

## 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%	4.8%	4.0%	4.1%	0.9%						-9.7%
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	-8.5%
3-years	0.4%
5-years	3.6%
10-years	3.7%
Since inception	4.7%

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 posted a positive return of 0.9% in July and is down 9.7% YTD (institutional IC NOK share class: LU0840158496).

Markets climbed higher in July despite resurgence of infection cases in many countries and the current economic contraction. This was mainly driven by optimism for a COVID-19 vaccine, better than expected second quarter earnings and continued monetary and fiscal stimuli. Emerging markets lead way during the quarter with China experiencing a sharp rebound in economic activity combined with few new infection cases. In the credit markets, lower expected corporate defaults combined with continued support from the Federal Reserve pushed U.S investment grade and high yield 3% and -4.8% higher during July. For the U.S high yield market this was the best monthly performance since October 2011. Brent oil prices advanced by ~5% during the month on the back of OPEC's restraint on production, a weakening dollar and a drop in US inventory levels. The Nordic high yield market delivered positive returns with Storm Bond Fund yielding 0.9% during the month. As expected, the market was fairly calm in terms of company specific news flow and new bond issues due to summer holidays in our region.

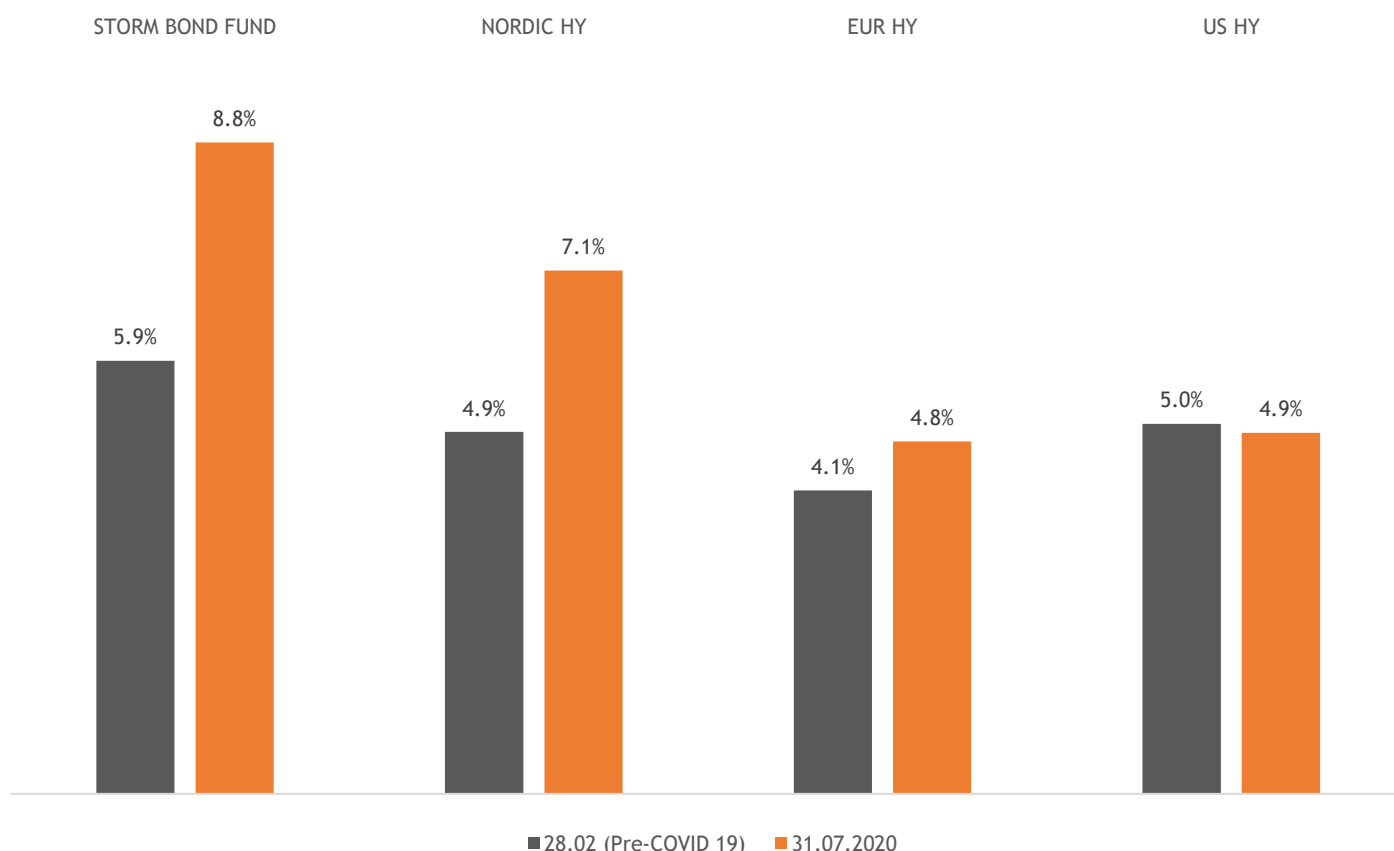
The fund's performance in July in addition to carry was driven by capital appreciation in Siem Industries, Golar LNG and MPC Container Ships. The fund's largest negative contributions came from our positions in the Swedish hotel owner Host Property and the Finnish real estate and retailer Stockmann. Although Host Property is currently experiencing shortfall in earnings as a result of COVID-19, the bond is secured with an implied loan to value of ~65% (May 2020 valuation) which we argue provides bondholders with downside protection and high probability of being made whole. Stockmann, owning prime location retail properties in Helsinki and the Baltic's and the fashion retailer Lindex, experienced sharp decline in earnings in March and April due to the lock-down. Activity has since picked up significantly and the company recently reported an encouraging Q2 report with better than expected earnings, cash flow and liquidity position. We are increasingly confident that bonds will recover 100% due to the 1st lien bonds' substantial asset backing. We bought more bonds in Stockmann's secured bond during July.

During the month we re-visited the Finnish stainless-steel producer Outokumpu (market cap: EUR ~1bn). The current credit spread is 610bps and the bond is convertible at approx. 30% premium. We find this opportunity attractive as the company is currently 4x levered on trough earnings, is partly owned by the Finnish state, has a very solid liquidity position and an undemanding debt maturity schedule. Furthermore, the unsecured bond is trading at a significant discount to the secure bond, which we would argue is unwarranted to some extent given the convertible element.

The credit spread in the fund is currently 8.8% (incl. cash) significantly higher than US and European HY markets at 4.9% and 4.8%, respectively. Current spread differential is materially higher than pre-COVID levels (illustrated in the graph below). We expect the market to pick up pace and spread compression to continue in August as investors return from holiday. Additionally, the fund is well positioned in the event of inflation expectations rebounding with the majority of bonds featuring floating rates translating to a modified duration on the fund level of a modest 0.8 years.

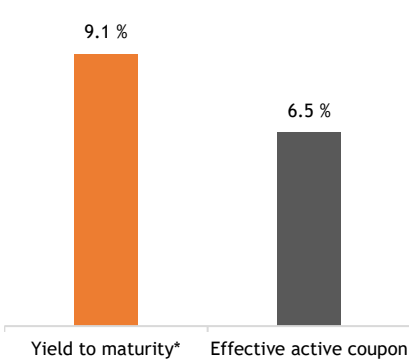
In general, our portfolio companies have reported Q2 earnings at or ahead of expectations and the risk/reward in the portfolio has improved. At the same time, we observe many good opportunities in the secondary market, which combined will pave the way for attractive risk-adjusted return generation in the coming years.

CREDIT SPREAD - STORM BOND FUND VS. NORDIC, EUROPEAN & US HIGH YIELD (PRE-COVID VS. JULY)

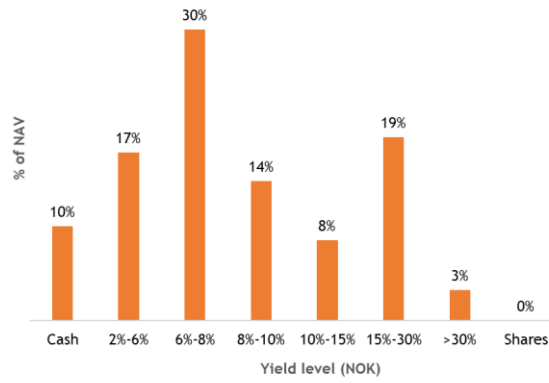


Source: Bloomberg, Storm Capital Management as of 31.07.2020.  
 Storm Bond Fund: Includes cash and spreads on individual bonds capped at 30%.  
 European HY (Bloomberg Barclays Pan-European High Yield TR Index, Bloomberg ticker: LP02TREU). US HY (Bloomberg Barclays US Corporate High Yield TR Index, Bloomberg ticker: LF98TRUU).

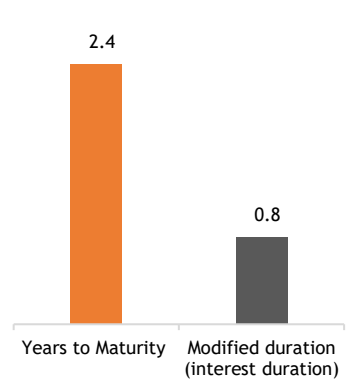
**YIELD LEVELS (NOK)**



**YIELD DISTRIBUTION (NOK)**

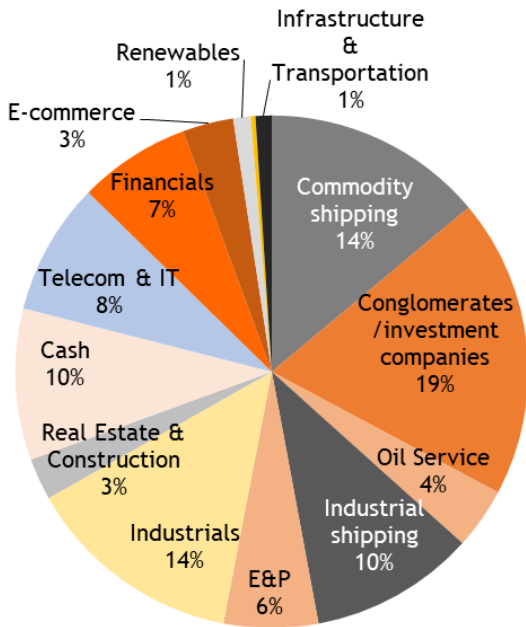


**MATURITY / DURATION (YEARS)**

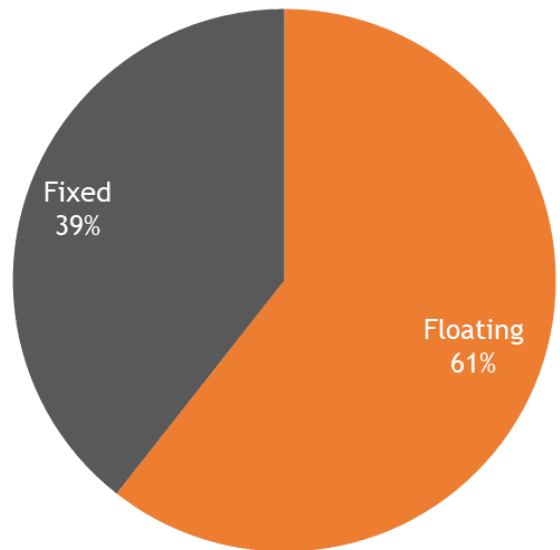


\* individual bonds capped at 30% in calculation.

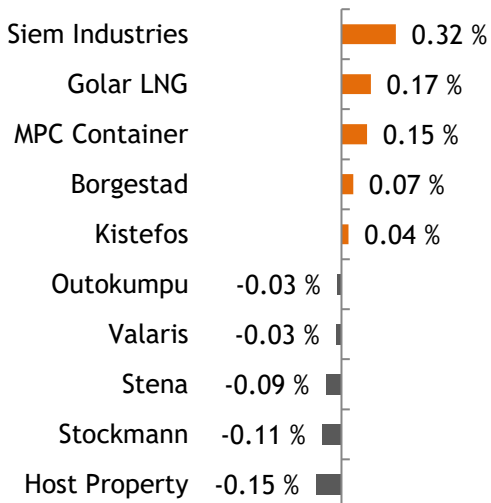
**SECTOR ALLOCATION**



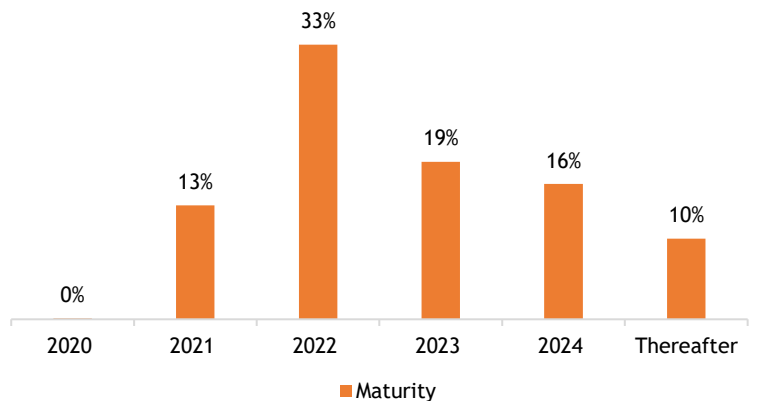
**FLOATING VS. FIXED RATES**



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

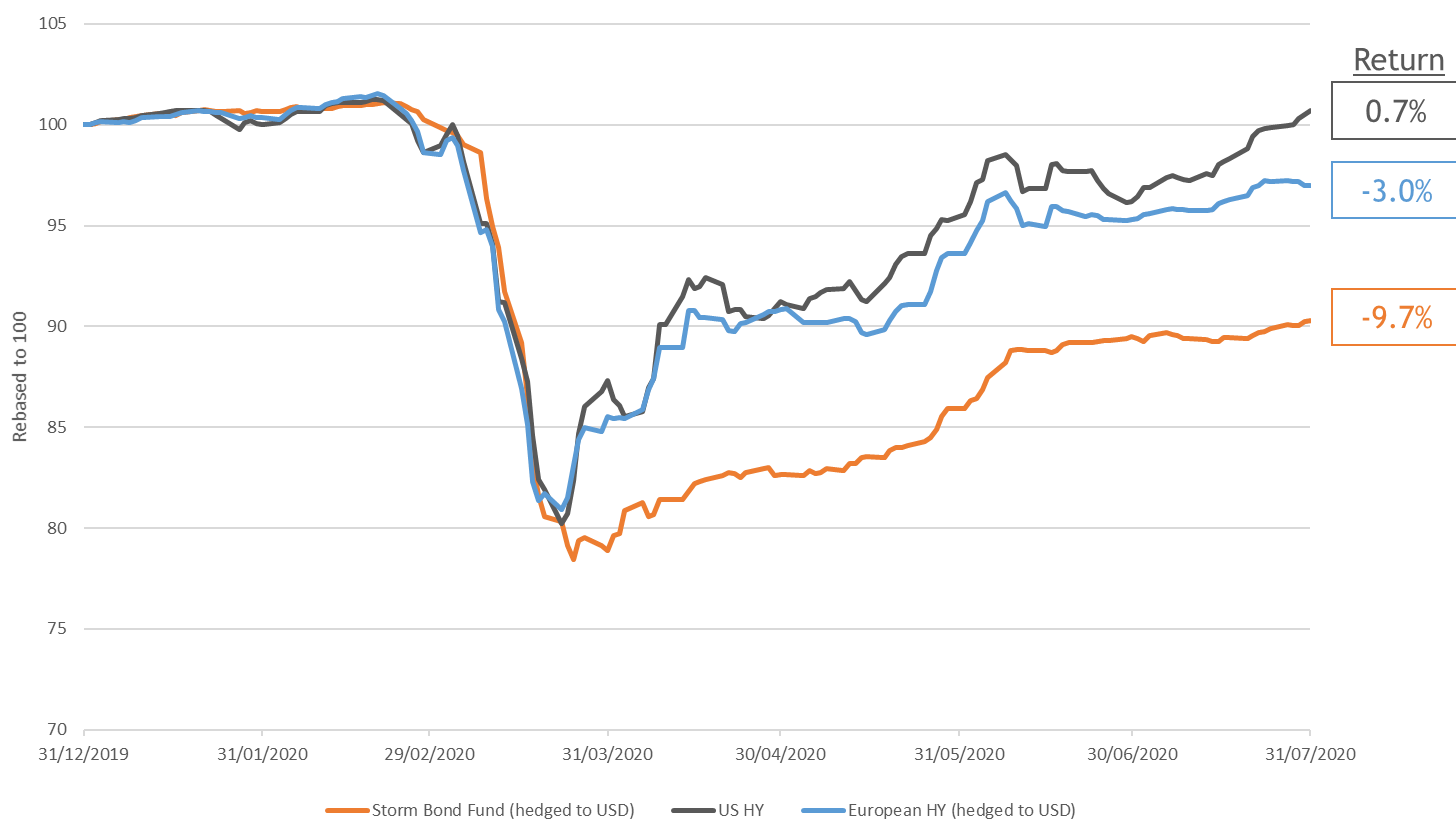


**MATURITY PROFILE**



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

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



Source: Bloomberg as of 31.07.2020. Hedged to USD.

Storm Bond Fund IC NOK (ISIN: LU0840158496, Bloomberg ticker: STBONIC LX equity).

US HY (Bloomberg Barclays US Corporate High Yield TR Index, Bloomberg ticker: LF98TRUU). European HY (Bloomberg Barclays Pan-European High Yield TR Index, Bloomberg ticker: LP02TREU).

PRICES FOR DIFFERENT SHARE CLASSES

SHARE CLASSES	ISIN	PRICE
<b>ACCUMULATION SHARE CLASSES</b>		
Institutional NOK (ICN)	LU1382364716	118.09
Institutional NOK	LU0840158496	117.73
Institutional USD	LU0840159387	106.09
Institutional EUR	LU0840158900	97.19
Institutional SEK	LU0840159544	101.81
Institutional CHF	LU1076701652	91.54
Institutional GBP	LU0840159973	100.00*
Retail NOK (RCN)	LU1382364633	123.29
Retail NOK	LU0740578702	124.02
Retail SEK	LU0840159460	97.76
Retail GBP	LU0840159890	103.54
Retail EUR	LU0840158819	98.65
Retail CHF	LU1428000985	100.00*

DISTRIBUTION SHARE CLASSES\*\*

Institutional NOK	LU1915698069	87.02
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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	6.0% - 6.5% p.a. (in NOK)
(current quarter)	
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)	2 243

## BOND PORTFOLIO - TOP 20

NAME	ISIN	PRICE	YIELD %	NAV %	SHORT DESCRIPTION
1 Stockmann Oyj Abp EO-Notes 2017(1:F14000292719		87.5	15.5%	4.6%	Stockmann was established in 1862 and is a Finnish listed company with a market cap of EUR 86m. 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 bond maturing in 2022 is pari passu with the bank debt. On our estimates, the secured debt is covered by the real estate assets alone.
2 Siem Industries Inc. 16-21	NO0010766546	96.0	8.2%	4.5%	Siem Industries is an conglomerate/investment company founded by Mr. Kristian Siem in 1980. The Company currently holds a diversified portfolio of industrial and financial holdings. The bond features a 1st priority pledge in the company's shares in Subsea 7 (an energy services company listed on Oslo Stock Exchange with a market capitalisation of -NOK 19bn). At current share price of Subsea7 (-38% YTD) the bond is well covered by the 1st lien pledge alone.
3 Stena Ab 14-24	USW8758PAK22	97.8	7.8%	4.4%	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.
4 Teekay Shuttle Tankers LLC 17-22	NO0010801707	99.8	7.9%	4.3%	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. TST is 100% controlled by Brookfield Asset Management. The credit benefit from having a leading market position, strong earnings visibility and solid owner backing.
5 Siccar Point Energy Bonds PLC DL-NoNO0010815053		94.8	11.8%	4.0%	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 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	NO0010856123	103.6	4.7%	3.6%	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 2.7bn. 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 NO0010864002		98.8	8.7%	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 3.1bn, 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 FNG Nordic AB 19-24	SE0012827996	95.8	8.3%	3.2%	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.
9 Norsk Hydro ASA 20-26 FRN	NO0010882343	105.0	2.6%	2.8%	Norsk Hydro is a Norwegian industrial company founded in 1905. The company is listed on Oslo Stock Exchange with a market capitalisation of -NOK 55bn and are partial owned by the Norwegian state (-34%). The issuer is rated BBB by Standard & Poor. The company is among the largest aluminium producers worldwide and has a conservative financial structure that can weather the current turmoil related to COVID-19.
10 Abax Group AS 20-25	NO0010885312	100.3	6.4%	2.5%	ABAX is a leading provider of telematics solutions primarily focusing on the SMB segment. Its clients subscribe to vehicle tracking systems, including hardware and software for fleet management and equipment control. Investcorp acquired the company from Norvestor in 2017 for NOK 1.8bn (or -18 EV/EBITDA). The credit benefits from strong underlying market growth, balance sheet being well capitalized and a strong cash conversion.
11 Golar LNG Partners LP 17-22 FRN	NO0010786056	82.2	19.9%	2.5%	Golar LNG Partners is an international owner of LNG and FSRU tonnage listed at the NYC stock exchange with a market cap of USD 200m. The credit benefits from having decent revenue visibility, potential to cut dividend and a fairly strong backlog. The company needs to address dividends and the upcoming bond maturity in order to see improved bond pricing.
12 Euronav Luxembourg S.A. 17-22	NO0010793888	102.3	6.3%	2.3%	Largest publicly listed tanker company in the world with a market cap of EUR 1.6bn. Conservative financial strategy with target to keep a minimum of 2 year operational liquidity runway.
13 Kistefos AS 19-23 FRN	NO0010850654	96.1	6.8%	2.3%	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%.
14 Golar LNG Ltd. 2018/2022	US38046YAB74	82.6	16.1%	2.3%	Shipping and infrastructure company listed on the New York Stock Exchange with a market cap of USD 700m. The company has a complex capital structure, but credit benefits from solid earnings visibility. We believe the capital structure have additional debt capacity which reduce refinancing risk of the unsecured out of the money CB.
15 Outokumpu Oyj EO-Conv.-Bonds 202CXS2200501653		98.8	6.0%	2.1%	Leading producer of stainless-steel in Europe. The company is listed on the Helsinki Stock Exchange with a market cap of EUR 1bn. The Finnish state is the largest shareholder.
16 American Tanker Inc. 20-25	NO0010886336	100.1	7.9%	2.1%	American Shipping company owns 10x modern US Jones Act Tankers. The Company is listed on the Oslo Stock Exchange with an mcap of NOK 1.7bn. 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.
17 Frontmatec Group FRN 19-24	DK0030452263	96.0	7.6%	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.
18 MPC Container Ships Invest B.V. 17-2NO0010805872		81.6	15.2%	2.0%	Pure play container shipping company with 39 vessels under the bond silo. Listed on the Oslo Stock Exchange with an mcap of NOK 550m. Senior secured bond with 1st priority in the fleet.
19 Host Property AB 19-22	SE0013486057	80.6	17.0%	1.9%	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.
20 DNB Bank ASA 16-21 FRN	NO0010767957	102.7	5.4%	1.9%	DNB is Norway's largest bank with a market capitalization of NOK 212bn and a CET1 ratio per end-Q1/20 of 17.7%. The bonds are subordinated with call date on June 27th 2021. We see limited call risk on the back of the strong balance sheet.
Sum				58.9%	

Total number of bond positions: 56 (from 50 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

Contact details: +47 920 35 908 or [tore@stormcapital.no](mailto:tore@stormcapital.no)

**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

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 Vils 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.