

PERFORMANCE REPORT

OCTOBER 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%	3,3%	-0,4%	1,2%			11,2%
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,

In October we were back on track without large surprises and Storm Bond Fund is now up 11.2% YTD. The overall credit quality of the portfolio is considered better than ever. With only 4% of the portfolio in bonds where we see risk of a restructuring, Storm Bond Fund is well positioned for yield compression going into the winter season. In bonds where we see improved credit metrics we have bought longer dated notes, hence the credit duration of the portfolio has increased to 3.9 years. The interest duration is at a comfortable 1.6 years.

During October we bought Stena 2024 bonds in the low 80s yielding north of 11% for the next 8 years. The Stena balance Sheet is around SEK 120bn, with book equity just below 50bn. The Company has cash and undrawn credit facilities of SEK 18bn and a variety of business units within shipping, real estate, drilling and other investments. The drilling arm is what currently concerns the investors as the outlook looks challenging. However, given a diversified sector mix, low LTV on their real estate business and strong owner, we view risk/reward to be attractive.

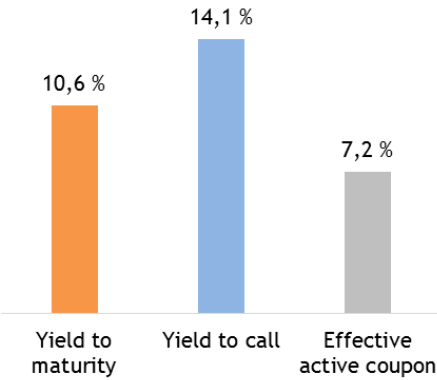
Teekay LNG Partners issued a new 5 year bond, where we decided to take part due to a relative rich pricing (i.e good vintage) paired with solid credit metrics, USD 12bn in backlog and its leading position in the LNG market. We have decided to sell our position in Outokumpu 2021 secured bonds as it reached our price target of 108%. We still own a smaller position in the convertible bond issue as the underlying stock is reaching closer to strike price. At parity and stock moving closer to strike, we see fair value of the convertible at ~115% (vs. current price at 105%). Furthermore, we reduced our exposure in Borgestad maturing next year above par value due to somewhat increased refinancing risk vs. buying into IB Bostad, a new 2 year ring-fenced and secured bond issue with exposure to the Swedish property rental market.

Yield to maturity is currently 10.6%*, while the yield to call is 14.1%*. The effective active portfolio coupon is 7.2%.

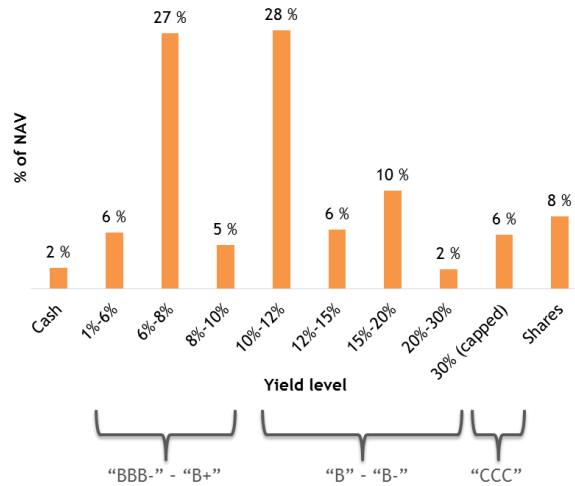
*Yields above 30% are regarded inflated and therefore capped at 30%.

PERFORMANCE REPORT

YIELD LEVELS



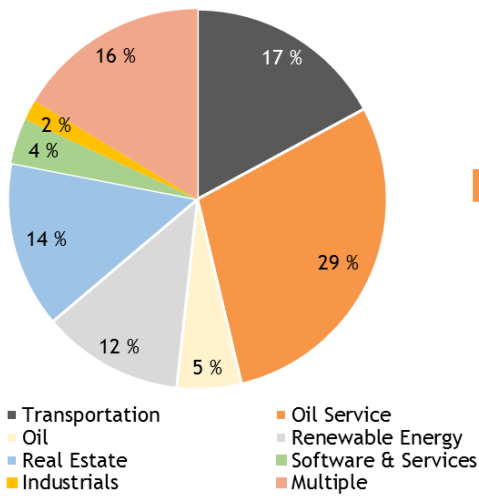
YIELD DISTRIBUTION ("CREDIT RATINGS")



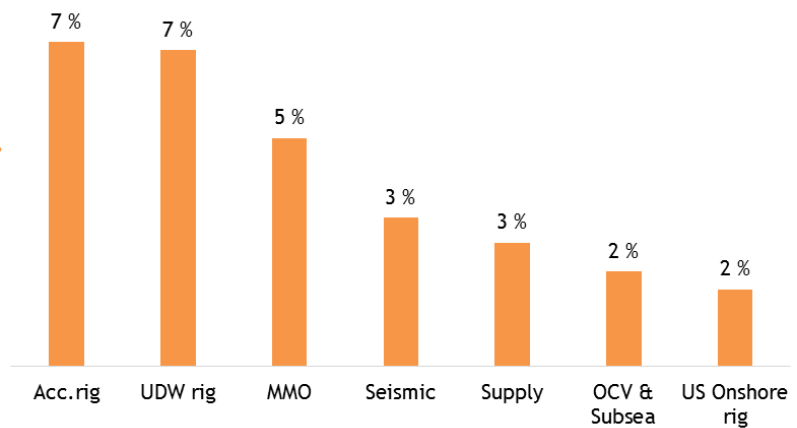
DURATION (YEARS)



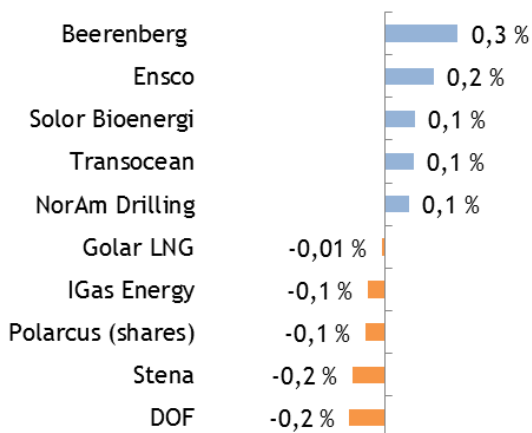
OVERALL INDUSTRY EXPOSURE



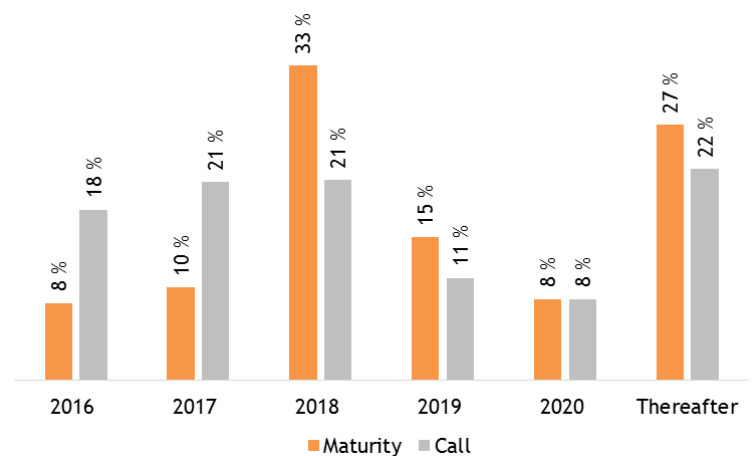
BREAKDOWN OF OIL SERVICE EXPOSURE



CONTRIBUTION ANALYSIS (top 5 / bottom 5)

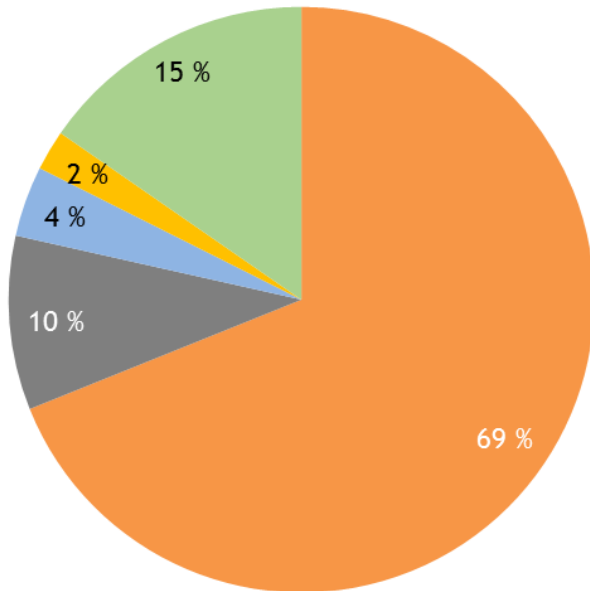


MATURITY PROFILE



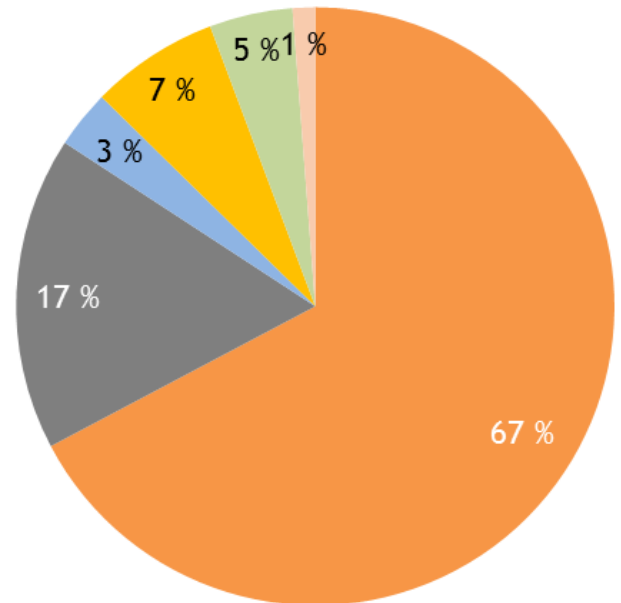
PERFORMANCE REPORT

PORTFOLIO OVERVIEW



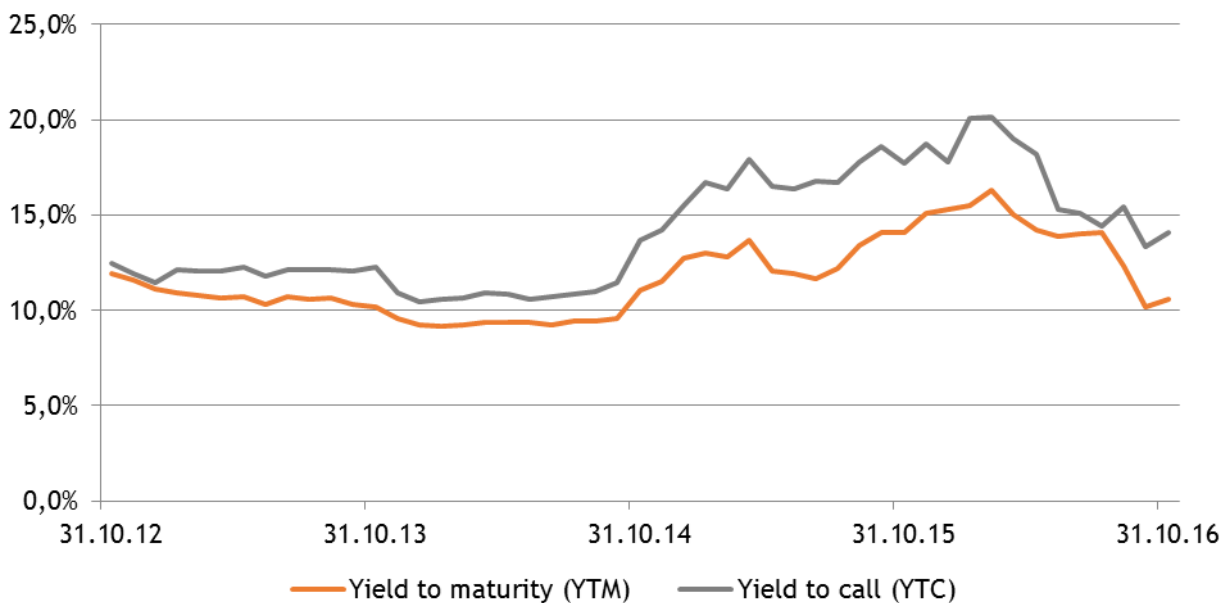
- Yield compression
- Bonds and shares in recent restructurings
- Restructurings expected
- Cash
- Secure yield players

INVESTMENT BY COUNTRY



- Norway
- Sweden
- Finland
- US
- Denmark
- UK

YIELD DEVELOPMENT



PERFORMANCE REPORT

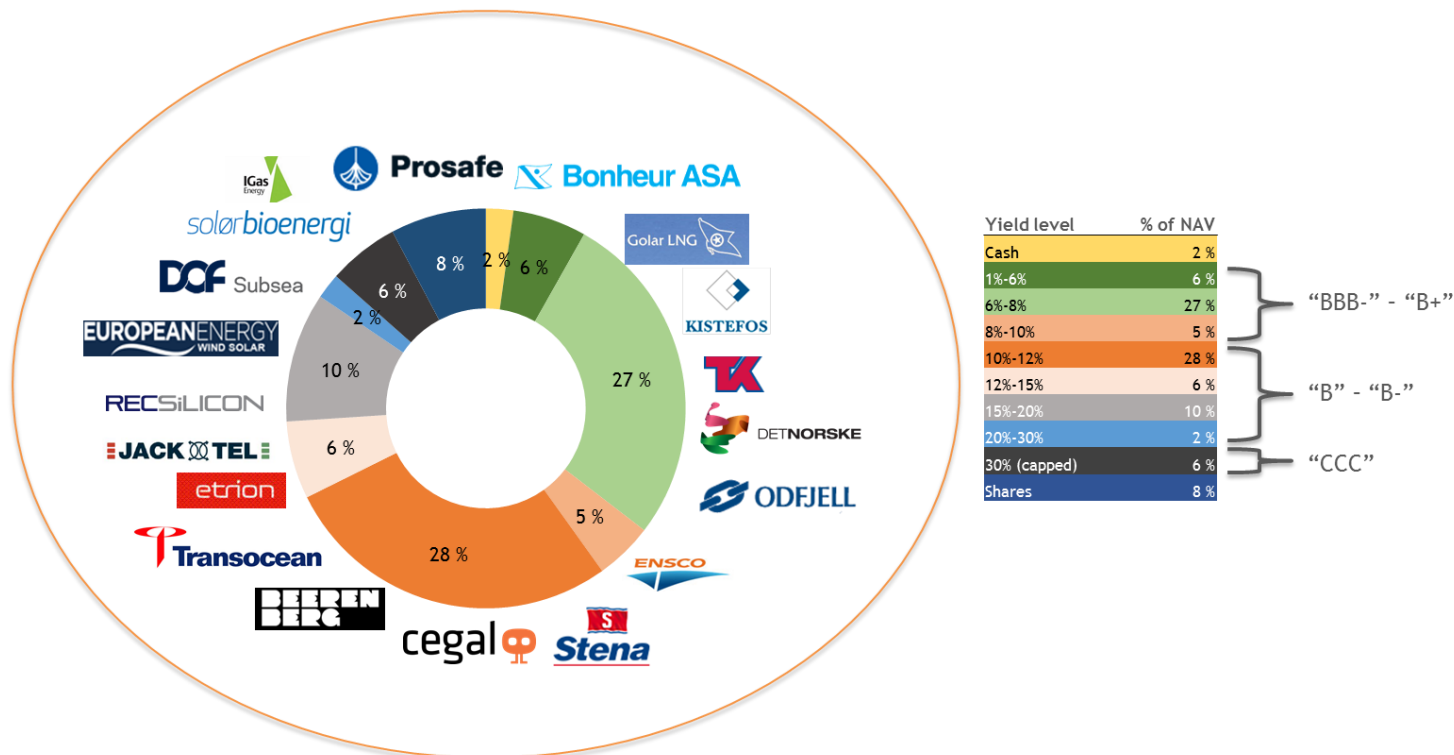
BOND PORTFOLIO - TOP 20

NAME	ISIN	PRICE	YIELD %	NAV %	SHORT DESCRIPTION
1 Stena Ab 14-24	USW8758PAK22	81,50	10,7 %	5,2 %	Swedish conglomerate 100% controlled by Sten Olsson family. Rated BB- by S&P (B+ shadow rating). Total assets of SEK 120bn. Diversified revenue and asset base with strong market position. Per end-Q2/16 liquidity reserves stood at SEK -18bn, which we deem sufficient to weather a difficult market within its drilling operations.
2 Kistefos AS 13-16 FRN	NO0010699200	100,06	7,7 %	5,0 %	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.
3 Beerenberg Holdco II A/S 14-18 FRN	NO0010713738	91,50	11,8 %	5,0 %	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	89,38	12,2 %	4,5 %	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 Golar LNG Ltd. 15-20 FRN	NO0010736481	93,23	7,4 %	4,5 %	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.
6 European Energy A/S 14-18 FRN	SE0005677796	89,75	16,0 %	4,4 %	Developing and owning wind- and solar power generating assets and has about 40% EBITDA margin.
7 Transocean Inc. 01-31	US893830AF64	71,50	11,6 %	4,3 %	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 Bonheur Asa 14-21 FRN	NO0010714538	94,34	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 Det Norske Oljeselskap ASA 15-22	NO0010736382	111,08	7,9 %	4,2 %	Aker backed company that recently merged with BP creating AKER BP, hence decreasing the credit risk significantly.
10 Fjord Line AS 13-18 FRN	NO0010671084	99,50	10,3 %	4,1 %	Norwegian ferry operator which has been through an operational turnaround. Balance sheet improved. Strong equity sponsor in Ferd.
11 Cegal Group AS 14-17 FRN	NO0010713217	96,63	12,0 %	3,8 %	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 Odfjell SE 16-19 FRN	NO0010774276	101,07	6,7 %	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.
13 Index International AB 14-18 FRN	SE0005797537	93,50	11,6 %	3,1 %	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.
14 Solor Bioenergi Holding AB 12-17 FRN	NO0010662356	56,09	70,1 %	3,0 %	Producer of wood-based bioenergy in Norway and Sweden with diversified business through the value chain. Operates in a natural monopoly.
15 Bulk Industrier AS 15-18 FRN -144A-	NO0010754534	101,00	7,6 %	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.
16 Teekay LNG Partners L.P. 16-21 FRN	NO0010777089	100,72	6,9 %	2,7 %	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.
17 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).
18 REC Silicon ASA 11-18	NO0010607476	92,38	15,7 %	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 2.6bn.
19 EnSCO PLC 14-44	US29358QAD16	67,00	9,0 %	2,5 %	One of the major drilling companies globally with a total of 61 rigs owned. The debt financing In EnSCO 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 EnSCO 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.
20 Host Hoteleierdom AS 13-16 FRN	NO0010699721	100,00	8,0 %	2,2 %	1st and 2nd priority in three hotels in Oslo and Lillehammer (Breiseth, Millennium and Grims Grenka).
Sum				74,4 %	

Total number of bond positions in portfolio: 34. Total number of issuers in portfolio: 33.

PERFORMANCE REPORT

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



PRICES FOR DIFFERENT SHARE CLASSES

SHARE CLASS	ISIN	PRICE
Retail NOK	LU0740578702	105,37
Institutional NOK	LU0840158496	99,27
RCN NOK	LU1382364633	106,82
ICN NOK	LU1382364716	101,21
Retail USD	LU0840159114	89,78
Institutional USD	LU0840159387	83,97
Retail SEK	LU0840159460	85,91
Retail GBP	LU0840159890	87,58
Retail EUR	LU0840158819	85,53
Institutional CHF	LU1076701652	79,40

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 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:
 - 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

Contact details: +47 920 35 908 or tore@stormcapital.no



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

Contact details: +47 951 35 853 or marcus@stormcapital.no