

ABOUT THE FUND

Storm Bond Fund (UCITS) is a Nordic High Yield fund inception 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%	-0.1%	0.3%	0.4%	0.8%	5.7%
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%

1-year	5.7%
3-years (ann.)	7.2%
10-years (ann.)	5.7%
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 up 0.8% in December and is up 5.7% in 2019 (retail NOK share class: LU0740578702).

December

In December, the US and China announced the agreement on the “phase-one” deal and the avoidance of the scheduled increased tariffs on Chinese goods which further boosted the investor sentiment during the month. US and European equity markets measured by the S&P 500 and the MSCI Europe index gained +2.9% and 2.1%, respectively. Brent and WTI oil prices gained +5.7% and +10.7% during the month mainly due to OPEC’s decision to deepen production cuts combined with lower rig activity in the US. The Philadelphia Oil Service Index and the US Energy high yield index gained +15.8% and 5.3% respectively during the month.

The Nordic High Yield market performed well during the month with our peer group yielding on average +0.6% vs. Storm Bond Fund at 0.8%. The primary market activity was high at the start of the month before calming down towards the Christmas holidays. During the month, we have we increased our positions in Vizrt Group, Chembulk Holding and Teekay Shuttle Tankers. Furthermore, we initiated a new position in the Norwegian IT company Cegal (a company we have been invested in before). The credit benefits from the company’s unique market position, high cash conversion and resilient business model. The bond is senior secured with what we argue offers solid asset backing.

2019

The year of 2019 turned out to be a very solid year for most asset classes despite that many economies except the US are not in great shape. The key driver behind the strong performance was in particular coming from central banks expansive monetary policies and the progress made with respect to the ongoing trade war. The US and European equity markets measured by the S&P 500 and the MSCI Europe index gained staggering +29% and 22% respectively. After a challenging 2018 for the global corporate credit markets, fixed rate US and European corporate bonds rebounded sharply in 2019 led

by the aforementioned central bank activity combined with risk-on sentiment and low expected default rates. European and US high yield market returned 12% and 14% respectively, which is the best yearly performance since the rebound from turmoil in the energy sector in 2016. Both of which are trading close to all-time low spread levels.

The Nordic High yield market which is characterized by having lower credit and modified duration and on average higher credit spreads compared to US and European high yield was one of the few bright spots in a challenging 2018. The market continued to perform well in 2019 with relatively low volatility and fairly stable returns with the broader Nordic high yield market and Storm Bond Fund generating 5.2% and 5.7% respectively. For Storm Bond Fund the 2019 performance was affected positively by yield compression within shipping, E&P and conglomerate sectors in names such as Euronav, American Shipping Company, Siccar Point Energy and Stena AB among others. The portfolio was negatively affected by the challenging investor sentiment within oil services. Included in this report we have also included a total return chart comparing Storm Bond Fund to US & European High Yield markets from 2017 to date.

Outlook

We firmly believe that the fundamentals will be stable or continue to improve in the vast majority of our portfolio companies in 2020. In oil services, it 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. Hence, the largest negative contributing sector in 2019, represent the greatest upside potential for 2020.

In conclusion, we continue our aim to protect capital and remain conservative by being exposed to a diversified portfolio of solid Nordic high yield bonds with shorter credit duration (2.3 years), lower modified duration (1.1 years) and uncorrelated to that of European and US High Yield markets. This in combination with having access to liquidity through a solid cash position (8%). The yield to maturity in the portfolio is 7.7% in NOK (including cash).

TOTAL RETURN - STORM BOND FUND VS. US & EUROPEAN HIGH YIELD (2018-2019)

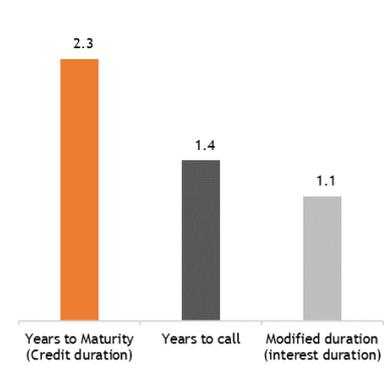
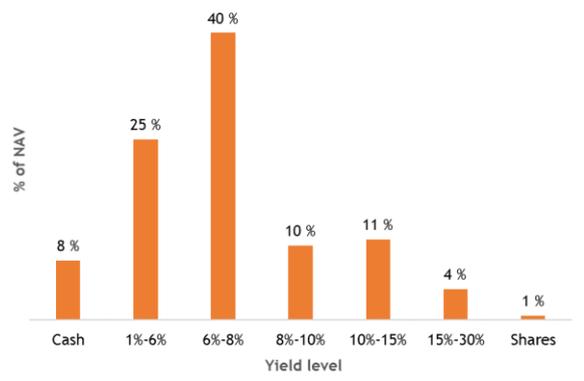
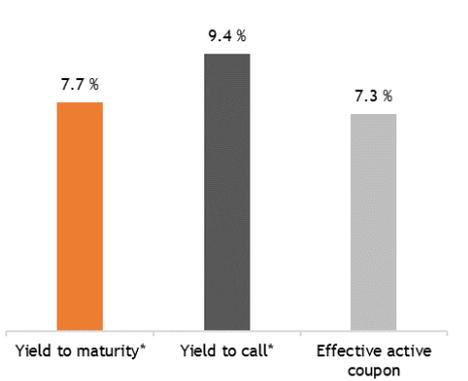


Source: Bloomberg, as of 30.12.2019.

YIELD LEVELS (NOK)

YIELD DISTRIBUTION

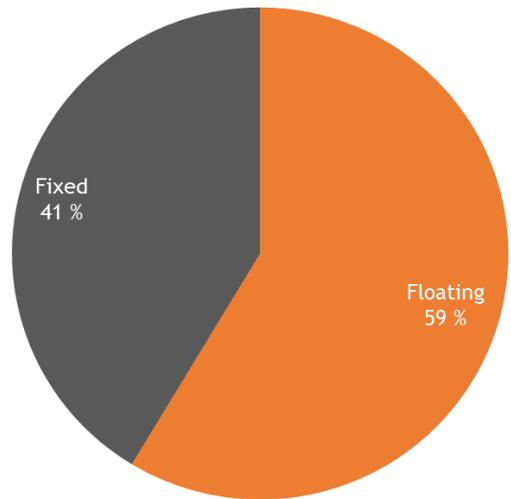
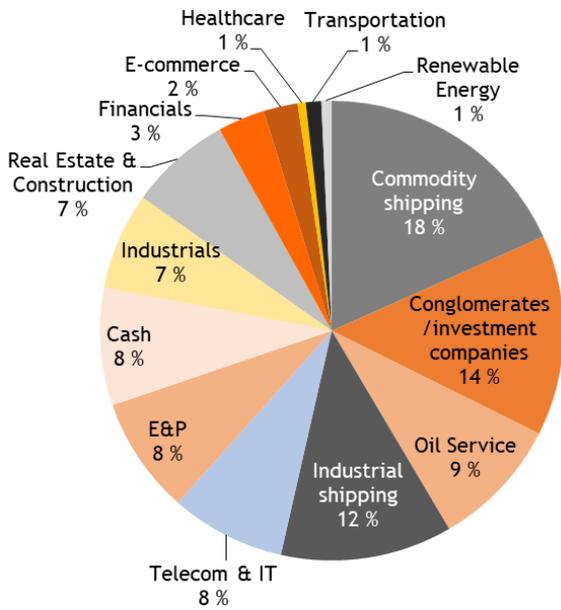
MATURITY / DURATION (YEARS)



* individual bonds capped at 30% in calculation.

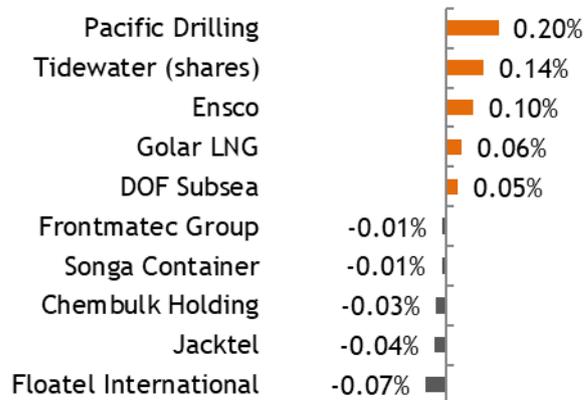
SECTOR ALLOCATION

FLOATING VS. FIXED RATES

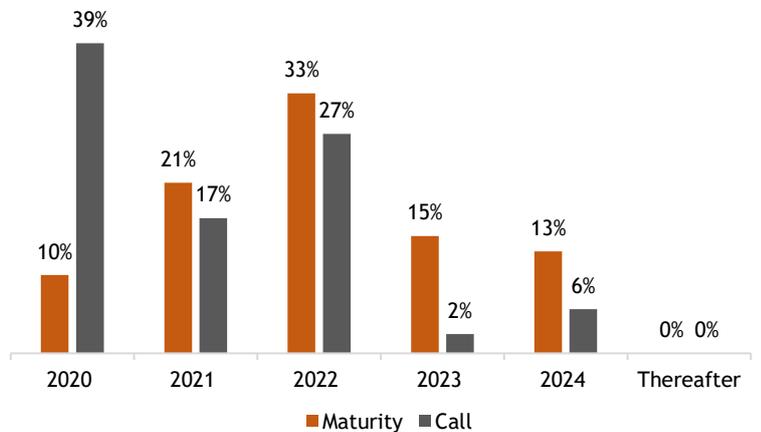


CONTRIBUTION ANALYSIS (top 5 / bottom 5)*

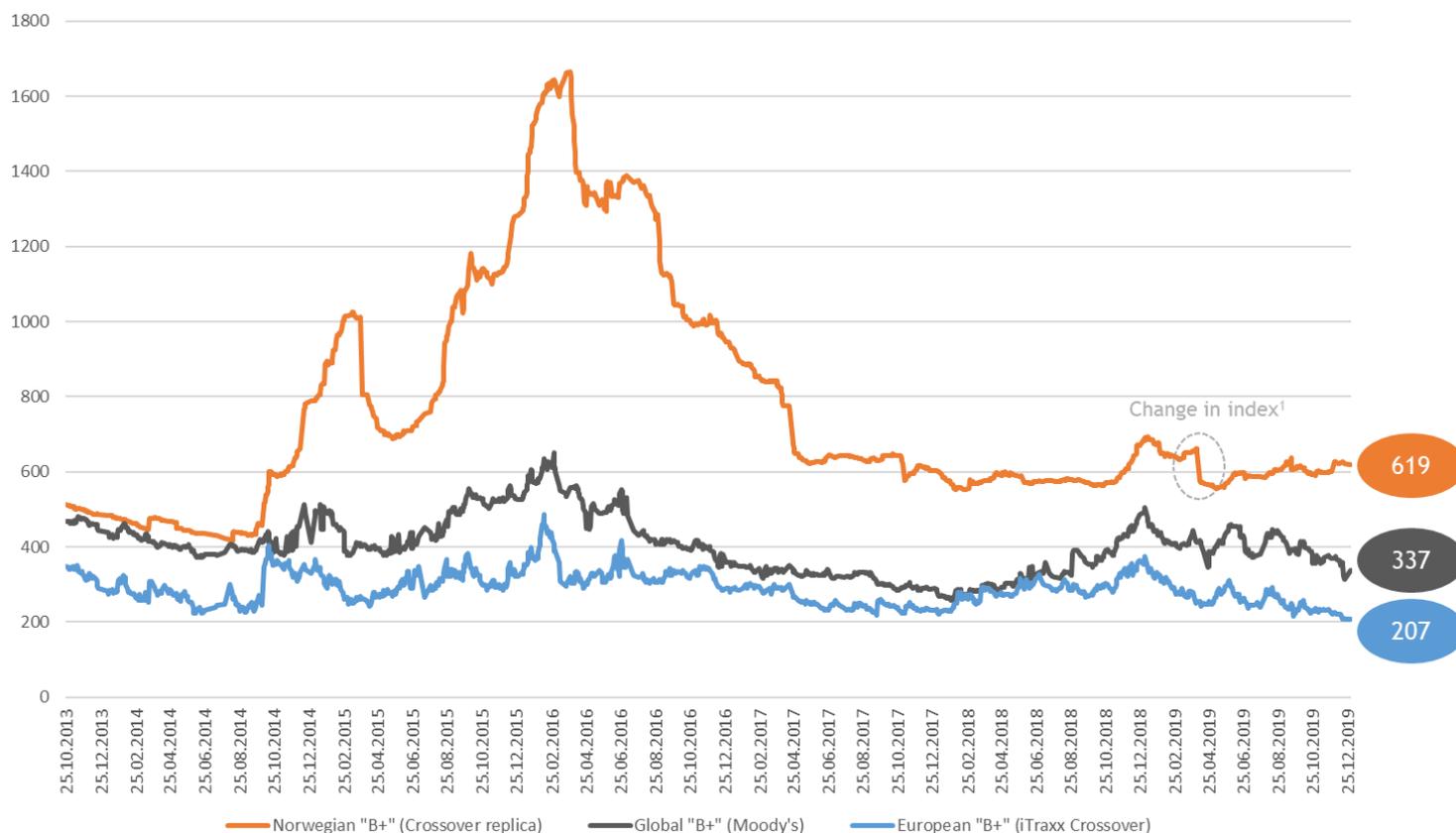
MATURITY PROFILE



*based on market prices (interest/accrued not included)



SPREAD PREMIUM IN B+ COMPARED TO INTERNATIONAL MARKETS



Source: Sparebank 1 Markets, as of 30.12.2019.

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
ACCUMULATION SHARE CLASSES		
Institutional NOK (ICN)	LU1382364716	130.57
Institutional NOK	LU0840158496	130.39
Institutional USD	LU0840159387	112.97
Institutional EUR	LU0840158900	102.67
Institutional SEK	LU0840159544	110.63
Institutional CHF	LU1076701652	98.49
Institutional GBP	LU0840159973	100.00*
Retail NOK (RCN)	LU1382364633	136.76
Retail NOK	LU0740578702	137.58
Retail SEK	LU0840159460	106.43
Retail GBP	LU0840159890	112.34
Retail EUR	LU0840158819	106.13
Retail CHF	LU1428000985	100.00*

DISTRIBUTION SHARE CLASSES**

Institutional NOK	LU1915698069	101.19
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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)	6.0%-6.5% 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)	2 094

BOND PORTFOLIO - TOP 20

NAME	ISIN	PRICE	YIELD %	NAV %	SHORT DESCRIPTION
1 Euronav Luxembourg S.A. 17-22	NO0010793888	103.40	6.0 %	4.4 %	Largest publicly listed tanker company in the world with a market cap of EUR 2.5bn. Conservative financial strategy with target to keep a minimum of 2 year operational liquidity runway. Available liquidity per end-Q2/19 was USD 860m.
2 Stockmann Oyj Abp EO-Notes 2017(17F14000292719		99.37	5.1 %	3.9 %	Stockmann was established in 1862 and is a Finnish listed company with a market cap of EUR 159m. 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.
3 Stena Ab 14-24	USW8758PAK22	102.87	6.2 %	3.8 %	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.
4 Ice Group Scandinavia Holdings AS 19-NO0010864002		99.54	10.0 %	3.7 %	Ice Group Scandinavian Holdings ("ICE") is the third largest telecom company in Norway. The company is listed on the Oslo Stock Exchange with a market cap of NOK 4.0bn, 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.
5 Siccar Point Energy Bonds PLC DL-Not NO0010815053		106.75	6.6 %	3.7 %	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.
6 American Tanker Inc. 17-22 -144A-	NO0010777519	103.00	7.8 %	3.5 %	American Shipping company owns 10x modern US Jones Act Tankers. The Company is listed on the Oslo Stock Exchange with an mcap of NOK 2.0bn. All vessels chartered out on bareboat contracts to OSG. These rates are sufficient to cover debt service and dividends. The counterpart risk in OSG is reduced through improved market fundamentals and newly refinanced balance sheet. Strong financial sponsor in Aker ASA.
7 Kistefos AS 17-21 FRN	NO0010809700	103.92	5.7 %	3.2 %	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%.
8 Golar LNG Partners LP DL-FRN Notes ;NO0010786056		99.07	8.9 %	2.9 %	Golar LNG Partners is an international owner of LNG and FSRU tonnage listed at the NYC stock exchange with a market cap of USD 600m. The credit benefits from more than USD 2bn in firm backlog, a strong LNG 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.
9 Norske Skog AS 19-22 FRN	NO0010856123	103.27	4.6 %	2.9 %	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 listed on the Oslo Stock Exchange with an mcap of NOK 3.6bn. 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.
10 Vizrt Group AS 15-21 FRN	NO0010732811	101.40	7.8 %	2.4 %	Vizrt provides advanced graphical solutions enabling broadcasters to create high-end graphics for live TV, primarily news, sport and weather. The company has customers in more than 100 countries worldwide, including companies such as CNN, CBS, Fox, BBC. Vizrt was listed on the Oslo Stock Exchange when acquired by Nordic Capital Fund VIII in March 2015 and has subsequently been de-listed. Nordic Capital took Vizrt private at NOK 37 per share, valuing mkt cap at NOK 2.5bn. The only debt in the company is the USD 100m outstanding senior secured bond which has share pledge over all shares in the company. Per-end Q3/19, the company's leverage was 2.2x NIBD/EBITDA adj. for NewTek acquisition.
11 FNG Nordic AB 19-24	SE0012827996	101.88	6.4 %	2.4 %	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 Hoegh LNG Holding Ltd. 15-20 FRN	NO0010739683	100.89	4.8 %	2.4 %	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 2.6bn. The main owner Leif Hoegh & Co owns -40% of the Company. The majority of the fleet is on long-term contracts with solid counterparts 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.
13 Eagle Bulk Shipco LLC 17-22	NO0010810872	102.56	7.4 %	2.4 %	Eagle Bulk Shipping is a US listed dry bulk shipping company with a market cap of USD 340m. 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%.
14 Songa Container AS 18/21	NO0010837248	97.72	9.2 %	2.3 %	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.
15 Host Property AB 19-22	SE0013486057	100.25	6.6 %	2.3 %	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.
16 Teekay Shuttle Tankers LLC 17-22	NO0010801707	100.63	7.3 %	2.2 %	Established in Jul 17 as a carve out from Teekay Offshore, TST is the world's largest owner and operator of shuttle tankers. TST operate a fleet of 26 shuttle tankers mostly under time charters, CoAs, bareboat charters with limited exposure to spot markets. TST remains 100% owned by Teekay Offshore, which now is fully controlled by Brookfield Asset Management. TST holds a revenue backlog of approx. USD 2.5bn, most of which stem from counterparties with investment grade ratings. The backlog, TST' NIBD/ EBITDA was 3.8x per Q3/19. However, as TST over the next couple of years, will take delivery of 7 newbuilds with a relatively high degree of debt financing attached, we foresee that the company's NIBD/ EBITDA will increase to a range between 4 to 5.5x. The credit benefit from having a leading market position, strong earnings visibility and solid owner backing.
17 DNB Bank ASA 15-20	NO0010730708	100.31	5.1 %	2.2 %	DNB is Norway's largest bank with a market capitalization of NOK 264bn and a CET1 ratio per end-Q3/19 of 18.3%. The bonds are subordinated with call date on February 26th 2020. We see limited call risk and expect the call notice to be announced in early January 2020.
18 CHEMBULK HOLDING LLC 18-23	NO0010814593	90.50	12.1 %	2.1 %	Chembulk operates 21 Chemical Tankers (10-33,000 dwt) 7 of which are on chartered-in while the others are 100% owned. The company is owned by funds managed by KKR (43.4%), York Capital (42.6%) and other institutions. On the back of elevated ordering as well as a poor crude and product tanker market, the chemical tanker market has been at trough levels over the past couple of years. With supply demand prospects improving and net LTV is estimated to be in the range of 50-60% on trough valuations we deem that asset backing is sufficient to cover the bond in a bear case scenario.
19 Frontmatec Group FRN 19-24	DK0030452263	101.25	5.5 %	2.0 %	Frontmatec is owned by the PE firm Axel and is one of the leading manufacturers of red meat processing equipment globally. The bond carries a coupon of EURIBOR + 575bps and is senior secured through share pledges. The credit benefits from having sound leverage metrics, diversified cash flows and less cyclicality.
20 MPC Container Ships Invest B.V. 17-22;NO0010805872		99.34	6.9 %	2.0 %	Pure play container shipping company. Close to USD 500m in equity raised, listed on the Oslo Stock Exchange with an mcap of NOK 1.7bn. Senior secured bond with 1st priority in the fleet. Bond with significant downside protection with LTV of -50% on historical low valuations.
Sum				56.6 %	

Total number of bond positions: 52 (from 47 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 & Partner*

- 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 & Partner*

- 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***Business Development & Partner*

- 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

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 AS and should not be considered impartial research and 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 AS is regulated by the Financial Supervisory Authority of Norway (org. number: 989 309 439). Its registered office is: Haakon VII's gate 5, 0161 Oslo, Norway.

Storm Fund II - Storm Bond Fund is domiciled in Luxembourg and in addition the fund is registered for distribution in Norway, Sweden, Finland, UK, Switzerland, Germany and Spain.

The fund may only be offered and this factsheet may only be distributed in Switzerland to qualified investors. Home country of the fund: Luxembourg. The representative in Switzerland is 1741 Fund Solutions AG, Burggraben 16, CH-9000 St. Gallen. Swiss Paying Agent in Switzerland is Telco AG, Bahnhofstrasse 4, CH-6430 Schwyz. The prospectus, the Key Investor Information Document, the articles of association as well as the annual [and semi-annual] reports may be obtained free of charge from the representative. In respect of the units distributed in and from Switzerland, the place of performance and jurisdiction is the registered office of the Representative.