange was up 3.5% in January. Since inception, the fund is up 39.0% vs 40.0% for the Oslo Stock Exchange.



January has been an extremely quiet month with no primary activity in the Norwegian market. Secondary activity is slowly getting back, while investors remain selective in issuer names. Consensus sentiment is cautiously optimistic and most funds have good cash balances after a December month with more than NOK 3bn being redeemed from funds ([www.vff.no](http://www.vff.no)). Storm Bond Fund added Nobina AB and Tallink during the month and exited Nynas as we see downside to Nynas figures going forward.

The general Nordic high yield market has continued to spread out within all BB, B and CCC+ segments as result of the low oil price. Demand and interests for bonds issued by real estate, airline companies and cruise companies have picked up significantly because of diversifying and lower fuel cost. We expect the general investor demand to pick up as the oil price is converging back to higher levels and find the current risk/reward in Nordic high yield attractive.

Storm Bond Fund was down ~0.5% last part of January and we see majority of the bonds stabilising with optimistic bid support in the secondary market. Relatively pricing is important and we have met more than 20 new companies during across our universe during January where our investment in Nobina is a result of this.

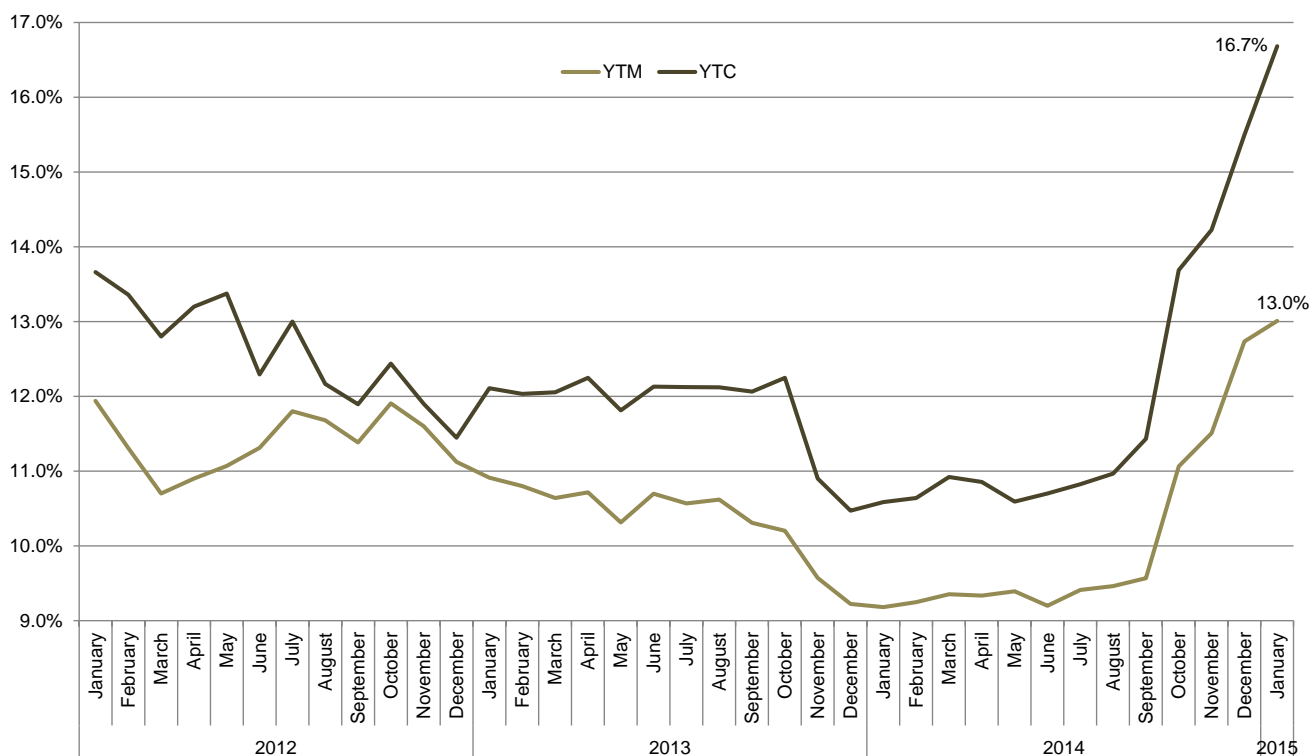
In January, we made a field trip to Mexico to meet with a series of players in the oil and oil service space over there. Mexico has a lot of easy oil in shallow waters as well as a big likelihood of oil in ultra-deep waters. We conclude that Mexico will see increased drilling in shallow waters already from 2016, whilst deep-water (UDW) activity is skewed ~3-4 years into the future. For the rig market that reads positive for jack up rigs and is neutral to negative for UDW rigs. We hold Oro Negro bonds with first priority pledge in four state of the art Jack ups on long contracts to Pemex, the state oil company. The bond is trading at ~68% of face value, due to a fear of Pemex wanting to renegotiate contracts or not pay their obligations. We are monitoring the situation closely, but there are many reasons why we believe Oro Negro now is a good example of an oversold bond.

The Mexican State owns Pemex as well as having plans to expand the oil industry significantly. A renegotiation of rates will therefore have to be against longer contracts to be viable. For the credit that could as well be good news.

Mexico is a closed system as it produces about the same amount of oil that it consumes. They have not reduced fuel prices along with the oil price fall. The Government has hedged 1/3 of the oil revenue for 2015 at USD 76/barrel. If Mexico want to succeed in oil exploration going forward, they have to prioritise payments to rig owners. Oro Negro is a local company with Mexican Pension money as well as the Singaporean Sovereign wealth fund Temasek amongst their owners. At today's pricing the Loan to replacement value is less than 60%. The oil price needed for drilling on Mexican shallow waters is between USD 25 and 40.

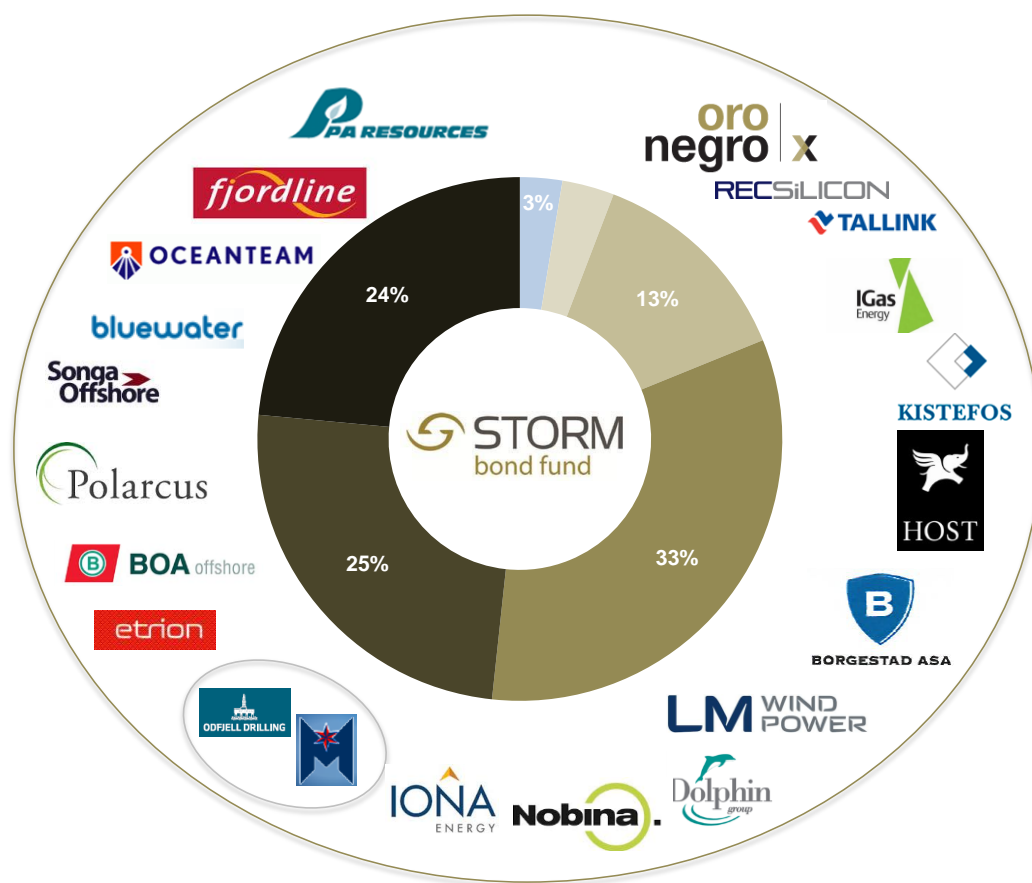
The iTraxx 5-year Crossover Index averaged at 327bps in January that was slight tightening from December (335bps). The US high yield market has been affected by the falling energy prices in the same way as the Nordic market, however the situation is quite opposite in the Euro market with a positive 0.6% YTD performance.

The graph below shows historical yields in Storm Bond Fund. In order not to inflate yields, we have capped the yields at 25% in this graph.



Selected investments in Storm Bond Fund with credit- or shadow credit ratings

A+	3%
BB-	3%
B+	13%
B	33%
B-	25%
CCC+	24%



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