

**NEWSLETTER SEPTEMBER 2011**



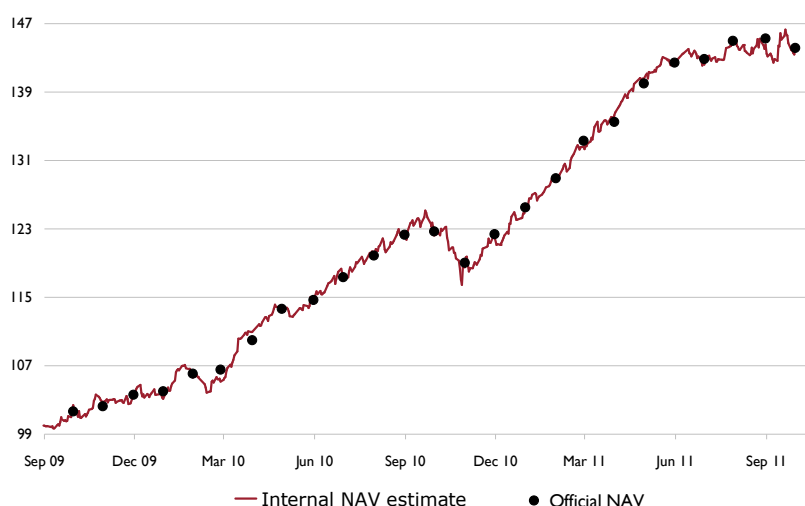
**MIDGARD**  
FIXED INCOME FUND LIMITED

## The performance in September for the Euro-class was -0.75%

September 2011 was very much a déjà-vu. Markets reminded frighteningly of something observed same month three years ago. Markets were momentarily in panic, bank funding worries increased once again, and this time French banks took center-stage, weaker economic data continued, and Greece played the role as Europe's Lehman. Bunds reached a new all-time high of 138.56 (10 year yield at 1.761%) and risky assets had a very tough month. The massive flow into safe-haven favourite CHF triggered the SNB to introduce a floor against the EUR of 1.20 and in the US, the Fed introduced Operation Twist in which the Fed will buy USD400bn long UST against selling an equivalent amount of shorter dated UST. Poor performance spread to emerging markets which otherwise had performed safe-haven-like.

As September was coming to an end, it was once again ECB that had to step up the effort as EU policy makers again proved unable to calm the markets and risk appetite slowly came back. As history to some extent was repeating itself, it was little surprise that the potential tools mentioned by ECB were well known; re-activation of both the 12 month tender and the covered bond purchase programme as supplements to a potential refi-cut and a narrowing of the rate corridor. This brought some relief to the market but volatility remained high.

In this very difficult environment Midgard performed satisfactorily and benefited relatively from being short very long dated Swedish mortgage bonds, which underperformed. The underperformance of longer dated bonds on the other hand gave opportunity to scale up duration at attractive levels. The Fund continues to see most value in Swedish mortgage bonds but have in small scale supplemented with Norwegian mortgage bonds.



Risk as per September 30, 2011	Portfolio	Limit
<b>VaR</b>	<b>0.24</b>	<b>2</b>
<b>DV01</b>	<b>0.04</b>	<b>+/-0.1</b>
<b>Leverage &gt; 2y</b>	<b>9.64</b>	<b>10</b>

Year	Monthly net performance EUR (%)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2009	Midgard													
2010	Midgard	1.98	0.44	3.23	3.34	0.91	2.32	2.16	2.03	1.66	0.59	1.32	0.39	4.01
2011	Midgard	2.71	3.40	1.65	3.32	1.74	0.30	1.49	0.19	-0.75	-2.98	2.80	2.56	20.67
														14.86

Midgard vs. Benchmark	Return last 12 months	Return since inception (as of Sep 1 <sup>st</sup> , 2009)	Volatility	Sharpe ratio
Midgard (EUR)	17.49 %	44.16 %	4.97 %	4.17
DJCS Fixed Income Arb.*	6.60 %	21.96 %		N/A
Eurohedge Fixed Income*	3.75 %	12.94 %		N/A

\*: Performance until end of August 2011

Fund Objective: European fixed income fund with a Nordic bias  
Base Currency: Euro  
Inception Date: 1st September 2009

Min. investment: 250,000 EUR/USD

Assets managed under the Midgard strategy: 184.9 million EUR  
Company AUM: 36.3 billion EUR

Listing: Irish Stock Exchange  
ISIN Code KYG6125M1015

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