

## ABOUT THE FUND

Storm Bond Fund (UCITS) is a Nordic High Yield fund inceptioned in September 2008. The fund seeks to hold a diversified portfolio of the best risk-adjusted high yield bonds in the Nordics. 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
2019	1.0%	0.9%	0.8%	0.9%	-0.1%	0.1%	0.7%	-0.2%					4.2%
2018	1.1%	0.5%	-0.4%	0.4%	0.8%	0.6%	0.1%	0.5%	0.4%	0.5%	-0.4%	-1.1%	2.9%
2017	3.3%	3.0%	2.1%	1.3%	0.6%	-1.1%	0.8%	1.1%	1.1%	0.3%	-0.2%	0.3%	13.3%
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%

YTD	4.2%
1-year	3.5%
3-years (ann.)	9.1%
10-years (ann.)	7.0%
Since inception (ann.)	5.7%

From inception (September 2008) to end of 2009, the fund was EUR-denominated (unhedged). \*From January 2010, performance and NAV are reported based on the EC share class, EUR-denominated (hedged). \*\*From 1 Jan 2012, the fund has been a hedged NOK-denominated fund. \*\*\*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.

## COMMENT BY PORTFOLIO MANAGERS

Dear investor,

Storm Bond Fund was down 0.2% in August and is up 4.2% YTD (retail NOK share class: LU0740578702).

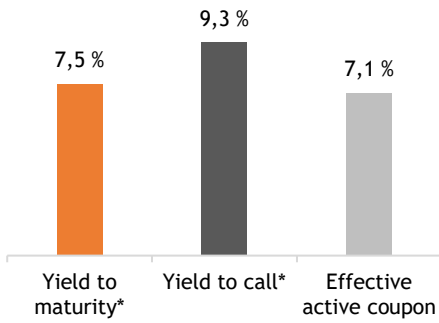
Equity markets came under pressure again during August on the back of escalating trade tensions and due to the increased worries of an economic slowdown. US and European equity markets measured by the S&P 500 and the German DAX index lost 1.8% and 2.0% respectively during the month. In the credit markets, global bond yields continued its steep decline during the month with US 10-year yields trading down from 2.0% to 1.5%. The total value of negative yielding debt rose to USD -16 trillion or approx. ¼ of the global debt market. As a consequence, global longer duration fixed rate corporate credits and particular investment grade experienced strong investor demand during August. Oil prices came under further pressure during the month with the Brent oil trading down -7.3% due to worries of negative trade-war effects weighing the prospects of demand growth. The decline in oil prices had a negative impact on oil and oil services related risk assets with the Philadelphia Oil Service Index trading down -21% and the US high yield energy index trading down nearly -3% during the month.

The Nordic high yield market lagged its international peer group in August mainly due to the characteristics of the market having lower credit and modified duration combined with a softer sentiment within the energy sector. Although Storm Bond Fund only have ~8% exposure towards offshore oil services such as drilling our portfolio was negatively affected during the month by -0.2% in total on the back of the challenging sentiment within the sector during the month. Offshore oil co's spending is increasing and we firmly believe that the fundamentals will continue to improve which has already started to become evident in improved utilization and pricing. Furthermore, we argue that by being selective and to focus on credits with attractive implied valuations, strong market positions, quality assets and most importantly stronger balance sheet's will ultimately translate into improved credit pricing over time.

In August we initiated a new position in Golar LNG's convertible unsecured bond at 9.3% yield maturing in February 2022. The bond which is now the highest yielding LNG bond in the Nordic market benefits from being fully financed and having a strong contracted earnings backlog with solid counterparts amounting to USD 6.5bn vs. market cap of USD 1.3bn and EV of USD 3.6bn. Furthermore, we have increased our exposure in Stena AB which is now our largest position. The credit story in Stena AB is backed by the substantial shareholder values in excess of the outstanding debt, SEK 15bn strong liquidity position and a bondholder friendly and solid sponsor in the Olsson family.

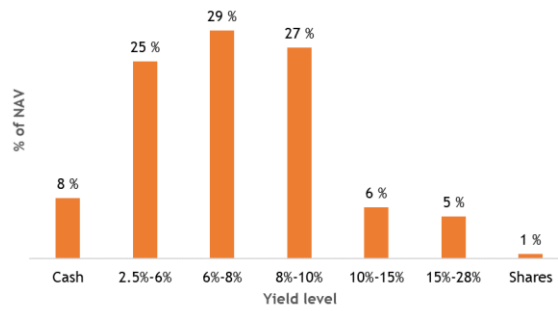
We continue our aim to protect capital and remain conservative by being exposed to a diversified portfolio of solid Nordic high yielding credits with shorter credit duration (2.3 years), lower modified duration (1.2 years) in combination with having access to liquidity through a solid cash position (~8%). The yield to maturity in the portfolio is 7.5% (including cash).

YIELD LEVELS

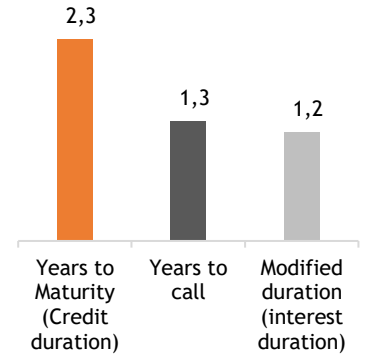


\* individual bonds capped at 30% in calculation.

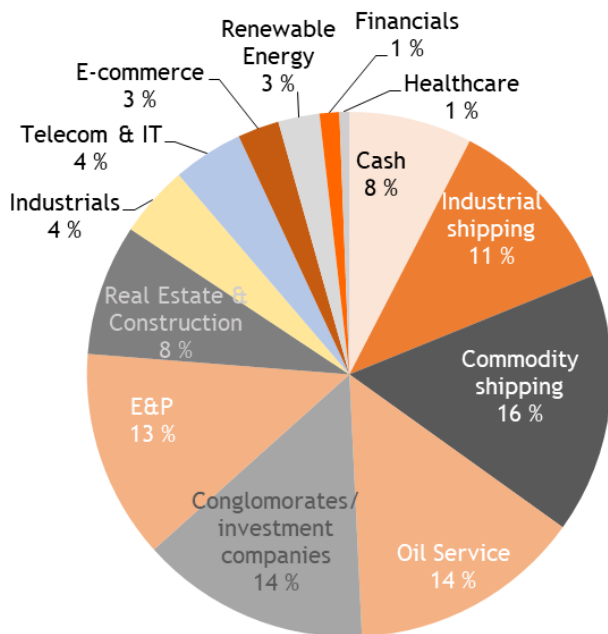
YIELD DISTRIBUTION



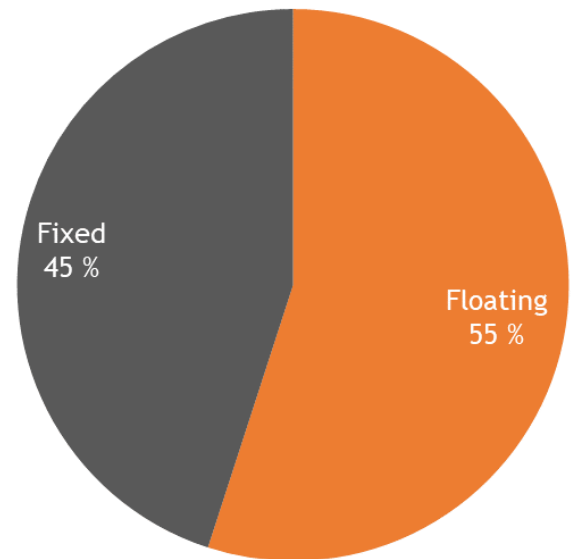
MATURITY / DURATION (YEARS)



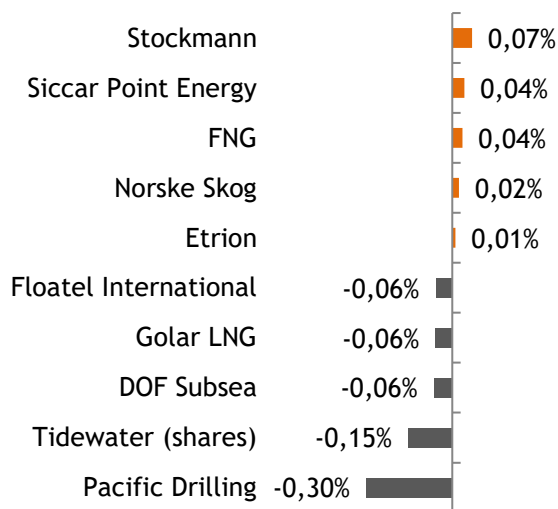
SECTOR ALLOCATION



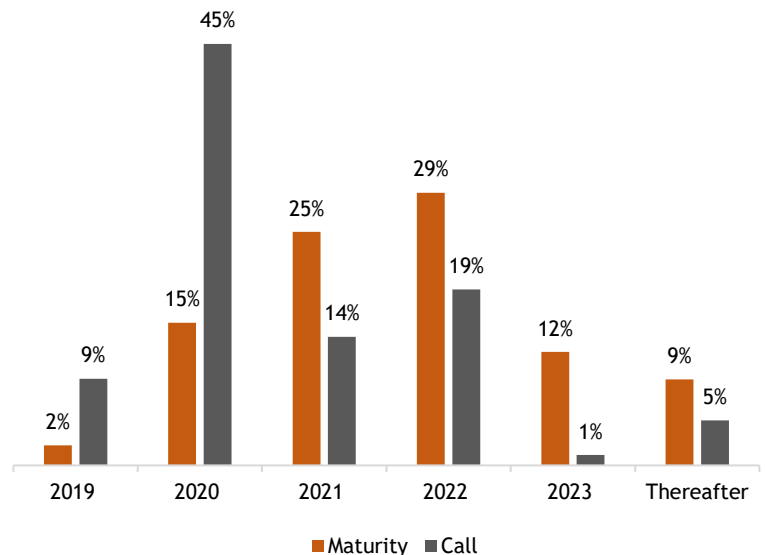
FLOATING VS. FIXED RATES



CONTRIBUTION ANALYSIS (top 5 / bottom 5)\*

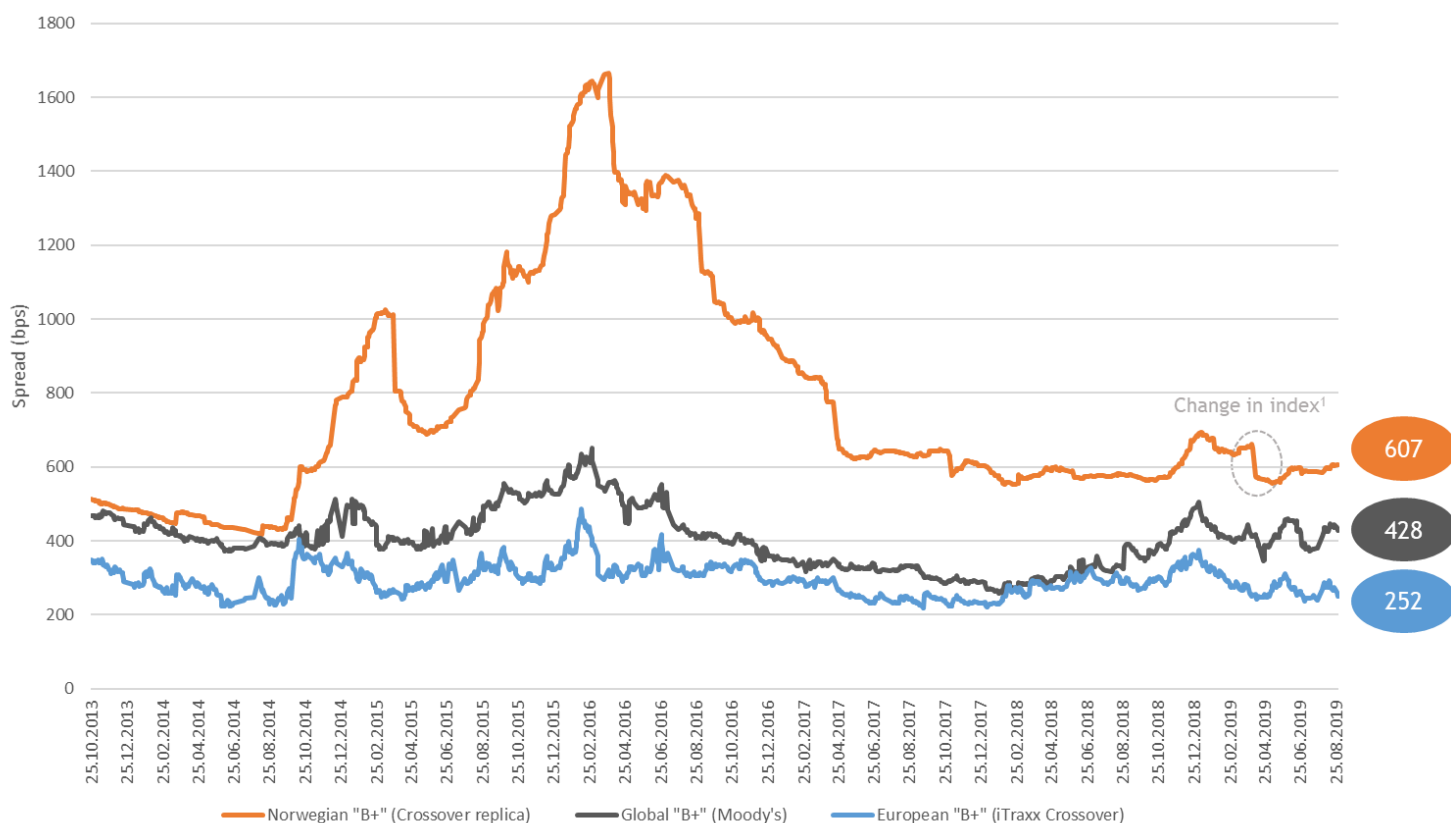


MATURITY PROFILE



\*based on market prices (interest/acrued not included)

SPREAD PREMIUM IN B+ COMPARED TO INTERNATIONAL MARKETS



Source: Sparebank 1 Markets, as of 30.08.2019.

Note (1): Spread tightening impacted by changes to the index in April 2019 (some of the riskier issuers excluded and some new issuers added). Total number of issuers in the index has increased by 47% and overall credit quality has improved.

PRICES FOR DIFFERENT SHARE CLASSES

SHARE CLASSES	ISIN	PRICE
<b>ACCUMULATION SHARE CLASSES</b>		
Retail NOK (soft closed)	LU0740578702	135.60
Institutional NOK (soft closed)	LU0840158496	128.46
Retail NOK (RCN)	LU1382364633	134.81
Institutional NOK (ICN)	LU1382364716	128.61
Institutional USD	LU0840159387	111.05
Retail SEK	LU0840159460	105.50
Institutional SEK	LU0840159544	109.35
Retail GBP	LU0840159890	111.11
Institutional GBP	LU0840159973	100.00*
Retail EUR	LU0840158819	105.20
Institutional EUR	LU0840158900	101.91
Retail CHF	LU1428000985	100.00*
Institutional CHF	LU1076701652	97.74

DISTRIBUTION SHARE CLASSES\*\*

Institutional NOK	LU1915698069	101.33
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\*to be opened with first investment in share class.

\*\* other currencies to be opened on demand from investors.

OTHER INFORMATION

Share classes	NOK, SEK, EUR, USD, GBP, CHF (all hedged)
Anticipated	
Distribution yield (current quarter)	5.0%-5.5% p.a. (in NOK)
Domicile	Luxembourg
Investment Manager	Storm Capital Management AS
Administrator	Hauck & Aufhäuser Asset Management Services
Custodian Bank	Hauck & Aufhäuser Fund Platforms S.A.
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 (15,000,000 NOK)
Liquidity	Daily
Auditor	KPMG
VPS-registered	For Norwegian clients
Ethical guidelines	Follow the ethical guidelines as defined by Norway's sovereign wealth fund (formal name: Government Pension Fund Global) and a signatory of United Nation's Principles of Responsible Investments (UNRPI)
AUM (NOKm)	1 932

## BOND PORTFOLIO - TOP 20

NAME	ISIN	PRICE	YIELD %	NAV %	SHORT DESCRIPTION
1 Stena Ab 14-24	USW8758PAK22	98,25	7,5 %	4,1 %	Swedish conglomerate which is 100% controlled by Sten Olsson family. Stena is peaking leverage wise by end-18 and is expected to deleveraging the balance sheet going forward through debt amortization and improved earnings particularly from the drilling and tanker segment. Stena has a strong liquidity position which was reported at SEK 15.3bn by end Q1/19. Based on our estimates we see substantial equity cushions for bondholders. Stena has a B+ rating by S&P.
2 Euronav Luxembourg S.A. 17-22	NO0010793888	101,05	7,2 %	4,1 %	Largest publicly listed tanker company in the world with a market cap of EUR 1.7bn. Conservative financial strategy with target to keep a minimum of 2 year operational liquidity runway. Available liquidity per end-Q2/19 was USD 860m.
3 Siccar Point Energy Bonds PLC DL-Not	NO0010815053	104,75	7,5 %	3,9 %	Siccar Point holds stakes in some of the largest oilfields in the UK sector. The company have significant production today with very long production profiles. The operating cash flow is deemed to be very solid due to low lifting cost and limited tax payables due to inherited tax losses. The company is well capitalized with an estimated LTV of -35% based on 60/bbl oil price. The company has solid equity sponsors in Blackstone and BlueWater Energy.
4 Kistefos AS 17-21 FRN	NO0010809700	103,75	5,8 %	3,5 %	Norwegian investment company, which is 100% owned by Christen Sveeas. Kistefos holds investments within financial services, Telecom & IT, commercial real estate, offshore services and other financial investments. GAV is estimated to be Nok -6bn, which implies LTV of less than 50%.
5 American Tanker Inc. 17-22 -144A-	NO0010777519	101,35	8,8 %	3,3 %	American Shipping company owns 10x modern US Jones Act Tankers. The Company is listed on the Oslo Stock Exchange with an mcap of NOK 2bn. All vessels chartered out on bareboat contracts to OSG. These rates are sufficient to cover debt service and dividends. The counterparty risk in OSG is reduced through improved market fundamentals and newly refinanced balance sheet. Strong financial sponsor in Aker ASA.
6 Golar LNG Partners LP DL-FRN Notes	2NO0010786056	100,35	8,2 %	3,3 %	Golar LNG Partners is an international owner of LNG and FSRU tonnage listed at the NYC stock exchange with a market cap of USD 720m. The credit benefits from more than USD 2bn in firm backlog, a strong LNGC market, solid liquidity prospects and moderate financial gearing of -5x NIBD/EBITDA. Further MLP dropdowns and FSRU contract awards would further improve the credit story.
7 Ice Group Scandinavia Holdings AS 17-	NO0010789035	96,37	8,4 %	2,8 %	Ice Group Scandinavian Holdings ("ICE") is the third largest telecom company in Norway. The company is listed on the Oslo Stock Exchange with an market cap of NOK 4.6bn, majority owned by Access Industries (owned by Leonard Blavatnik). The credit benefits from strong asset backing, increasing market share in Norway and solid owners. We estimate that the company's Norwegian telecom licenses, nationwide infrastructure and customer base to be sufficient to cover the bond.
8 Songa Container AS 18/21	NO0010837248	99,25	8,5 %	2,7 %	Songa Container AS was established in 2017 and is an asset play focusing on the recovery of the container feeder market. The Company has acquired a fleet of 15 feeder vessels with an average age of 9 years, with sizes ranging from 1,000 TEU -5,000 TEU. All of the vessels will be fitted with scrubbers within IMO2020. The fleet is cash flow positive at current rates and gross loan to value including the scrubber investment is estimated to be -55%. The Company is backed by experienced ship-owner Arne Blystad which is deemed to be a strong sponsor. The bond is senior secured.
9 Hoegh LNG Holding Ltd. 15-20 FRN	NO0010739683	100,88	6,0 %	2,7 %	HLNG is an owner and operator of floating storage and regasification units and has a leading position within this market. The Company is listed on the Oslo Stock Exchange with a market cap of NOK 2.8bn. The main owner Leif Höegh & Co owns -40% of the Company. The majority of the fleet is on long-term contracts with solid counterparties providing the company with solid cash flow visibility going forward. We believe the '2020 bonds offers strong risk/reward as we see limited risk of liquidity shortfall ahead of the bond maturity.
10 Eagle Bulk Shipco LLC 17-22	NO0010810872	100,26	8,3 %	2,6 %	Eagle Bulk Shipping is a US listed dry bulk shipping company with a market cap of USD 360m. The company has one USD 196m amortizing secured bond outstanding maturing in 2022 which is carrying a coupon of 8.25%. The bond has 1st lien pledge in 24 supramax vessels with an estimated net LTV of -55%.
11 FNG Nordic AB 19-24	SE0012827996	101,90	6,3 %	2,6 %	FNG NV acquired the Swedish e-commerce company Ellos Group AB in July 2019. In connection with the acquisition FNG NV partly financed the transaction with a senior secured 5 year SEK 1,500m bond at STIBOR + 675bps. The bond is secured in Ellos AB which is one of Sweden's retail e-commerce companies. The bond structure is ring-fenced with no leakage and has a 100% parent guarantee from FNG NV. The credit story is deemed to be attractive due to the company's solid market position, strong cash generation with no cash leakage, sound LTV levels and the nature of the business being less cyclical.
12 Norske Skog AS 19-22 FRN	NO0010856123	102,02	5,2 %	2,3 %	Norske Skog is one of the leading global producers of newsprint and magazine paper. The group has about 8% market share for newsprint and -3-5% for magazine paper. The Company is currently owned by Oceanwood Capital, which has stated that they consider to IPO the Company in H2/19. Norske Skog has one EUR 125m senior secured bond outstanding maturing in 2022 which is carrying a coupon of EURIBOR + 600bps. The credit benefits from having low leverage and solid cash conversion.
13 Stockmann Oyj Abp EO-Notes 2017(17F14000292719		98,82	5,3 %	2,3 %	Stockmann was established in 1862 and is a Finnish listed company with a market cap of EUR 170m. The company is owner of shopping malls in Finland and in the Baltics and is engaged in retail through Lindex and Stockmann department stores. The secured part of the capital structure consists of: i) EUR 180m senior secured bank debt and ii) EUR 250m senior secured bond maturing in 2022 which is pari passu with the bank debt. On our estimates, the secured debt is covered by the real estate assets alone.
14 DNO ASA 2020	NO0010740392	103,31	4,4 %	2,3 %	DNO is an oil and gas company listed on the Oslo Stock Exchange with a market cap of NOK 13.8bn. 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). Per end-Q3/18 the cash position was reported at USD 640m vs. outstanding 2020 bond of USD 200m. DNO has made a bid on the remaining shares in Faroe, the transaction would in our view improve the overall risk profile.
15 MPC Container Ships Invest B.V. 17-22	NO0010805872	100,08	6,9 %	2,2 %	Pure play container shipping company. Close to USD 500m in equity raised, listed on the Oslo Stock Exchange with an mcap of NOK 1.8bn. Senior secured bond with 1st priority in the fleet. Bond with significant downside protection with LTV of -50% on historical low valuations.
16 GasLog Ltd 16-21 FRN	NO0010767858	104,15	6,0 %	2,2 %	Gaslog is an international owner and operator of LNG carriers listed at NYC stock exchange with a market cap of USD 1bn (gaslog partners: USD 1bn). The Company is benefitting from the improving LNG spot rates and has a strong MLP entity which has contributed with USD -270m in 2017. This has resulted in a very strong liquidity position of USD -420m per end-Q1/19. Despite the somewhat high leverage, we find the 2021 bonds to offer solid risk/reward as contracted newbuilds entering the fleet as well as aggressive amortization on bonds combined with an improving LNG market.
17 Jacktel A.S. 18/23	NO0010836778	90,40	13,6 %	2,1 %	1st lien pledge in a jack-up built for the Norwegian continental shelf. Currently working for Statoil on the Johan Sverdrup field until 2020. The Company recently announced that STL is not calling the options. The company has runway through 2020 to find new work for the vessel.
18 Green Cube Innovation AS 19-22 FRN	NO0010852973	100,19	9,6 %	2,1 %	Green Cube Innovation: Green Cube Innovation ("GCI") is a privately owned company based in Norway which operates as a distributor of both biofuel and fossil fuel through their two brands Eco-1 and Automat 1. The bond would be secured with pledges in the five petrol station properties located in Blue Property AS, and share pledges in the issuer and all its subsidiaries. The credit benefits from having a strong asset backing which provides with downside protection and solid recurring cash flow.
19 Golar LNG Ltd. 2018/2022	US38046YAB74	85,62	9,5 %	2,0 %	Golar LNG operates within LNG infrastructure and is listed on the New York Stock Exchange with a market cap of USD 1.2bn. The Golar LNG convertible unsecured bond maturing in 2022 is now the highest yielding LNG bond in the Nordic market with a yield of 9.3%. The credit benefits from being fully financed and having a strong contracted earnings backlog with solid counterparties amounting to USD 6.5bn vs. market cap of USD 1.2bn and EV of USD 3.5bn.
20 Bonheur Asa 14-21 FRN	NO0010714538	103,08	3,4 %	1,9 %	Fred. Olsen controlled conglomerate listed on the Oslo Stock Exchange with a market cap of NOK 8.3bn. Bonheur has investments within shipping, offshore, renewable energy and cruise. Bonheur consolidated IBD amounts to NOK -14bn, but only NOK 3.1bn is recourse to parent. Bonheur has NOK 3.3bn of cash vs. NOK 2.4m of bonds. In addition the company has sidelined another NOK 2.2m of cash in 100% owned entities that management noted will be streamed up to parent. Hence, we view asset backing in bonds to be sufficient.
Sum				55,0 %	

Total number of bond positions: 54 (from 46 issuers). Total number of shares: 1.

## 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 11 years of experience from research and finance
- Before Storm he worked as a credit research analyst, covering the Nordic high yield market 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

## BUSINESS DEVELOPMENT / SALES

**TORE ANDERSEN***CEO*

- 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***Business Development*

- He has over 10 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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