

## 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
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,

Happy New Year!

Storm Bond Fund ended the year on a strong note with +5.8% in December resulting in +17.8% return for 2016.

2016 was the year where the tide turned for oil and the Norwegian high yield market. A large number of the smaller oil and oil services related companies with levered balance sheets did not make it through the down-cycle and many are still at risk. However, the probability of recovery is higher now than the last two years after the OPEC and non-OPEC decision in November and early December to cut production. The decisions were just as radical for the market as the decision not to cut production in November 2014.

The majority of our excess return during 2016 derived from a careful selection of yield compression case such as LNG shipping bonds, longer dated oil service and E&P bonds with solid balance sheets as well as Outokumpu bonds in Finland among others. In December we decided to reduce the credit duration towards 3 years as we see risk of the Trump administration increasing inflation and interest rates in the US. The yield compression case is still very much intact in our investment universe, but we now prefer less duration.

Aker BP 2022 USD bonds yielding north of 7% is now our largest position. Post-merger with BP Norway it has become a strong credit with solid cash flow and a leading cost and reserve base. The bond carries a relatively high credit spread despite limited default risk as Aker BP holds a call option at around current price levels. However, given Aker BP's growth and dividend ambitions and the fact that the senior lenders consider the bonds as equity, we find the bonds unlikely to be called and therefore offers great risk/reward.

Our 2nd largest position Stena 2024 continued the positive performance during the month after satisfactory Q3/16 figures highlighting the right to cancel a drilling newbuild contract which will improve cash flow by more than USD 500m and further strengthen the already robust liquidity position. The Company announced that they have bought back USD 73m (12%) of the 2024 bonds, which we see as another strong argument for further yield compression.

During December, we have reduced our equity exposure in DOF ASA and Prosafe on the back of strong share price performance due to risk-on sentiment among levered offshore companies. The Noreco shares contributed positively with +1.2% during the month after the Danish court ruled massively in favour of Noreco in the case against the consortium on the Siri Field. Furthermore, we decided to take profit and sell our Transocean 2031 fixed rate notes due to increasing interest rate environment.

2017 is likely to be another good year for the Nordic High Yield market and for selected energy related companies in particular. We will continue our yield compression focus as there are still many opportunities in our universe.

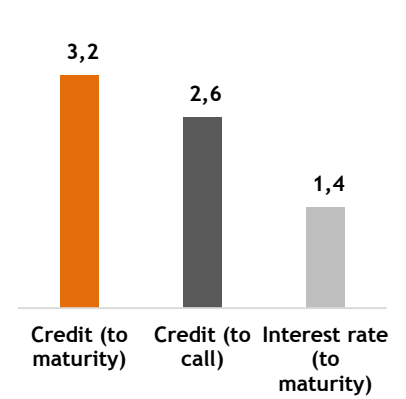
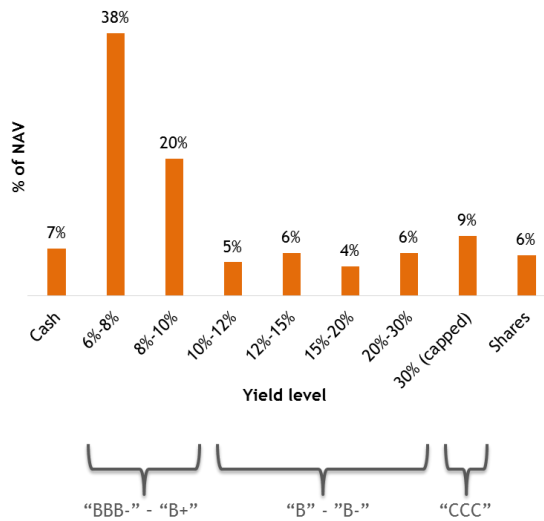
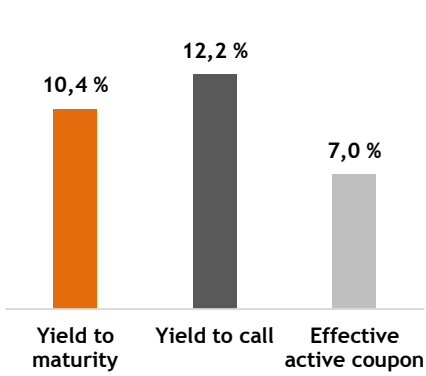
Yield to maturity is currently 10,4%\*, while the yield to call is 12,2%\*. The effective active portfolio coupon is 7,0%.

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

YIELD LEVELS

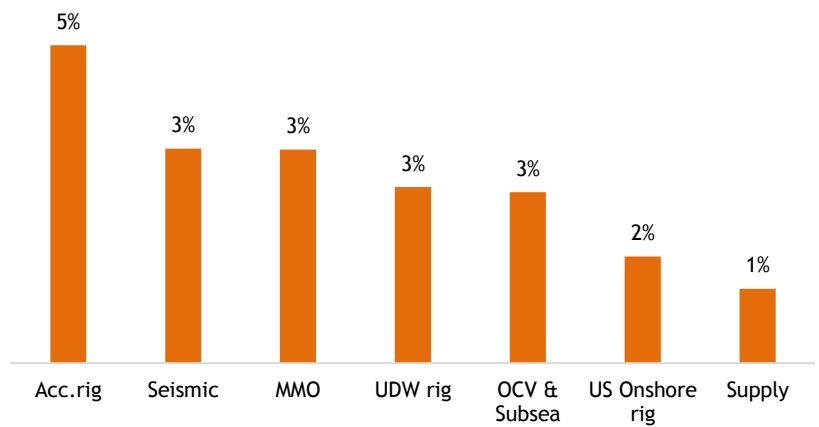
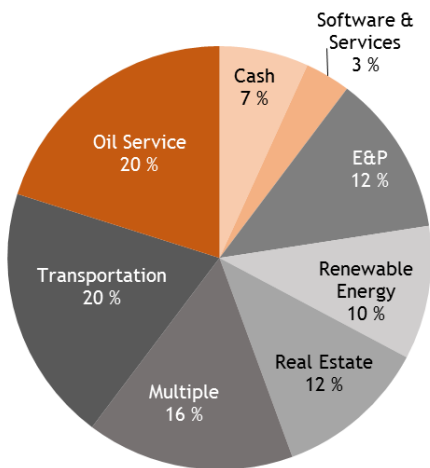
YIELD DISTRIBUTION ("CREDIT RATINGS")

DURATION (YEARS)



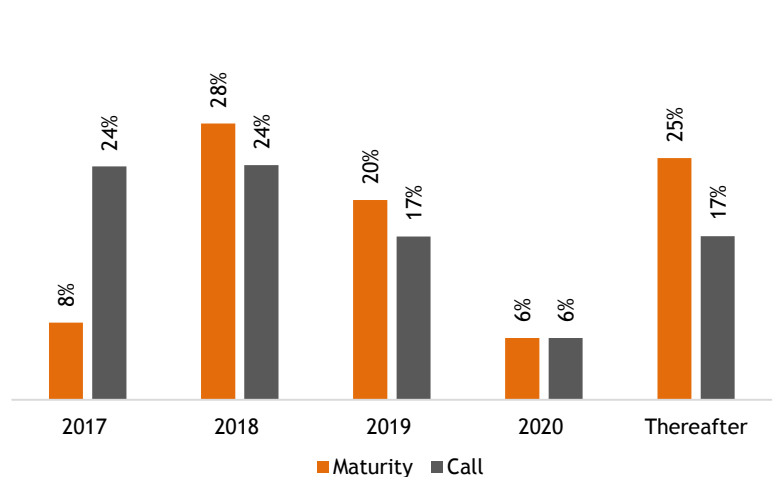
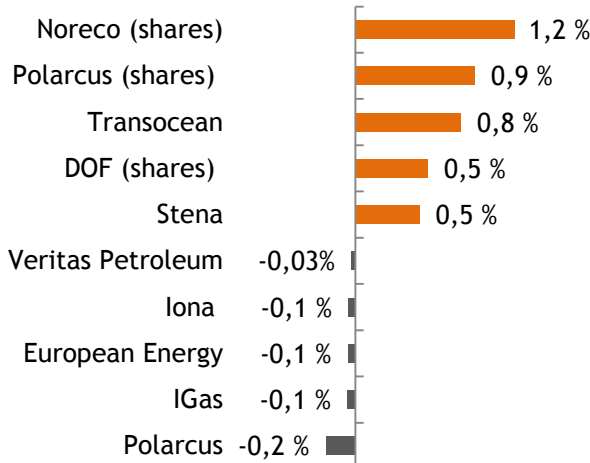
OVERALL INDUSTRY EXPOSURE

BREAKDOWN OF OIL SERVICE EXPOSURE



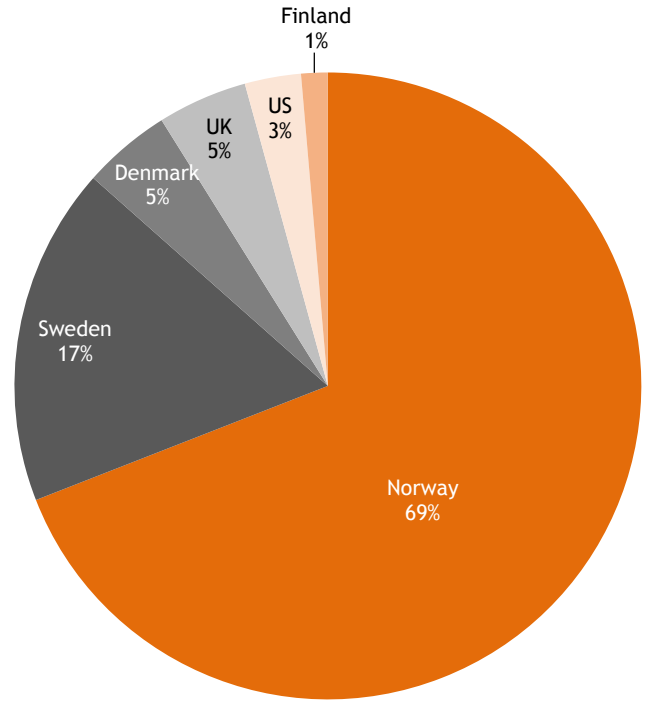
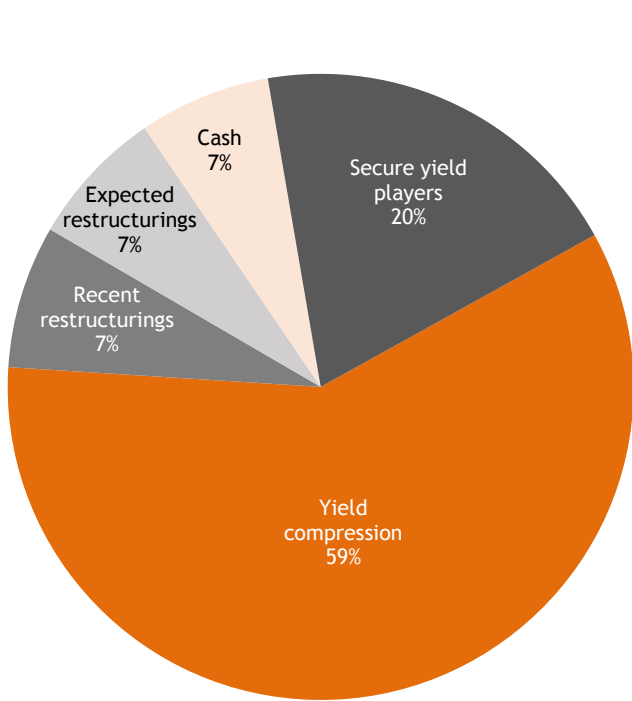
CONTRIBUTION ANALYSIS (top 5 / bottom 5)

MATURITY PROFILE

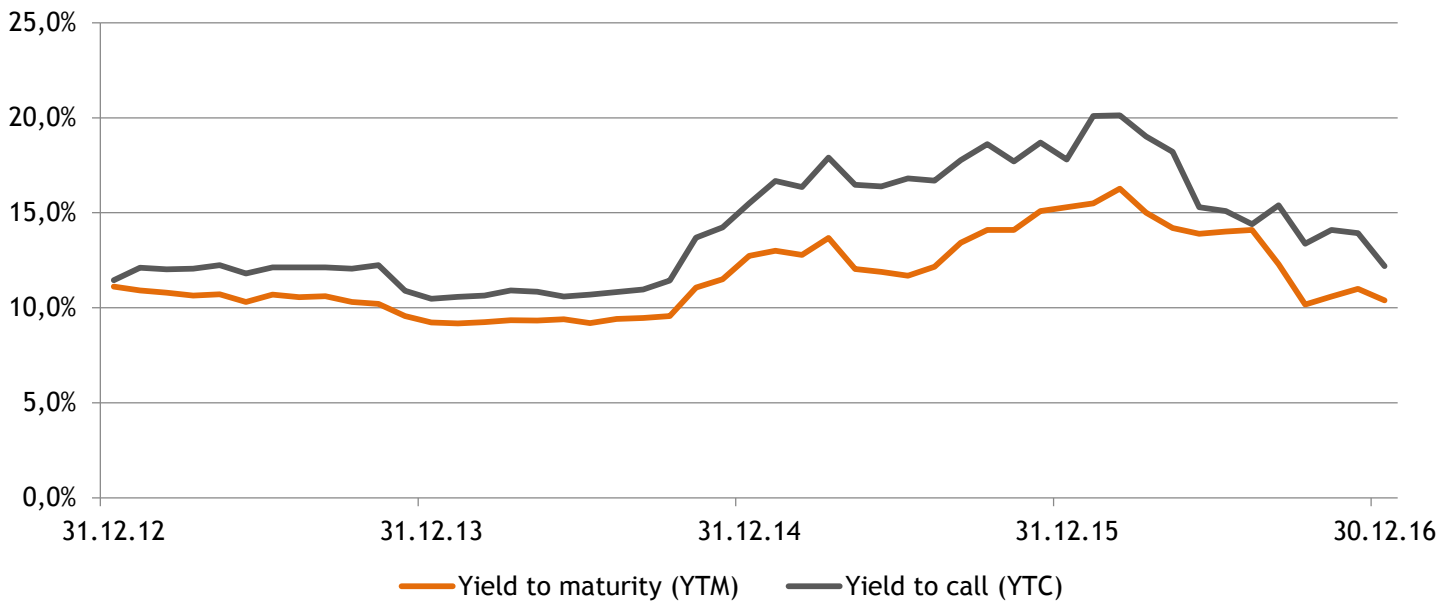


PORTFOLIO OVERVIEW

INVESTMENT BY COUNTRY



YIELD DEVELOPMENT



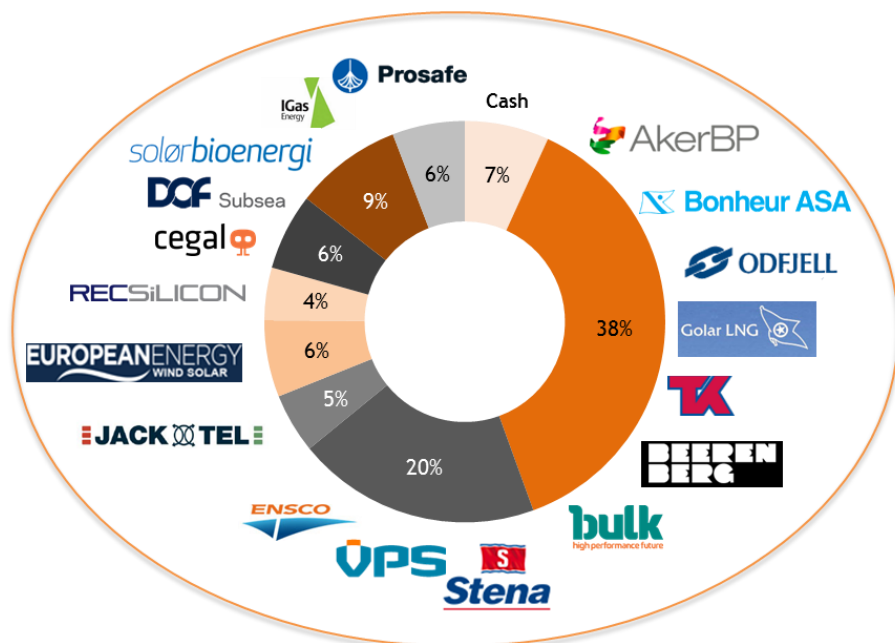
## BOND PORTFOLIO - TOP 20

NAME	ISIN	PRICE	YIELD %	NAV %	SHORT DESCRIPTION
1 AKER BP ASA 15-22	NO0010736382	111,21	7,8 %	7,96 %	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	88,57	9,2 %	5,7 %	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	93,89	7,4 %	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 Jacktel A/S 14-19	NO0010714561	90,75	11,8 %	4,4 %	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.
5 European Energy A/S 14-18 FRN	SE0005677796	90,88	14,6 %	4,2 %	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.
6 Bonheur Asa 14-21 FRN	NO0010714538	94,00	6,2 %	4,0 %	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.
7 Fjord Line AS 13-18 FRN	NO0010671084	100,66	9,3 %	4,0 %	Norwegian ferry operator which has been through an operational turnaround. Balance sheet improved. Strong equity sponsor in Ferd.
8 IGas Energy PLC 13-18	NO0010673791	75,25	40,6 %	3,6 %	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.
9 Odfjell SE 16-19 FRN	NO0010774276	102,00	6,4 %	3,5 %	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.
10 Cegal Group AS 14-17 FRN	NO0010713217	93,72	20,7 %	3,5 %	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.
11 Teekay LNG Partners L.P. 16-21 FRN	NO0010777089	100,73	7,0 %	3,5 %	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.
12 Kistefos AS 16-19 FRN	NO0010779291	100,25	8,6 %	3,4 %	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.
13 Beerenberg Holdco II A/S 14-18 FRN	NO0010713738	98,17	7,5 %	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.
14 Host Property AB 16-19 FRN	SE0009357676	99,93	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	101,00	7,6 %	3,1 %	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 Solor Bioenergi Holding AB 12-17 FRN	NO0010662356	58,38	77,8 %	3,0 %	Producer of wood-based bioenergy in Norway and Sweden with diversified business through the value chain. Operates in a natural monopoly.
17 Enso PLC 14-44	US29358QAD16	72,50	8,3 %	2,7 %	One of the major drilling companies globally with a total of 61 rigs owned. The debt financing In Enso 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 Enso 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.
18 DOF Subsea ASA 13-18 FRN	NO0010670144	82,80	20,6 %	2,7 %	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 2016e revenues). Firm backlog equates to -1.4x NIBD and remaining capex. Unique position in Brazil with local built vessels.
19 Bulk Industrier AS 15-18 FRN -144A-	NO0010754534	101,38	7,4 %	2,6 %	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.
20 REC Silicon ASA 11-18	NO0010607476	92,97	15,9 %	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.
Sum				76,1 %	

Total number of bond positions: 33 (from 31 issuers).

Total number of shares: 4.

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



Yield level	% of NAV	Credit Rating
Cash	7 %	
6%-8%	38 %	“BBB-” - “B+”
8%-10%	20 %	
10%-12%	5 %	
12%-15%	6 %	“B” - “B-”
15%-20%	4 %	
20%-30%	6 %	“CCC”
30% (capped)	9 %	
Shares	6 %	

PRICES FOR DIFFERENT SHARE CLASSES

SHARE CLASS	ISIN	PRICE
Retail NOK	LU0740578702	111,60
Institutional NOK	LU0840158496	105,18
RCN NOK	LU1382364633	112,47
ICN NOK	LU1382364716	106,62
Retail USD	LU0840159114	95,04
Institutional USD	LU0840159387	88,93
Retail SEK	LU0840159460	90,56
Retail GBP	LU0840159890	92,63
Retail EUR	LU0840158819	90,40
Institutional CHF	LU1076701652	83,54

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

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:
  - Restructuring processes
  - Corporate Finance related issues
- 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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