

## 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 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
2017	3,3%	3,0%	2,1%	1,3%	0,6%	-1,1%	0,8%						10,3%
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%
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,

Storm Bond Fund delivered 0.8% return in July and is up 10.3% YTD.

The Norwegian HY index returned 0.8% in July vs. the European at 0.9%. July is typically a fairly quiet month with limited news flow, trading and new HY issues. We expect the market activity to return back to normal in September. We continue to remain very positive on the prospects for the Nordic HY market going forward due to higher energy prices (oil price +10% since end-June), higher credit spreads than in the US and Central Europe combined with a solid outlook for the macroeconomic environment.

Our portfolio had an artificially low yield to maturity at the end of July due to the redemption of the Aker BP bonds the day after month end.

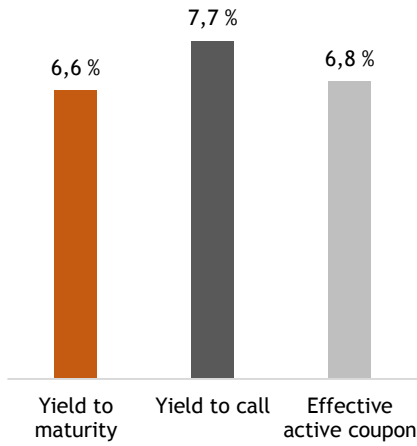
Fjord Line and European Energy has been re-financed and left our portfolio during July (as described in the previous monthly report).

During the month we have re-visited the Transocean credit-case and bought back the 2031 bonds at low 80s which we sold in December at high 80s. In our view, the credit case has improved since year-end'16 on the back of an improved balance sheet due to the sale of its jack-up fleet reducing capex by USD 1b and increasing cash by USD 300m, still a solid liquidity profile with cash estimated end-19 of USD 2.1bn and industry leading backlog of USD ~11bn combined with increased oil prices and higher activity in the drilling market. This has increased the interest rate duration slightly on a portfolio level, but with a yield of 10% for the next 14 years we see a large potential for yield compression during the coming months.

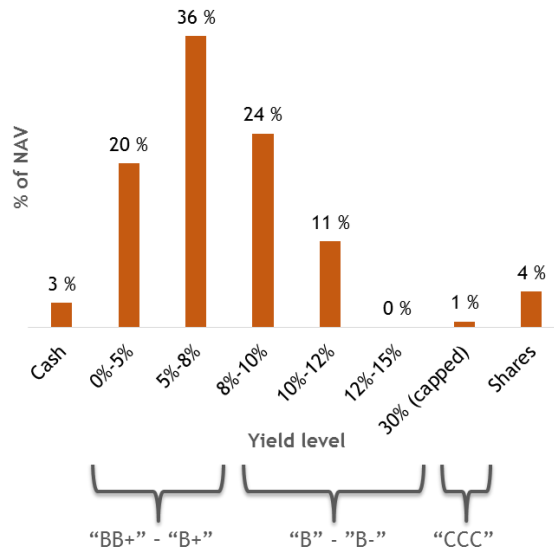
Yield to maturity is currently 6.6%\*, while the yield to call is 7.7%\*. The effective active portfolio coupon is 6.8%.

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

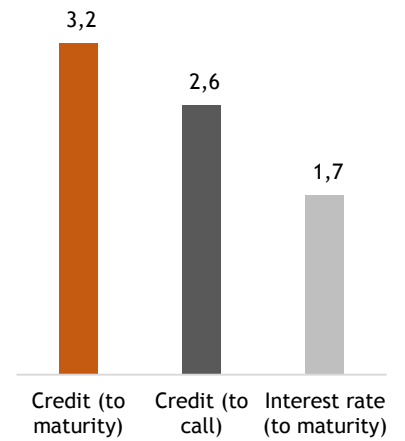
YIELD LEVELS



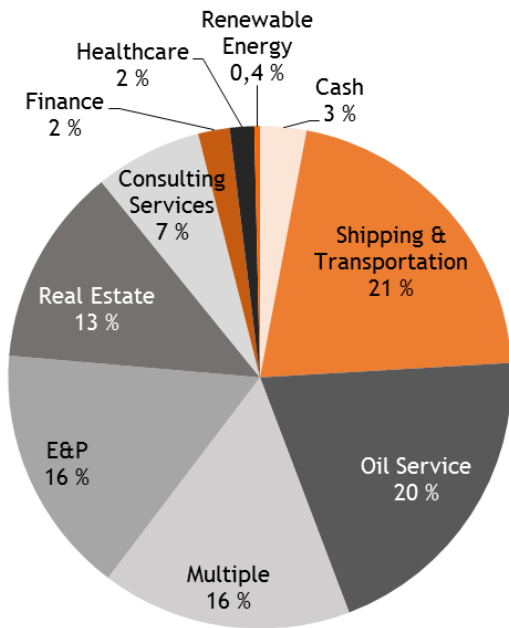
YIELD DISTRIBUTION ("CREDIT RATINGS")



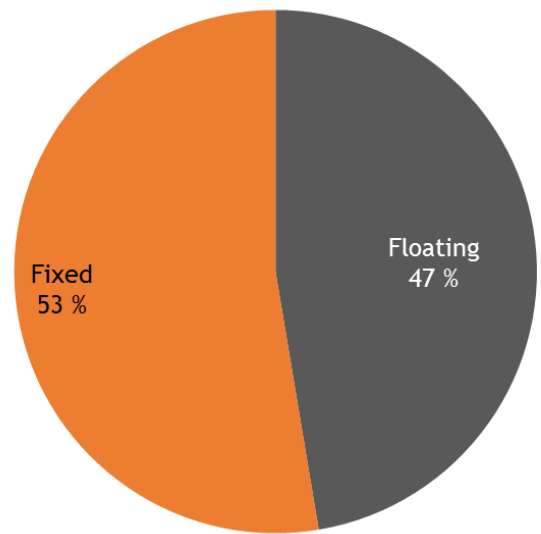
DURATION (YEARS)



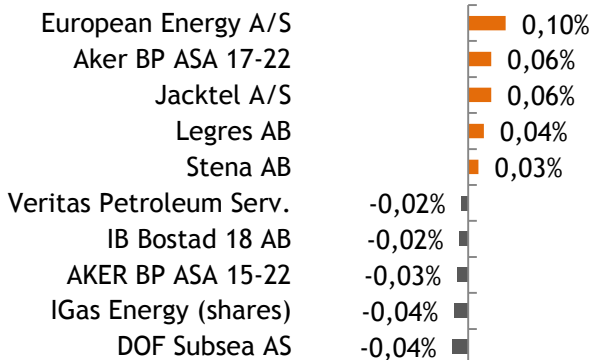
OVERALL INDUSTRY EXPOSURE



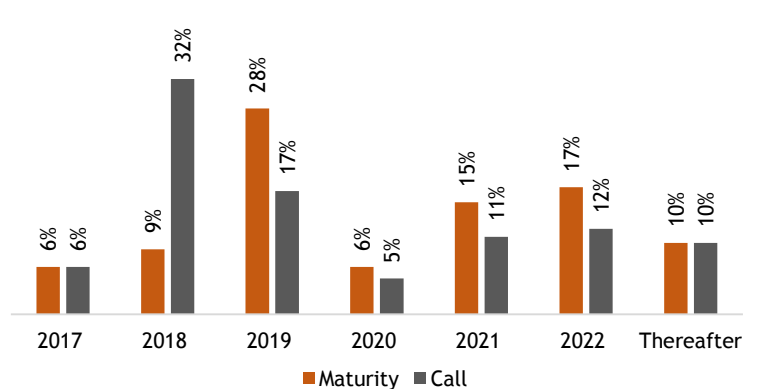
FLOATING VS. FIXED RATES



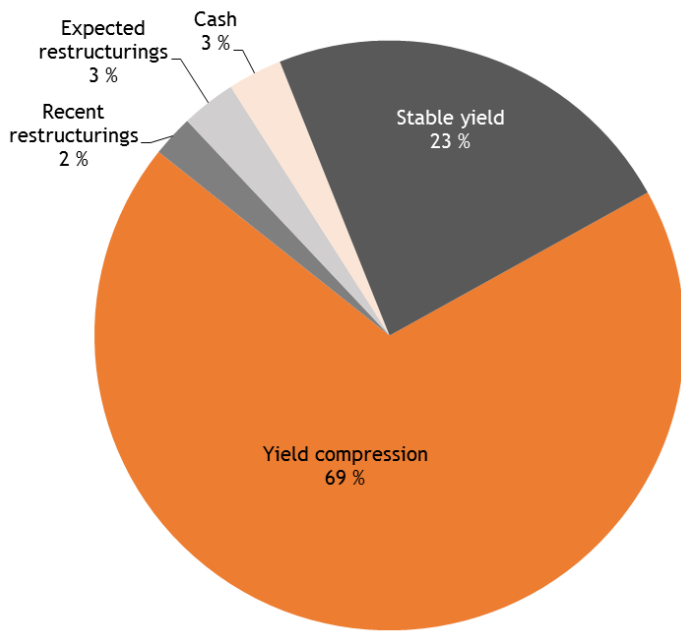
CONTRIBUTION ANALYSIS (top 5 / bottom 5)



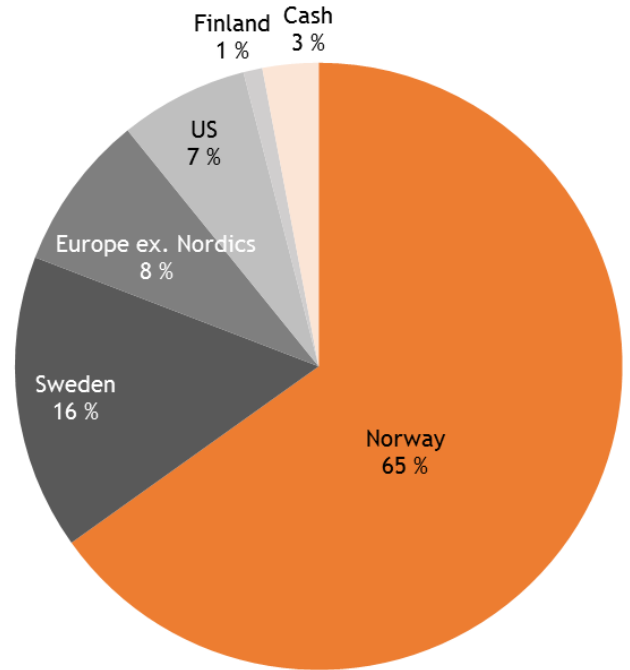
MATURITY PROFILE



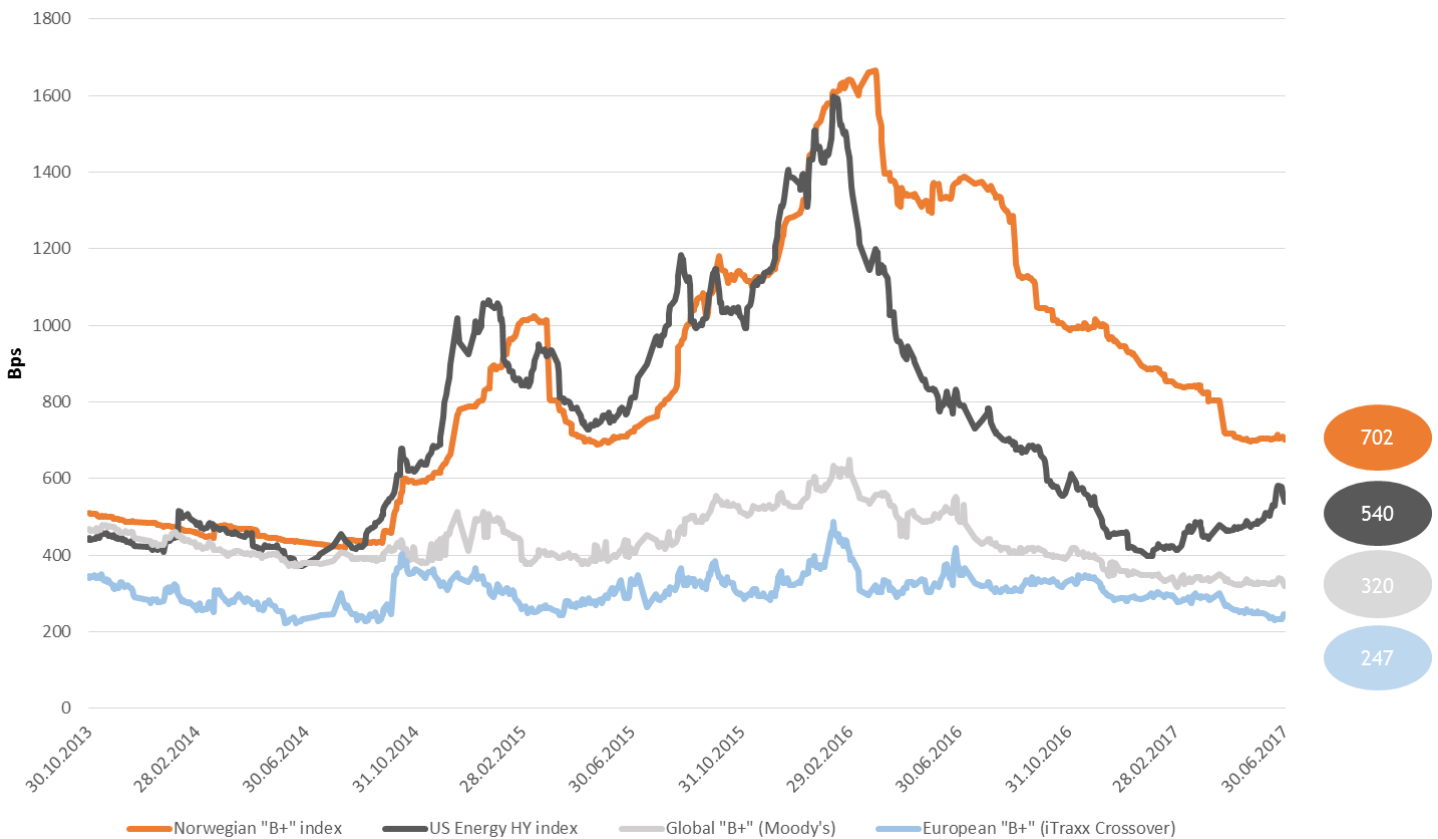
PORTFOLIO OVERVIEW



INVESTMENT BY COUNTRY



SPREAD PREMIUM IN B+ COMPARED TO INTERNATIONAL MARKETS



Source: Sparebank 1 Markets, as of 30.06.2017.

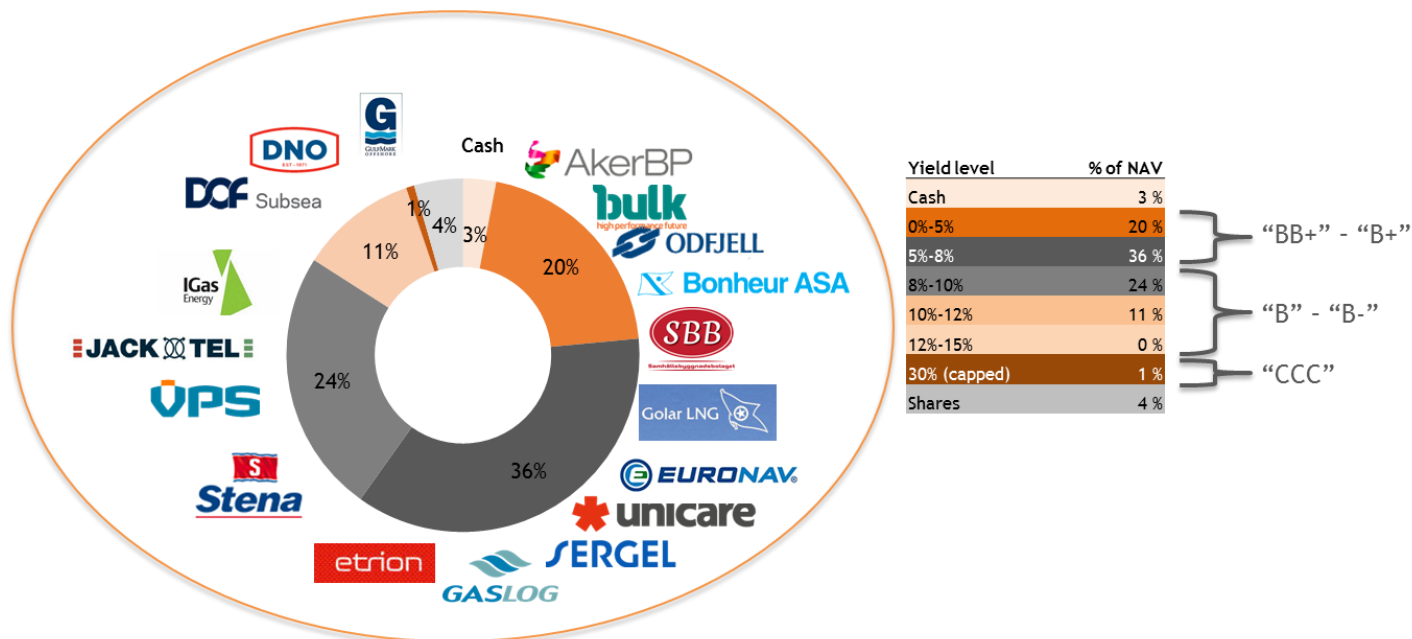
## BOND PORTFOLIO - TOP 20

NAME	ISIN	PRICE	YIELD %	NAV %	SHORT DESCRIPTION
1 Veritas Petroleum Services B.V. 14-1N00010708506		97,63	8,7 %	6,9 %	VPS is the global market leader in Fuel Quality Testing, having an estimated global market share of ~50%. The Company was previously owned by Det Norske Veritas before it was sold to the private equity company IK Investment Partners. The client base consist of ~900 companies with more than 9,000 vessels, meaning a high degree of diversification. The bond is secured and by end-Q1/17 NIBD/EBITDA 4.2x, which provides bondholders with good valuation support.
2 Aker BP ASA 15-22	NO0010736382	110,08	0,1 %	6,4 %	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. This bond was recently called by the Company, at strike 110, and will be repaid shortly. This is why the yield is significantly lower.
3 Stena Ab 14-24	USW8758PAK22	93,30	8,4 %	5,0 %	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-Q1/17 liquidity reserves stood at SEK -17.5bn, which we deem sufficient to weather a difficult market within its drilling operations.
4 Kistefos AS 16-19 FRN	NO0010779291	103,43	6,8 %	4,8 %	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.
5 GasLog Ltd. 17-22	USG37585AC37	105,25	7,5 %	4,8 %	Gaslog is an international owner and operator of LNG carriers listed at NYC stock exchange with a market cap of USD 1.0bn (+MLP Gaslog Partners mcap at USD ~870m). The company controls a fleet of 28 LNG carriers including newbuilds and vessels organised in 27.7% owned Gaslog Partners. We find the GLOG'22 bonds to offer very attractive risk/reward prospects due to its strong contract backlog with oil majors and the fully financed newbuilding programme.
6 Jacktel A/S 14-19	NO0010714561	98,50	8,1 %	4,7 %	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 other sources of funding before maturity of the bond.
7 Golar LNG Partners LP 17-21 FRN	NO0010786056	100,06	7,5 %	4,0 %	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.
8 Euronav Luxembourg S.A. 17-22	NO0010793888	98,25	7,9 %	4,0 %	Largest publicly listed tanker company in the world with a market cap of USD ~1.2bn. Conservative financial strategy with target to keep a minimum of 2 year operational liquidity runway. Liquidity currently stands at USD ~620m.
9 Host Property AB 16-19 FRN	SE0009357676	102,00	5,1 %	3,5 %	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.
10 DNO ASA 15-20	NO0010740392	96,98	10,2 %	3,4 %	DNO is a Middle East and North Africa focused oil and gas company listed on the Oslo Stock Exchange with a market cap of NOK 8.4bn. 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).
11 Bonheur Asa 14-21 FRN	NO0010714538	99,18	4,5 %	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.
12 Transocean Inc. 01-31	US893830AF64	82,50	9,9 %	3,3 %	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.
13 Beerenberg Holdco II AS 17-21 FRN	NO0010786296	100,50	7,2 %	3,2 %	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 Golden Ocean Group Ltd. 14-19 Conv NO0010701055		90,45	10,4 %	3,1 %	Golden Ocean is a leading international dry bulk shipping company based in Bermuda, mainly operating in the Capesize, Panamax and Supramax segments. GOGL is listed on NASDAQ and the Oslo Stock Exchange with a market cap of NOK ~5.6bn. Mr. John Fredriksen is the largest shareholder through Hemen Holding, owning 14.5% of the company. GOGL owns and controls a fleet of 70 vessels including newbuildings and vessels chartered in on long term time charter contracts. The value of a 5-year old capesize vessel is at a 30-year low. We expect asset values to move higher into 2017 once the seasonally low's is behind us which should further strengthen the credit case.
15 DOF Subsea AS 17-22	NO0010788177	98,00	10,3 %	3,0 %	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. The Company is looking at listing the equity.
16 Borgestad ASA 14-18 FRN	NO0010720766	100,00	7,8 %	2,9 %	Borgestad was listed in 1917, making it the oldest company on the Oslo Stock Exchange. Today the company is focused on mainly real estate investments in Poland and Norway as well as production, distribution and installation of refractory products. Even though the credit metrics is only deemed adequate, we find solid valuation support in the pledged assets with 75% LTV in our bear case which we believe is sufficient to either refinance the bonds at maturity or sell assets to cover debt obligations.
17 IGas Energy PLC 13-21	NO0010673791	100,15	8,1 %	2,9 %	London-listed company producing oil and gas onshore UK. Stable production of ~2,600boepd at an operating cost of USD ~30/boe. The Company has recently been restructured with bondholders receiving a mix of cash, stocks and a new bond, taking NIBD to USD ~10m. This combined with security of all assets and improved lifting costs minimizes risk of refinancing at maturity. The new equity investor is Kerrogon private equity, while the largest bondholder was KKR.
18 Odfjell SE 16-19 FRN	NO0010774276	104,56	4,6 %	2,7 %	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 2017 and 2018 combined with moderate capex commitments will reduce leverage going forward.
19 Aker BP ASA 17-22	USR0140AAA71	105,00	4,8 %	2,6 %	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. This bond was recently issued at 6% in order to refinance Aker BP ASA 15-22.
20 IB Bostad 18 AB 16-18 FRN	NO0010777162	103,50	4,9 %	2,4 %	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).
Sum				76,9 %	

Total number of bond positions: 35 (from 32 issuers).

Total number of shares: 4.

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



PRICES FOR DIFFERENT SHARE CLASSES

SHARE CLASS	ISIN	PRICE
Retail NOK	LU0740578702	123,14
Institutional NOK	LU0840158496	116,26
RCN NOK	LU1382364633	122,84
ICN NOK	LU1382364716	116,61
Institutional USD	LU0840159387	98,47
Retail SEK	LU0840159460	98,47
Institutional SEK	LU0840159544	102,14
Retail GBP	LU0840159890	101,72
Retail EUR	LU0840158819	98,28
Institutional CHF	LU1076701652	91,48

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)
Minimum Investment	Retail (50,000 NOK) Institutional (25,000,000 NOK)
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 10 years of experience from research and finance
- Before Storm he worked as an credit analyst, covering the offshore high yield space 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](mailto: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](mailto: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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