

## PERFORMANCE REPORT

JULY 2016ABOUT THE FUND

Storm Bond Fund is a Nordic High Yield fund. 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 fund invests across various credit ratings based on a detailed risk/reward analysis. The management team 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%						6,8%
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.

MARKET COMMENT - MORTEN E. ASTRUP (CHIEF INVESTMENT OFFICER)

Dear investors,

Storm Bond Fund was up another 1.8% in July at the same time as the oil price was down almost 20%.

Once again corporate restructurings along with hopes of further restructurings are strong contributors. We bought Prosafe just over 20% on the dollar in the beginning of June, and in July the balance sheet has been amended by a conversion to shares at 30% to PAR along with more than NOK 1bn in fresh equity. The stock is currently trading 200% higher than the conversion price, giving an indication of a potential above the price in our NAV when we receive shares shortly.

In IGAS a tender offer from an unknown investor in the secured bond resulted in higher valuations. In DOF more than NOK 1bn of equity was raised and we will become shareholders shortly.

Outokompu in Finland is now one of our core positions, and has been a strong contributor to our performance. We find the bonds especially compelling as it is a cyclical play outside of the oil sector with the Finnish state as the largest shareholder. Outokompu is a core pillar for Finnish jobs and is likely to be backed by the state in the event of default.

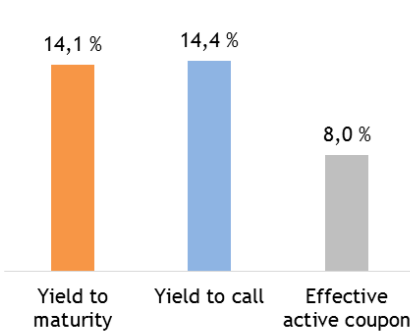
We believe the portfolio will continue to be subject to restructurings that mostly will contribute positively to the portfolio. The oil price of around USD 40 short term should be priced in and is positive for the price of oil long term.

Yield to maturity is currently 14.1%\*, while the yield to call is 14.4%\* (9.6% of the portfolio is non-yielding due to cash and shares). The effective active portfolio coupon is 8.0% (this is lower than last month due to announced restructurings in Prosafe and DOF).

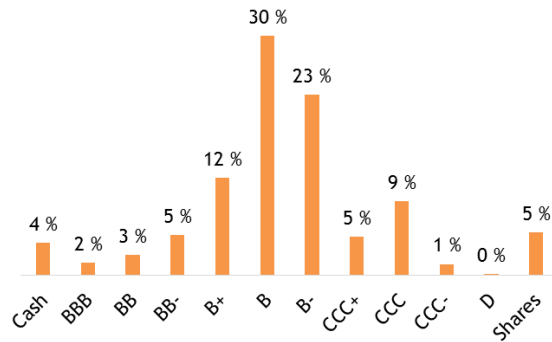
\*Yields above 30% are regarded inflated and therefore capped at 30%.

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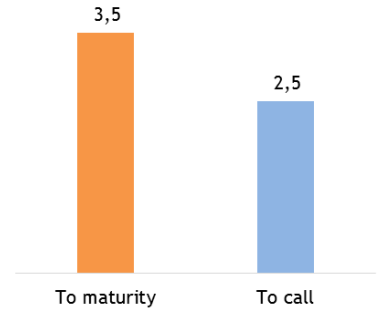
### YIELD LEVELS



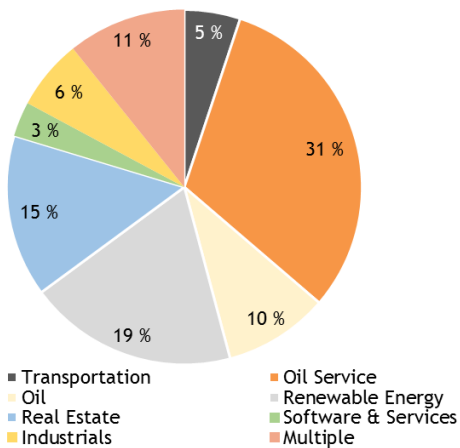
### CREDIT RATINGS



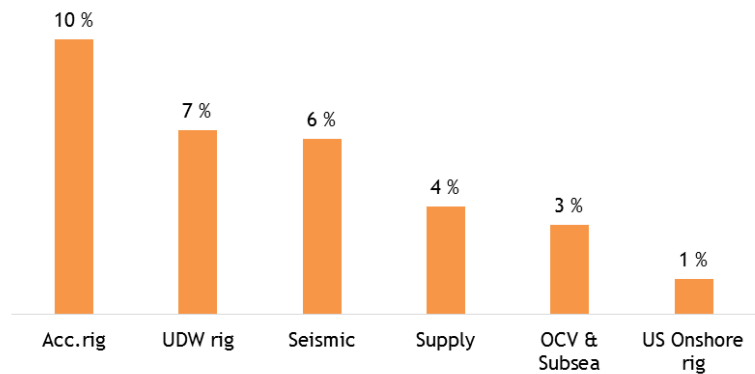
### DURATION (YEARS)



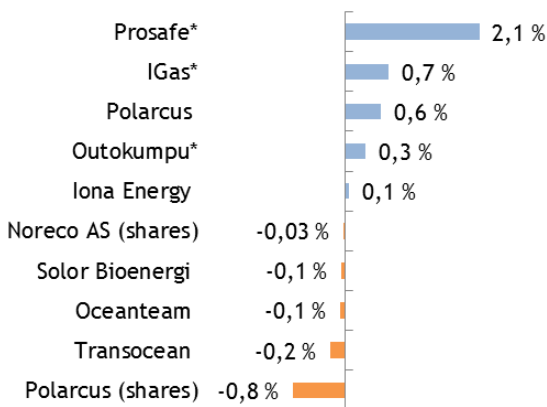
### OVERALL INDUSTRY EXPOSURE



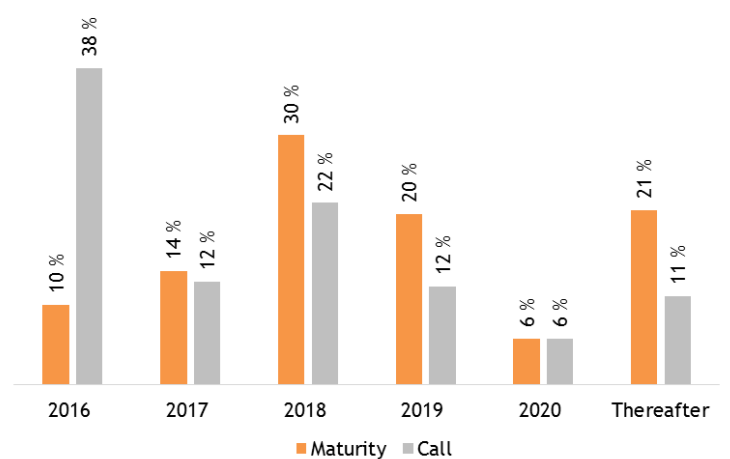
### BREAKDOWN OF OIL SERVICE EXPOSURE



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



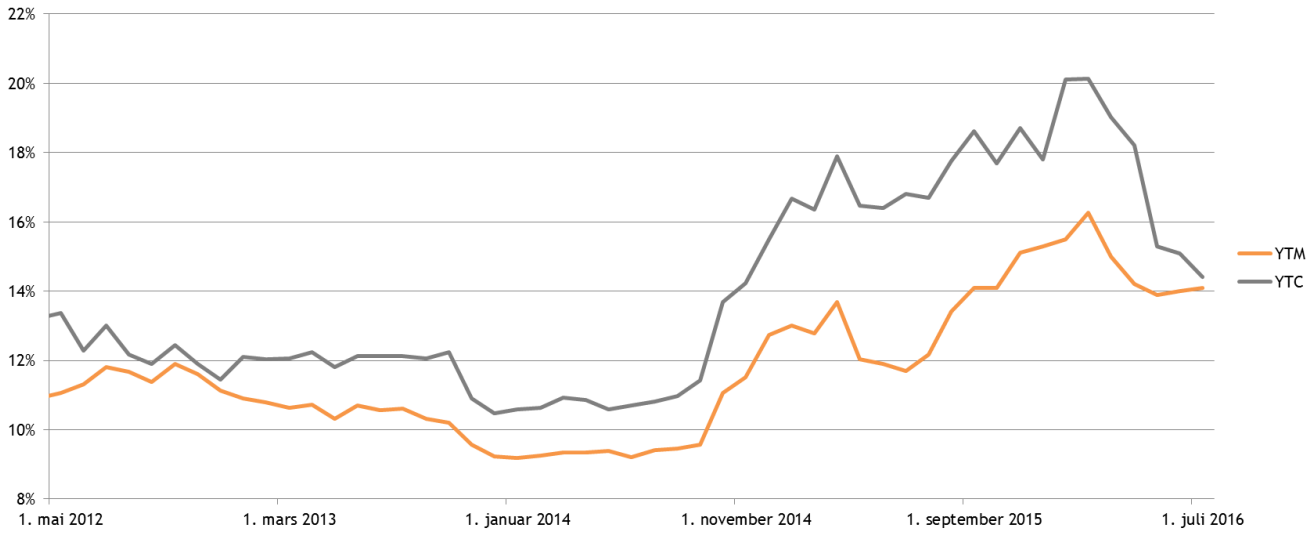
### MATURITY PROFILE



\* we own more than one bond from this issuer and this figure represent the combined return from the various bonds

## PERFORMANCE REPORT

### YIELD DEVELOPMENT



## PERFORMANCE REPORT

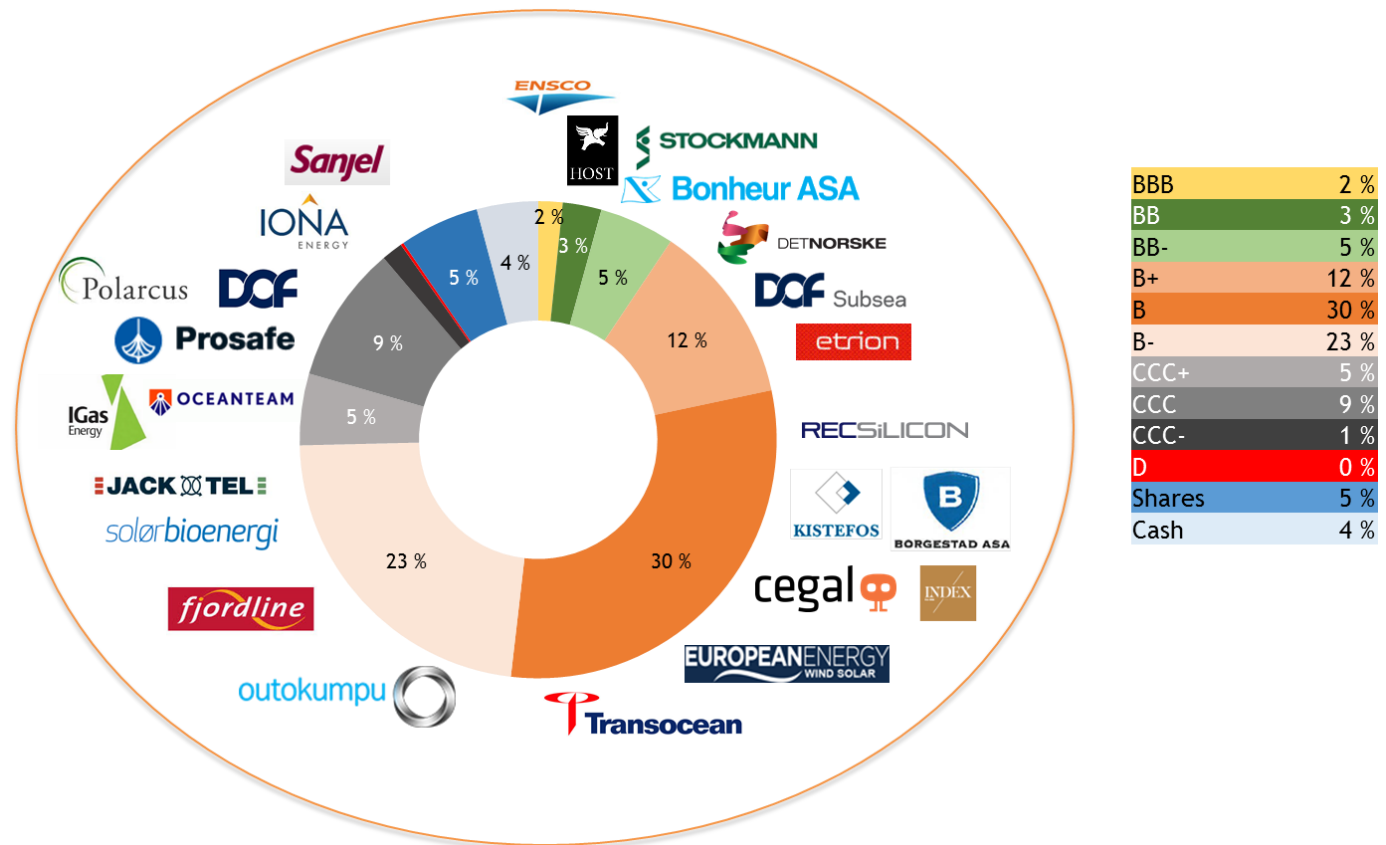
### BOND PORTFOLIO - TOP 20

NAME	ISIN	PRICE	YIELD %	NAV %	SHORT DESCRIPTION
1 Etrion Corp. 14-19	NO0010709272	83,25	16,4 %	6,3 %	Stockholm listed Lundin-family owned company installing, owning and producing solar power on long contracts. High leverage, but long term secured cash flow with solid counterparties.
2 Kistefos AS 13-16 FRN	NO0010699200	100,25	7,6 %	6,0 %	Norwegian holding company, which is 100% owned by Christen Sveeas. Strong value support in portfolio companies such as Advanzia Bank and 1881 Opplysningen.
3 Jacktel A/S 14-19	NO0010714561	86,50	13,2 %	5,3 %	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.
4 Det Norske Oljeselskap ASA 15-22	NO0010736382	110,34	8,1 %	5,1 %	Aker backed company that recently merged with BP creating AKER BP, hence decreasing the credit risk significantly.
5 Fjord Line AS 13-18 FRN	NO0010671084	97,13	11,9 %	4,9 %	Norwegian ferry operator which has been through an operational turnaround. Balance sheet improved. Strong equity sponsor in Ferd.
6 European Energy A/S 14-18 FRN	SE0005677796	90,00	14,6 %	4,6 %	Developing and owning wind- and solar power generating assets and has about 40% EBITDA margin.
7 Transocean Inc. 01-31	US893830AF64	61,00	13,7 %	4,5 %	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.
8 REC Silicon ASA 11-18	NO0010607476	92,50	14,8 %	4,2 %	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 3.5bn.
9 Outokumpu OYJ 16-21	FI4000210646	102,13	6,7 %	4,2 %	One of the largest producers of stainless steel with ~30% market share in Europe and 8% globally. The Finnish state owns 30% of the Company. New cost measures taking place. Assuming mid-cycle steel prices and reaching cost targets, company sees EBIT of EUR 500m. Hence, we see a stronger credit case emerging over the coming years.
10 Index International AB 14-18 FRN	SE0005797537	90,00	13,2 %	3,9 %	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.
11 Borgestad ASA 14-17 FRN	NO0010720766	100,00	8,1 %	3,8 %	Loan to value at ~60-70% with 1st and 2nd priority pledge in real estate in Poland and Grenland, Norway.
12 Bonheur Asa 14-21 FRN	NO0010714538	92,50	6,3 %	3,4 %	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.
13 Solor Bioenergi Holding AB 12-17 FRN	NO0010662356	56,75	56,0 %	3,0 %	Producer of wood-based bioenergy in Norway and Sweden with diversified business through the value chain. Operates in a natural monopoly.
14 Cegal Group AS 14-17 FRN	NO0010713217	95,50	11,8 %	3,0 %	IT/Consultancy company delivering crucial IT infrastructure to the Oil&Gas industry. Strong and recurring cash flow from good counterparts. 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.
15 DOF ASA 12/19 FRN	NO0010657802	42,45	41,6 %	2,8 %	One of the leading OSV companies worldwide with a diversified portfolio of vessels with relative decent contract coverage and order backlog with quality counterparties. The Company is currently being restructured, where the main shareholder subscribed for NOK 750m in new equity (NOK 1,050m in new equity in total). The banks has also participated with significant amortization holidays over the next 3-4 years.
16 Prosafe SE 14-19 FRN	NO0010717473	31,50	46,8 %	2,8 %	The #1 accommodation company in the world in terms of size and operational excellence. The Company is currently under restructuring, where the terms provides the company with liquidity leeway through 2020. We are positive to the potential earnings power when the cycles turns and see good optionality value post restructuring which implies very decent recovery and return prospects.
17 Host Hoteleierdom AS 13-16 FRN	NO0010699721	100,25	7,4 %	2,6 %	1st and 2nd priority in three hotels in Oslo and Lillehammer (Breiseth, Millennium and Grims Grenka).
18 IGas Energy PLC 13-18	NO0010673791	78,29	29,1 %	2,6 %	London-listed company producing oil and gas onshore UK. The company has hedged a significant portion of the oil production and lowered its break-even cost during the downturn. Secured bond.
19 Oceanteam Shipping ASA 12-17 FRN	NO0010662018	49,10	80,4 %	2,3 %	LTV 80% on a contracted OCV fleet. 50% of the EBITDA from an unleveraged asset light business.
20 Elematic Oy AB 14-18	FI4000096821	62,00	41,6 %	2,2 %	Finnish private equity owned company, a leading one-stop-supplier for precast concrete technology. The company has 40% market share within its niche and annual net sales of EUR 100m.
Sum				77,7 %	

Total number of bond positions in portfolio: 33  
 Total number of issuers in portfolio: 29  
 Interest rate duration: 1.8 years

## PERFORMANCE REPORT

### CREDIT RATINGS AND EXAMPLES OF PORTFOLIO COMPANIES AT VARIOUS RATINGS



### PRICES FOR DIFFERENT SHARE CLASSES

SHARE CLASS	ISIN	PRICE
Retail NOK	LU0740578702	101,22
Institutional NOK	LU0840158496	95,29
RCN NOK	LU1382364633	103,12
Retail USD	LU0840159114	86,19
Institutional USD	LU0840159387	80,59
Retail SEK	LU0840159460	82,95
Retail GBP	LU0840159890	84,02
Retail EUR	LU0840158819	82,45
Institutional CHF	LU1076701652	76,61

### 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

## PERFORMANCE REPORT

### 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 an 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:
  - Corporate Finance related issues
  - Restructuring processes
- 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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