

## 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%	1,1%	1,1%	0,3%			13,2%
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 0.3% return in October and is up 13.2% YTD. We have reduced weighted interest duration to 1.4 years.

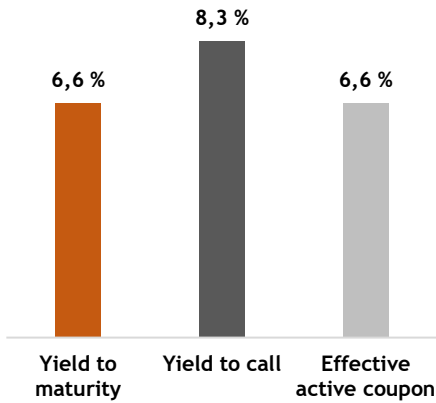
The market for new issues in the Nordics continued as expected on a strong note in October with NOK 9bn raised vs. NOK 6.5bn during the same period last year. Total new issues this year has reached NOK 100bn, which compares to the peak in 2014 of NOK 107bn. The main difference now is that we see a broader diversification among sectors and more favourable credit spreads for the investors. We currently believe in spread tightening in several of our shipping and energy bonds while we avoid Swedish real estate developers where we believe there will be a significant spread widening in the coming months due to weaker outlook. Our only Swedish real estate exposure today is secured 1<sup>st</sup> priority with a loan to value of less than 50% in a hotel portfolio.

In October we participated in two bond issues. The Norwegian E&P company Okea issued a new USD 120m senior secured bond with a coupon of 7.5% maturing in 2020. The proceeds from the bond issue is to finance the development capex at the Yme field offshore Norway. The interesting feature of this bond is the unique Norwegian petroleum tax system. From a credit perspective, the tax system offers significant downside protection of at least 78% and up to ~95% of invested capital that are tax deductible over 4-6 years. Furthermore, the cash shield is transferrable to other companies and also refundable by the Kingdom of Norway upon discontinuation of operations. On the back of this, we find the credit profile in Okea to be very strong and the bond debt is expected to be covered by escrowed cash and the underlying tax claim even in a scenario with lower oil prices. Furthermore, we decided to participate in the new Hospitality Invest bond. The bond is carrying a coupon of NIBOR + 600 bps and is maturing in 2022. Hospitality Invest is a privately-owned investment company and the company invests across a variety of sectors, with a special focus on social services such as preschools and social infrastructure in the Nordic region. The credit profile is deemed to be strong with significant asset backing (~35% LTV) and provides solid diversification.

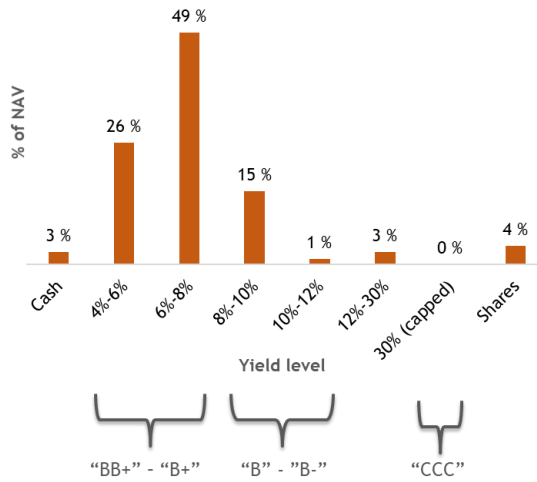
We have been invested in Gulfmark bonds since April. Gulfmark will be re-listed post chapter 11 during November. Although it accounts for only 3% of our portfolio today there is an strong excitement with regards to the conversion to equity. Gulfmark emerges as one of the cheapest and most financially strong OSV companies globally and we believe there is a strong probability that the company will either be acquired or significantly repriced when it emerges as a more or less debt free company on the NYSE. We are not forced to sell upon conversion, which provides us with flexibility to wait for the right timing. In general we believe a stronger energy market will trigger more call backs of bonds that may create some alpha return in the coming months.

Yield to maturity is currently 6.6%, while the yield to call is 8.3%. The effective active portfolio coupon is 6.6%.

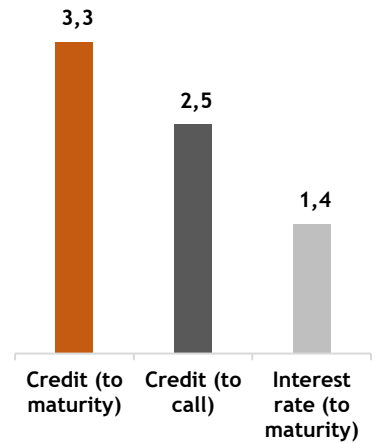
**YIELD LEVELS**



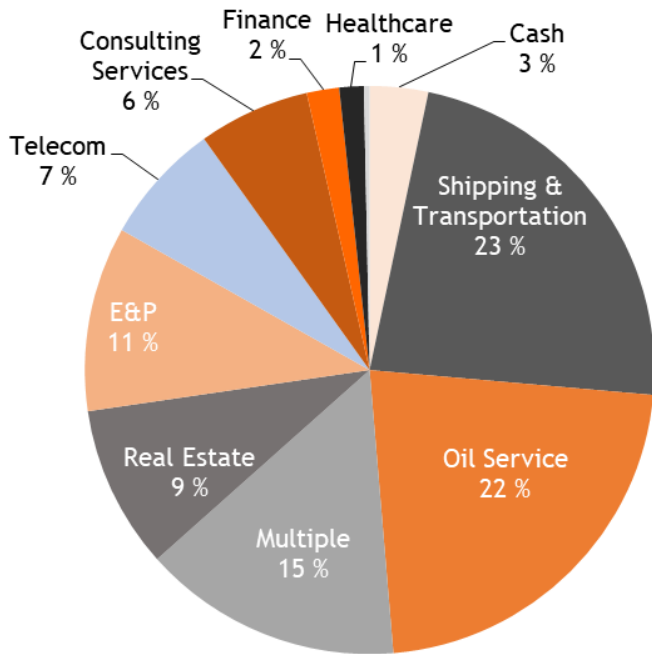
**YIELD DISTRIBUTION ("CREDIT RATINGS")**



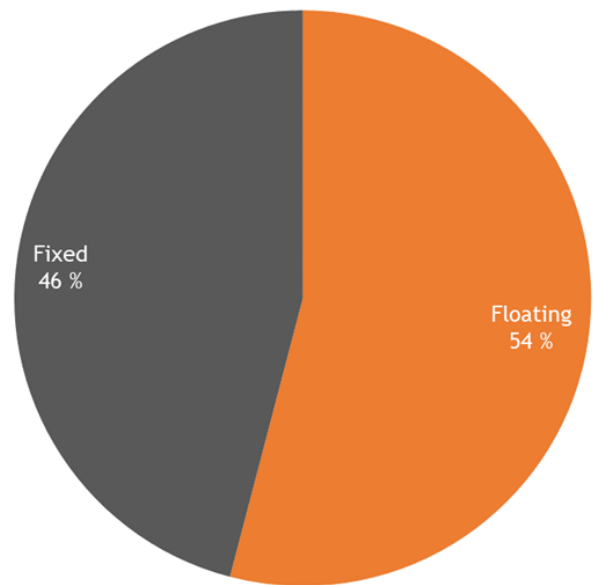
**DURATION (YEARS)**



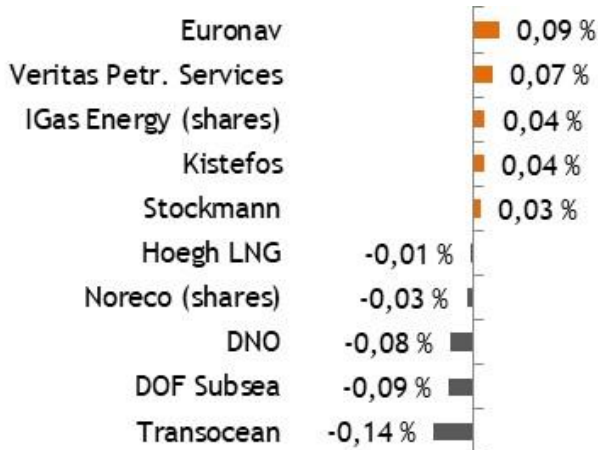
**OVERALL INDUSTRY EXPOSURE**



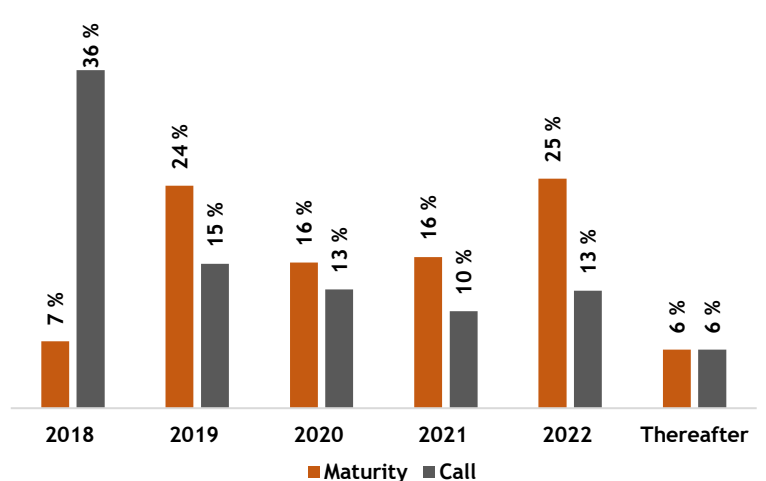
**FLOATING VS. FIXED RATES**



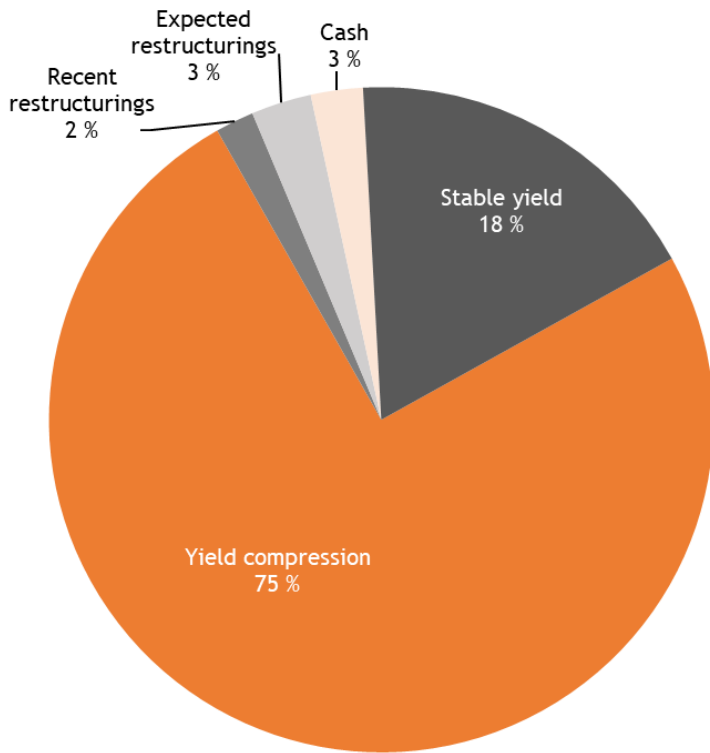
**CONTRIBUTION ANALYSIS (top 5 / bottom 5)**



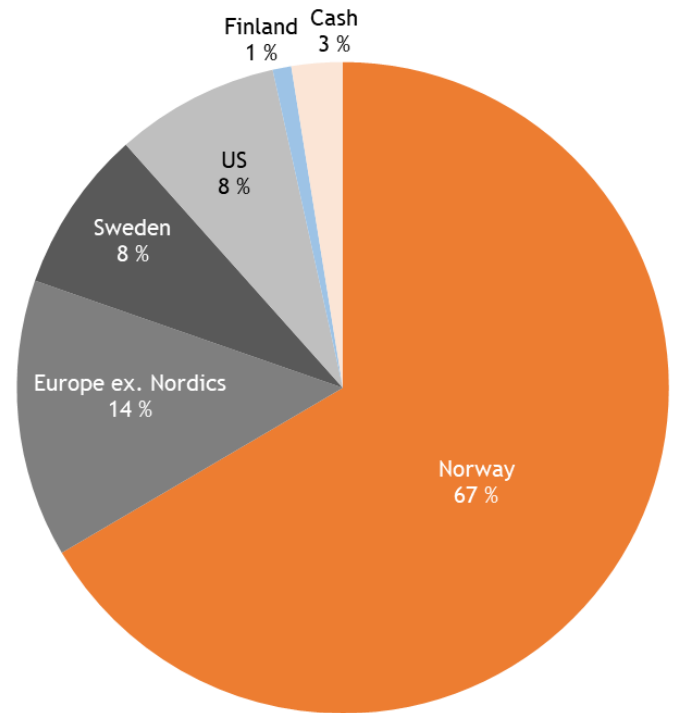
**MATURITY PROFILE**



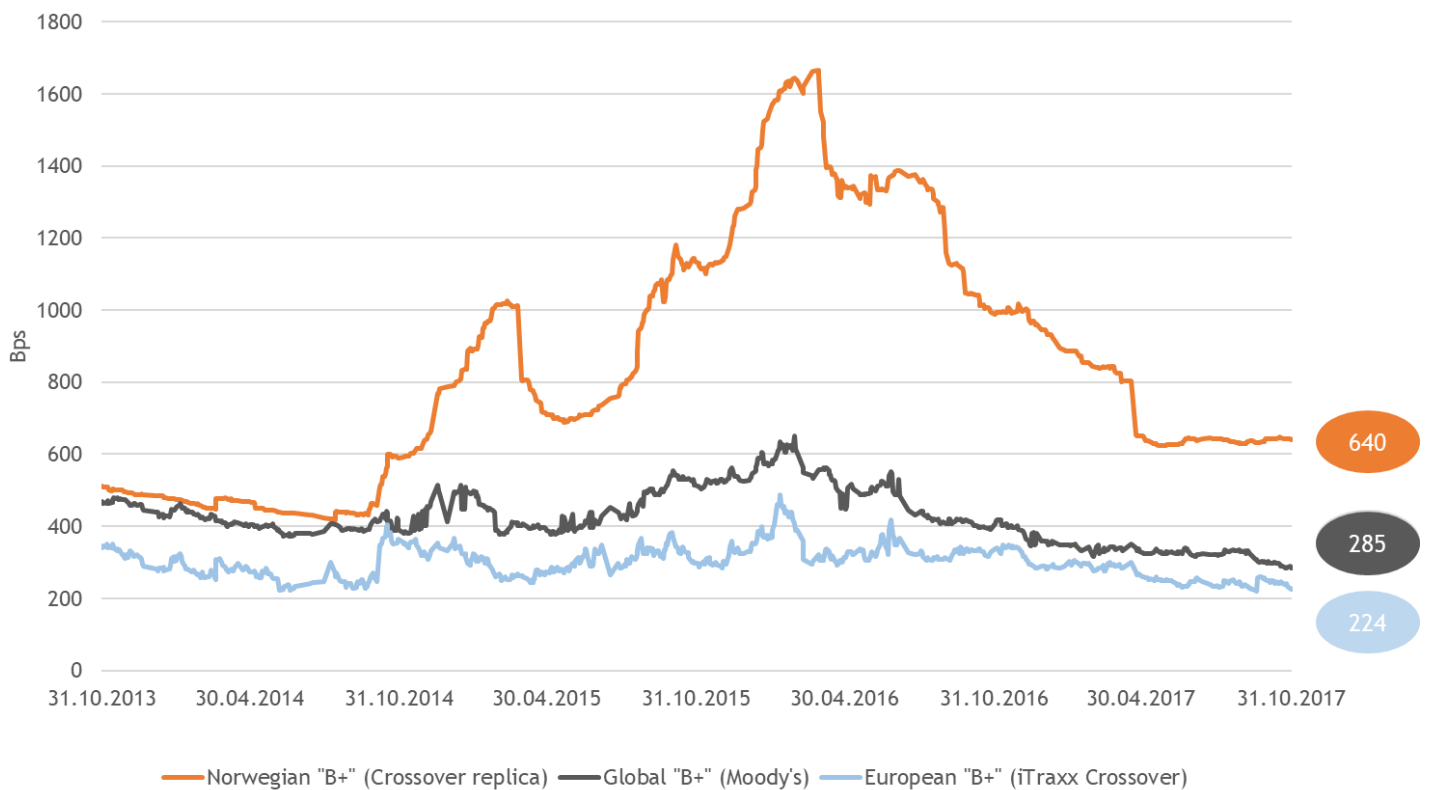
PORTFOLIO OVERVIEW



INVESTMENT BY COUNTRY



SPREAD PREMIUM IN B+ COMPARED TO INTERNATIONAL MARKETS



Source: Sparebank 1 Markets, as of 31.10.2017.

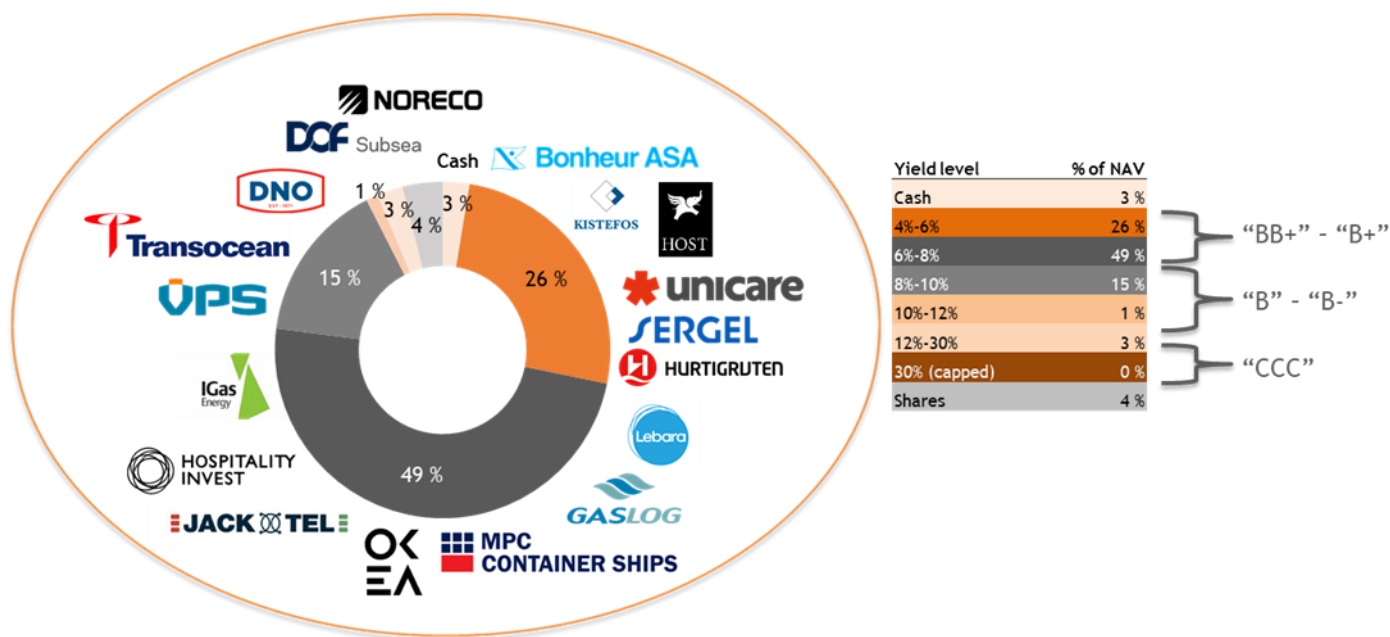
## BOND PORTFOLIO - TOP 20

NAME	ISIN	PRICE	YIELD %	NAV %	SHORT DESCRIPTION
1 Veritas Petroleum Services B.V. 14-1	NO0010708506	98,56	8,3 %	6,3 %	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-Q2/17 NIBD/EBITDA 4.0x, which provides bondholders with good valuation support.
2 VIEO B.V. 17-22 FRN	NO0010804198	100,33	6,7 %	5,3 %	Lebara is one of Europe's fastest growing mobile companies with ~3.5m active users. We find the bond and the pricing very attractive as it offers solid valuation backing, portfolio diversification and a tight and well-structured bond agreement. The management and owners have identified several measures to grow the business, improve cost-base and increase profitability. Hence, we expect EBITDA and cash flow to improve over the coming years which supports the credit case and yield compression.
3 GasLog Ltd. 17-22	USG37585AC37	105,25	7,5 %	4,3 %	Gaslog is an international owner and operator of LNG carriers listed at NYC stock exchange with a market cap of USD 1.4bn (+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.
4 Kistefos AS 16-19 FRN	NO0010779291	104,92	5,8 %	4,3 %	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 Jacktel A/S 14-19	NO0010714561	100,30	7,0 %	4,3 %	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.
6 DNO ASA 15-20	NO0010740392	98,49	9,6 %	4,1 %	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 ~11.0bn. 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).
7 Transocean Inc. 01-31	US893830AF64	88,50	9,0 %	4,1 %	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. Recently acquired Songa Offshore, which we consider to be positive from a credit perspective.
8 Bonheur Asa 14-21 FRN	NO0010714538	99,60	4,4 %	3,9 %	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 Euronav Luxembourg S.A. 17-22	NO0010793888	100,04	7,6 %	3,7 %	Largest publicly listed tanker company in the world with a market cap of USD ~1.3bn. Conservative financial strategy with target to keep a minimum of 2 year operational liquidity runway. Liquidity currently stands at USD ~800m.
10 Golar LNG Partners LP 17-21 FRN	NO0010786056	99,09	7,9 %	3,6 %	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.
11 Okea	TBU	100,00	7,5 %	3,6 %	Okea is an independent E&P company focused on small field developments on the NCS. The interesting feature of this bond is the unique Norwegian petroleum tax system. From a credit perspective, the tax system offers significant downside protection of at least 78% and up to ~95% of invested capital that are tax deductible over 4-6 years. Furthermore, the cash shield is transferrable to other companies and also refundable by the Kingdom of Norway upon discontinuation of operations. On the back of this, we find the credit profile in Okea to be very strong and the bond debt is expected to be covered by escrowed cash and the underlying tax claim even in a scenario with lower oil prices.
12 Host Property AB 16-19 FRN	SE0009357676	102,54	4,7 %	3,1 %	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.
13 MPC Container Ships Invest B.V. 17-2	NO0010805872	99,16	6,3 %	2,9 %	Pure play container shipping company. USD 175m in equity raised, listed on Merkur Market in Oslo, and full listing targeted within 2017. Senior secured bond with 1st priority in the fleet. Bond with significant downside protection with LTV of ~45% on historical low valuations. Estimated loan to scrap ratio of 100%.
14 Beerenberg Holdco II AS 17-21 FRN	NO0010786296	101,69	6,7 %	2,9 %	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-Q2/17, cash was reported at NOK 176m and NIBD/EBITDA of 2.8x. Bond is secured with pledge in operating entities.
15 Hospitality Invest AS 17-22 FRN	NO0010808835	100,40	6,7 %	2,8 %	Hospitality Invest is a privately-owned investment company and the company invests across a variety of sectors, with a special focus on social services such as preschools and social infrastructure in the Nordic region. The credit profile is deemed to be strong with solid asset backing (~35% LTV) and solid diversification prospects.
16 Golden Ocean Group Ltd. 14-19 Conv	NO0010701055	96,50	6,1 %	2,7 %	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 ~9.0bn. 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.
17 Borgestad ASA 14-18 FRN	NO0010720766	100,36	7,4 %	2,6 %	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.
18 IGas Energy PLC 13-21	NO0010673791	100,55	8,0 %	2,6 %	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.
19 DOF Subsea AS 17-22	NO0010788177	91,83	12,3 %	2,5 %	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 ~18bn (NOK 37bn inc options) with tier-1 counterparties. The firm EBITDA backlog is estimated to cover net debt and remaining capex.
20 DOF Subsea ASA 13-18 FRN	NO0010670144	100,15	5,5 %	2,2 %	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 ~18bn (NOK 37bn inc options) with tier-1 counterparties. The firm EBITDA backlog is estimated to cover net debt and remaining capex.
Sum				71,8 %	

Total number of bond positions: 39 (from 36 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	126,33
Institutional NOK	LU0840158496	119,34
RCN NOK	LU1382364633	125,73
ICN NOK	LU1382364716	119,43
Institutional USD	LU0840159387	101,17
Retail SEK	LU0840159460	100,63
Institutional SEK	LU0840159544	104,18
Retail GBP	LU0840159890	104,11
Retail EUR	LU0840158819	100,45
Institutional CHF	LU1076701652	93,52

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 a 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

The material contained in this document is not to be regarded as an offer to buy or sell fund shares. The information in this document is general in nature and does not constitute legal, tax, or investment advice. Potential investors are urged to consult their professional advisers on the implications of making an investment in, holding or disposing of shares of, and the receipt of distribution from any investment. Past performance is not indicative of future results. This document has been prepared by Storm Capital Management Ltd. and should not be considered impartial research under FCA Rules. The views expressed may not be supported by independent analysis. The author of this document may be remunerated as a result of transactions generated by this information. Storm Capital Management Ltd. is authorised and regulated in the United Kingdom by the Financial Conduct Authority. Its registered office is at Berger House, 36-38 Berkeley Square, London W1J 5AE, United Kingdom.