

## 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 MONTHLY RETURN HISTORY (INSTITUTIONAL IC NOK SHARECLASS<sup>3</sup>, NET OF FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.7%	-0.4%	-21.3%										-21.1%
2019	1.0%	0.9%	0.8%	0.9%	-0.1%	0.1%	0.7%	-0.2%	-0.1%	0.3%	0.4%	0.9%	5.9%
2018	1.0%	0.5%	-0.4%	0.4%	0.7%	0.7%	0.1%	0.6%	0.4%	0.5%	-0.4%	-1.1%	3.1%
2017	3.4%	3.0%	2.1%	1.3%	0.6%	-1.0%	0.8%	1.2%	1.1%	0.3%	-0.2%	0.4%	13.6%
2016	-1.8%	-3.1%	6.0%	4.1%	-0.4%	0.6%	1.8%	3.3%	-0.4%	1.2%	0.1%	5.8%	18.1%
2015	-2.7%	-1.2%	-0.1%	1.5%	2.2%	0.4%	0.4%	-3.7%	-2.7%	1.3%	-0.7%	-4.2%	-9.4%
2014	1.2%	1.0%	1.0%	0.7%	0.7%	0.9%	0.7%	0.1%	-1.3%	-5.5%	-0.3%	-11.2%	-12.4%
2013	1.5% <sup>3</sup>	0.6%	1.0%	1.0%	1.6%	0.2%	1.1%	1.0%	1.2%	0.1%	1.4%	0.9%	12.1%
2012	2.7% <sup>2</sup>	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% <sup>1</sup>	0.8%	2.0%	3.8%	-3.4%	1.3%	1.4%	2.2%	2.8%	1.5%	1.1%	-1.0%	19.9%

## Annualised returns (net of fees)

1-year	-18.6%
3-years	-3.5%
5-years	1.7%
10-years	2.6%
Since inception	3.7%

From 1 Sep 2008 to 31 Dec 2009, base currency EUR (unhedged).

1) From 1 Jan 2010, base currency EUR (hedged).

2) From 1 Jan 2012, base currency NOK (hedged).

3) From 1 Jan 2013, base currency NOK (hedged), based on institutional IC NOK share class (LU0840158496).

Past performance is no guarantee for future performance.

## COMMENT BY PORTFOLIO MANAGERS

Dear investor,

Storm Bond Fund was down 21.3% in March and is down 21.1% YTD (institutional IC NOK share class: LU0840158496).

The first quarter of 2020 and the month of March has been very challenging for investors across all asset classes. The covid-19 outbreak reached pandemic proportions and has brought large parts of the global economy to a screeching halt. In response, governments and central banks around the world have stated that they are willing to take extreme measures and to do what it takes. Such measures include reduction in interest rates, re-introduction of quantitative easing and significant fiscal stimulus in order to support the real economy. Many of the stimulus packages are yet to be launched.

In the global credit markets, we witnessed volatility not seen since the financial crisis in 2008. Investment grade and high yield corporate bonds came under pressure as investors hoarded cash and feared rating downgrades. U.S and European investment grade declined by -7% and -6% vs. U.S and European high yield which extended first quarter declines in March with 11.5% and 13.5% respectively. In the oil market, prices came under severe pressure due to the demand shock from covid-19 combined with a price-war between Saudi Arabia and Russia.

In the Nordic corporate bond market, we experienced similar market turmoil as seen in other international corporate bond markets. The Nordic high yield market is currently trading near its previous peak with a credit spread above 1500 bps. The previous peak was in February 2016, when oil and gas accounted for nearly 50% of the market vs. less than 16% today. The remaining oil and gas exposure in the market has significantly lower cash break-even prices vs. 2016 when oil bottomed at USD 27/bbl. In addition, oil companies have been conservative with respect to their hedging strategy having secured majority of 2020 production above USD 60/bbl. Hence, our oil producing exposure can withstand oil prices seen today through 2021 due to its strong balance sheets and conservative hedging programmes.

To support the credit market the Norwegian state has re-launched the Government Bond Fund, which was first launched under the financial crisis in 2008. The fund is managed by the local division of the Sovereign Wealth Fund, Folketrygdefondet, and initially launched with NOK 50bn (USD ~4.5bn). In addition, Sweden's Central Bank amended their bond-buying program to also include High Yield.

While it was already clear that we were in the later stages of the economic cycle, and we had positioned the portfolio thereafter (sizeable cash position and having high graded the portfolio for a while), we underestimated the magnitude of Covid-19. Throughout the month of March, our strategy has been to protect core positions in the fund, which we have managed satisfactory. Furthermore, we have taken advantage of recent valuation changes, and has predominantly upgraded the risk/return profile within industries. We are currently holding 10% cash, which in part will be deployed into new and existing credits in high-quality companies with strong balance sheets and robust business models capable of withstanding a prolonged economic downturn.

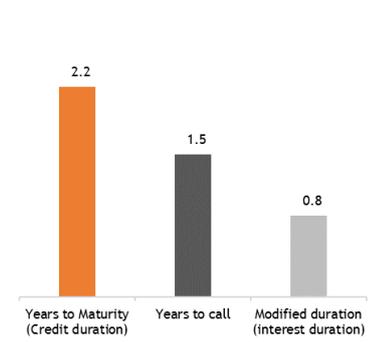
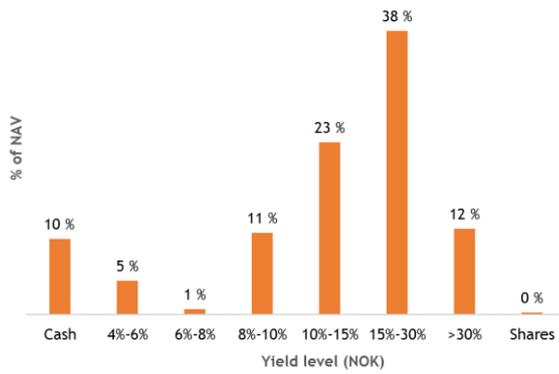
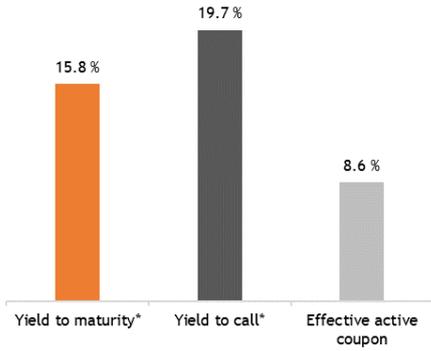
During difficult market environments like this, it is important to highlight the experience and discipline of our portfolio managers. We have navigated difficult markets before, as a team, and have learned that patience and discipline are key to generate superior risk-adjusted returns over time.

We believe that the Nordic High Yield market looks oversold and that spreads have decoupled from fundamentals in many cases. Going in to March, the weighted average bond price in our portfolio was 99%, while it is 80% today. We expect the pull to par effect to be swift given the short maturity of 2.2 years. We continue to argue that Nordic High Yield offers attractive risk/reward characteristics in the years to come due to i) short interest and credit duration, iii) exposure to a stable and diversified region, iii) lack of ETFs, iiiii) and significantly higher credit spreads than in Europe and the US. The yield to maturity in the portfolio is currently 15.8% in NOK.

**YIELD LEVELS (NOK)**

**YIELD DISTRIBUTION (NOK)**

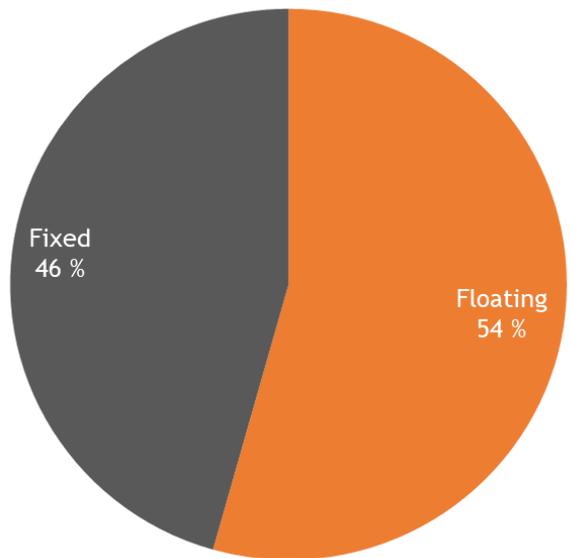
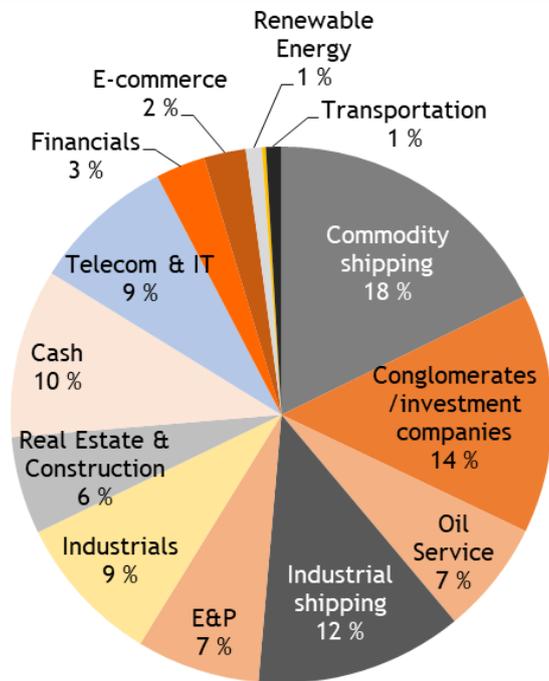
**MATURITY / DURATION (YEARS)**



\* individual bonds capped at 30% in calculation.

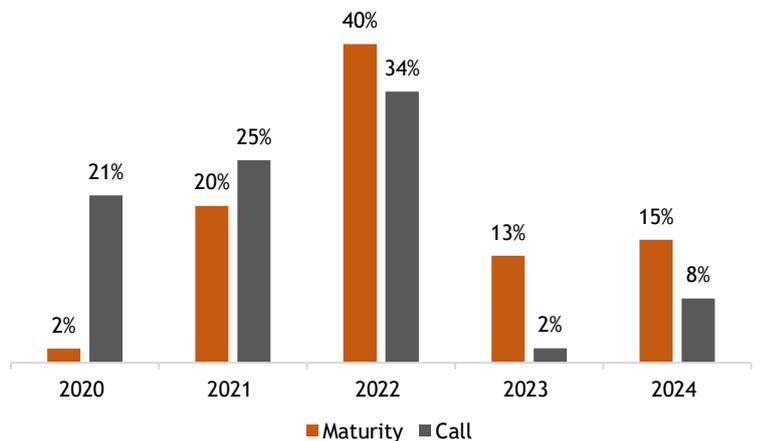
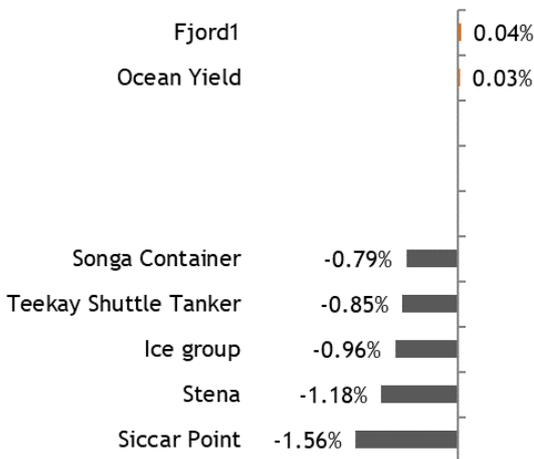
**SECTOR ALLOCATION**

**FLOATING VS. FIXED RATES**



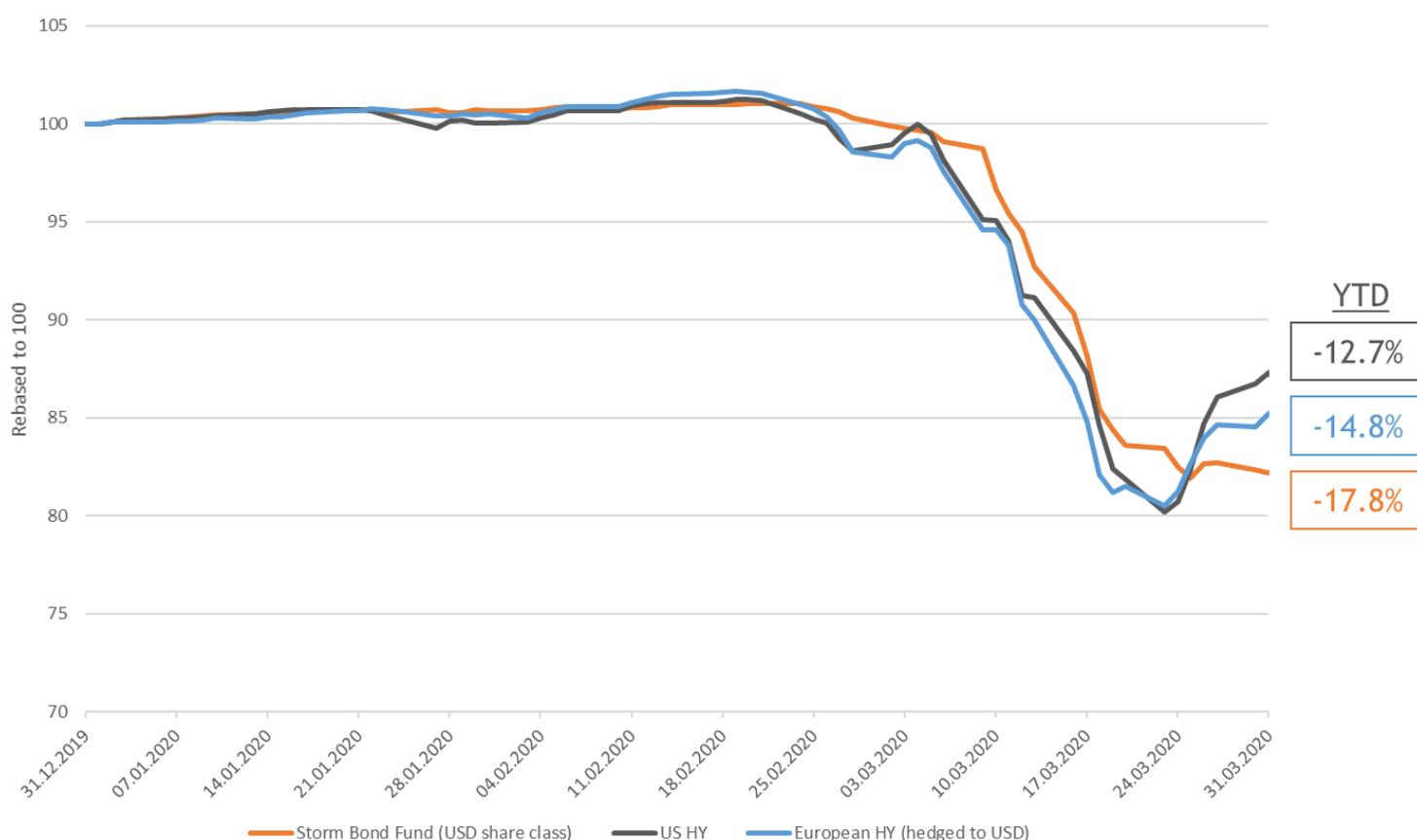
**CONTRIBUTION ANALYSIS (top 5 / bottom 5)\***

**MATURITY PROFILE**



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

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



Source: Bloomberg, as of 31.03.2020.

PRICES FOR DIFFERENT SHARE CLASSES

SHARE CLASSES	ISIN	PRICE
<b>ACCUMULATION SHARE CLASSES</b>		
Institutional NOK (ICN)	LU1382364716	103.11
Institutional NOK	LU0840158496	102.86
Institutional USD	LU0840159387	92.82
Institutional EUR	LU0840158900	85.68
Institutional SEK	LU0840159544	89.36
Institutional CHF	LU1076701652	80.68
Institutional GBP	LU0840159973	100.00*
Retail NOK (RCN)	LU1382364633	107.81
Retail NOK	LU0740578702	108.46
Retail SEK	LU0840159460	86.40
Retail GBP	LU0840159890	90.46
Retail EUR	LU0840158819	87.14
Retail CHF	LU1428000985	100.00*
<b>DISTRIBUTION SHARE CLASSES**</b>		
Institutional NOK	LU1915698069	78.75

\*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)	8.0%-8.5% 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)	1 653

## BOND PORTFOLIO - TOP 20

NAME	ISIN	PRICE	YIELD %	NAV %	SHORT DESCRIPTION
1 Teekay Shuttle Tankers LLC 17-22	N00010801707	85.17	16.2 %	5.5 %	Established in Jul 17 as a carve out from Teekay Offshore, Altera Shuttle Tankers is the world's largest owner and operator of shuttle tankers. Altera operates a fleet of 26 shuttle tankers mostly under time charters, CoAs, bareboat charters with limited exposure to spot markets. TST remains 100% controlled by Brookfield Asset Management. Altera holds a revenue backlog of approx. USD 2.5bn, most of which stem from counterparties with investment grade ratings. Altera's NIBD/EBITDA was 4.1x per Q4/19. The credit benefit from having a leading market position, strong earnings visibility and solid owner backing.
2 Stockmann Oyj Abp EO-Notes 2017(1:F14000292719		90.67	9.3 %	5.4 %	Stockmann was established in 1862 and is a Finnish listed company with a market cap of EUR 85m. 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 170m 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	79.43	14.5 %	5.3 %	Swedish conglomerate which is 100% controlled by Sten Olsson family. Stena key operations are diversified and involve ferries, shipping, real estate, drilling and private equity investments. The key credit strengths are substantial asset backing combined with a solid liquidity position last reported at nearly SEK 14bn.
4 American Tanker Inc. 17-22 -144A-	N00010777519	92.02	15.1 %	4.7 %	American Shipping company owns 10x modern US Jones Act Tankers. The Company is listed on the Oslo Stock Exchange with an mcap of NOK 1.4bn. 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.
5 Siccar Point Energy Bonds PLC DL-NoN00010815053		65.00	29.9 %	4.1 %	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 and have solid sponsors in Blackstone and BlueWater Energy. The company has hedged approx 70% of 2020 production at -67/bbl and 1/3 of 2021 production at -62/bbl. Hence, the company has near term protection against volatile oil prices
6 Norske Skog AS 19-22 FRN	N00010856123	90.75	9.3 %	3.8 %	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 3.1bn. 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.
7 Ice Group Scandinavia Holdings AS 1	N00010864002	75.00	18.8 %	3.5 %	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 2.8bn, 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 Vizrt Group AS 15-21 FRN	N00010732811	92.67	17.4 %	3.4 %	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 Q4/19, the company's leverage was -2.5x NIBD/EBITDA adj. for NewTek acquisition.
9 Golar LNG Partners LP DL-FLR Notes N00010786056		73.70	37.5 %	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 113m. The credit benefits from having decent revenue visibility and a strong backlog. The company has proposed to cut dividends by 95%, introduce amortization on bonds and increase interest rate vs. extending bond maturities with one year in order to refinance when primary market opens. We find the proposal creditor friendly and accretive for creditors.
10 Euronav Luxembourg S.A. 17-22	N00010793888	91.60	12.8 %	3.2 %	Largest publicly listed tanker company in the world with a market cap of EUR 2.0bn. Conservative financial strategy with target to keep a minimum of 2 year operational liquidity runway. Per end-Q4/19 NIBD/EBITDA stood at 2.6x
11 Frontmatec Group FRN 19-24	DK0030452263	97.53	5.0 %	3.0 %	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 cyclicity.
12 Host Property AB 19-22	SE0013486057	89.48	10.7 %	2.9 %	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 FNG Nordic AB 19-24	SE0012827996	75.00	14.2 %	2.5 %	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.
14 Songa Container AS 18/21	N00010837248	65.75	34.9 %	2.4 %	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 -65%. The Company is backed by experienced ship-owner Arne Blystad which is deemed to be a strong sponsor. The bond is senior secured.
15 Green Cube Innovation AS 19-22 FRN N00010852973		92.50	13.1 %	2.2 %	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.
16 Noram Drilling Company AS 14-19	N00010711948	97.00	12.5 %	2.2 %	Noram Drilling is an onshore drilling company owning nine drilling rigs, all of which operate in the Permian Basin. The largest shareholder is John Fredriksen's Gevevan, owning 58%. The credit benefits from low implied asset valuation, solid cash flow and modern assets.
17 Wallenius Wilhelmsen ASA 17-22	N00010790645	82.00	15.1 %	2.1 %	The Wallenius Wilhelmsen group is a market leader in RoRo shipping and vehicle logistics, transporting cars, trucks, rolling equipment and breakbulk around the world. The company is listed on the Oslo Stock Exchange with a market cap of NOK -4bn. The company has flexibility on their fleet and a strong liquidity position in order to navigate through current challenging market
18 Golar LNG Ltd. 2018/2022	US38046YAB74	64.25	29.2 %	2.1 %	Golar LNG operates within LNG infrastructure and is listed on the New York Stock Exchange with a market cap of USD 600m. The credit benefits from being fully financed and having a strong contracted earnings backlog with solid counterparts amounting to USD 6.5bn.
19 MPC Container Ships Invest B.V. 17-22 N00010805872		65.00	25.9 %	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 1.4bn. Senior secured bond with 1st priority in the fleet. Bond with significant downside protection with LTV of -65% on historical low valuations. Current implied pricing is close to scrap valuations of the fleet
20 CHEMBULK HOLDING LLC 18-23	N00010814593	80.75	17.9 %	1.8 %	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. The company has recently bought back USD 18m of bonds.
Sum			65.2 %		

Total number of bond positions: 49 (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 & Partner*

- He has 12 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

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**MARCUS S. MOHR***Business Development & Partner*

- He has over 11 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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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.

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