

A black and white photograph of a beach. In the foreground, several white beach huts with dark roofs are arranged in a row on the sand. The huts are simple, rectangular structures. In the background, the ocean waves are breaking on the shore. A person is visible walking on the beach in the distance. The overall scene is serene and coastal.

NEWSLETTER AUGUST 2018

PFA
INVESTMENT FUND

Performance & NAV	AA	A	B
Monthly return	-0.26%	-0.30%	-0.30%
Return year-to-date	-0.52%	-0.73%	-1.11%
NAV per share	311.64	153.30	139.75

All statistics, unless otherwise stated, are for the AA share class.

MARKET UPDATE AUGUST 2018

PFA Investment Fund - Midgard Fixed Income Fund returned -0.26 % in AUGUST, bringing total YTD return to -0.52 %.

Neither FED nor BoE was capable of influencing the financial market from start of August as softer job market in the US (lower than expected Non-Farm Payrolls) and a turn in indicators as PMI and ISM from highs set the risk off mode from start August. Now these are merely key figures and the true focus for August was by all means Emerging Markets and the ongoing trade war between USA and China – or, between USA and the World.

Of special focus on Emerging Markets was Argentina and Turkey, where the latter could watch a continue and escalating depreciation of the Turkish Lira, losing some 40% against the US Dollar from start August. One key driver was the Turkish President Recep Tayyip Erdogan, who continued to attack the U.S., ruled out higher interest rates and said Turkey would not accept an international bailout. Further he said Turkey is in an “economic war”.

To the rescue was the Turkish central bank announcing a series of measures to stabilize the financial system and lowered reserve requirements for lira and dollar liabilities. The measures had a positive effect on the Lira in the short run, but towards end of August the depreciation was almost back at full strength.

The Italian government helped bring focus back to Europe as it began a quest against the EC, talking budget deficits non-compliant with EU rules, as well as showing great internal divergence on agendas between ministers (what a shocker, huh?). As a consequence Italian government bonds moved a whopping 50bp and widened in spread to European core government bonds. Flashback to debt crisis was at the forefront of the Financial Markets.

Scandinavian covered bonds barely moved versus interest rate swap in August so the result was primarily driven by a portfolio constructed to weather rising yields in a risk on sentiment. And that was by no means the tone struck in August.

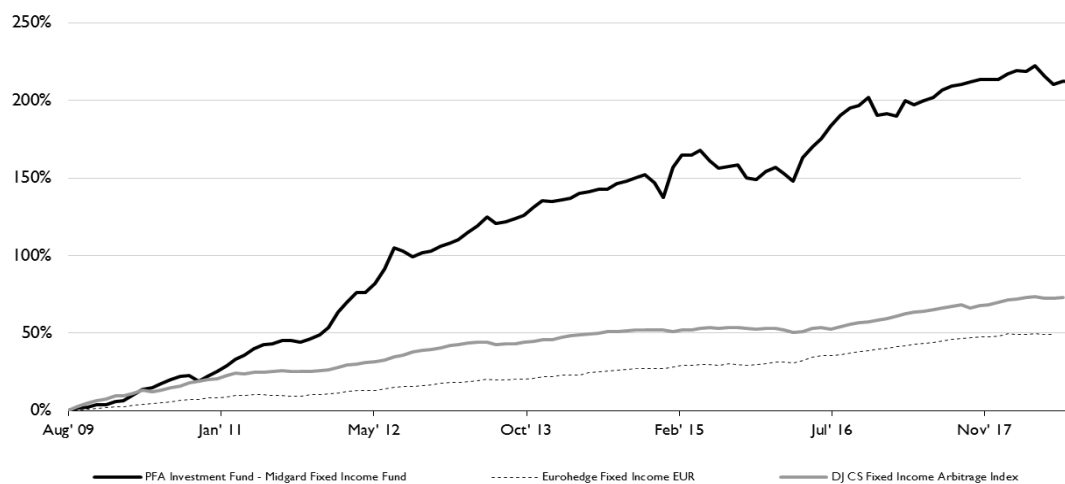
As the core strategy of carry and roll stemming from Scandinavian covered bonds continues to appear challenged the leverage has been kept low and further performance in bonds versus interest rate swap will lead to further de-leveraging.



Jesper Slemming
Chief Investment Officer, PFA Investment Fund

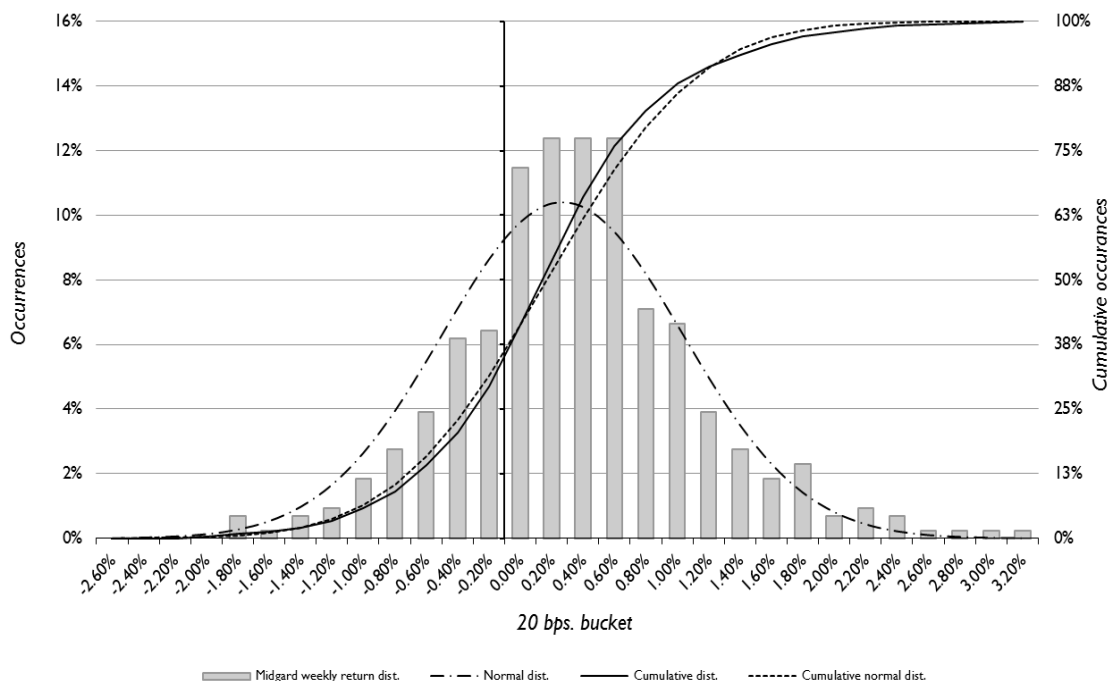
HISTORICAL PERFORMANCE

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YoY
2009									1.66%	0.59%	1.32%	0.39%	4.01%
2010	1.98%	0.44%	3.23%	3.34%	0.91%	2.32%	2.16%	2.03%	0.31%	-2.98%	2.80%	2.56%	20.67%
2011	2.71%	3.40%	1.65%	3.32%	1.74%	0.30%	1.49%	0.18%	-0.75%	1.31%	1.77%	3.45%	22.50%
2012	6.20%	4.03%	3.56%	-0.01%	3.43%	5.25%	6.97%	-1.07%	-1.82%	1.47%	0.50%	1.54%	34.00%
2013	0.91%	1.01%	2.41%	1.81%	2.70%	-1.82%	0.36%	0.89%	1.14%	2.24%	1.71%	-0.16%	13.95%
2014	0.51%	0.41%	1.29%	0.42%	0.64%	-0.05%	1.57%	0.62%	0.83%	0.88%	-2.06%	-3.82%	1.11%
2015	8.18%	3.01%	0.07%	1.26%	-2.69%	-1.74%	0.37%	0.53%	-3.37%	-0.28%	1.92%	1.18%	8.27%
2016	-1.67%	-1.86%	5.99%	2.64%	1.94%	3.09%	2.39%	1.63%	0.61%	1.62%	-3.75%	0.41%	13.42%
2017	-0.62%	3.53%	-0.84%	0.82%	0.74%	1.45%	0.87%	0.33%	0.57%	0.42%	0.08%	-0.07%	7.46%
2018	1.23%	0.68%	-0.20%	1.24%	-2.12%	-1.80%	0.77%	-0.26%					-0.52%



Return	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Annualized	13.46%	4.63%	6.36%
Last 12 months	0.48%	2.84%	3.50%
Last 3 months	-1.29%	0.02%	-0.21%
Since inception	211.64%	49.21%	73.22%
Best month	8.18%	1.51%	2.77%
Worst month	-3.82%	-0.58%	-1.19%
Positive months	78.50%	83.96%	83.18%
Negative months	21.50%	16.04%	16.82%
Volatility	7.08%	1.42%	2.30%
Sharpe Ratio	1.88	3.15	2.69

RETURN DISTRIBUTION

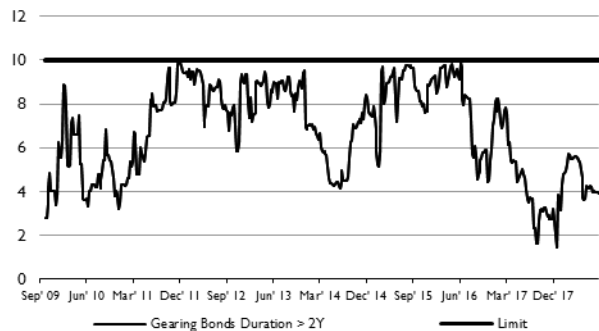


Moments	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Return	13.46%	4.63%	6.36%
Standard deviation	7.08%	1.42%	2.30%
Kurtosis	1.71	0.44	1.25
Skewness	0.41	-0.11	0.06

Correlation analysis	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Correlation coefficient	-	51.81%	28.64%
Beta	-	259.57%	87.98%
Alpha	-	1.10%	7.63%
R2	-	26.84%	8.20%
Autocorrelation	21.45%	5.35%	32.97%

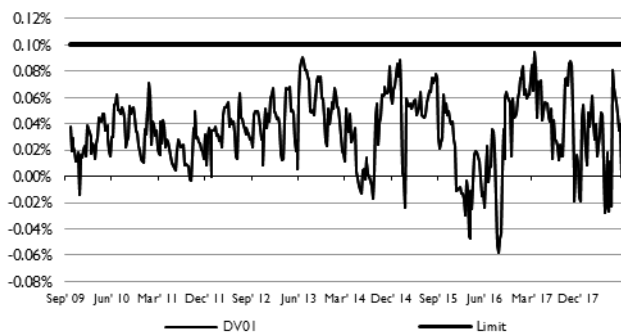
RISK & LINE LIMITS

GEARING BONDS DURATION > 2Y

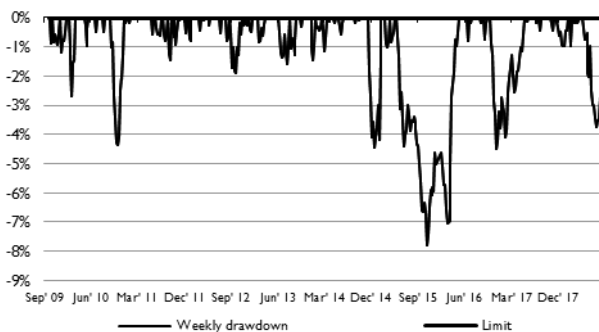


Risk	Midgard	Lime/limit
DV01	0.03%	± 0.10%
Leverage	4.49	Max. 10
VaR	0.70%	Max. 2 %
FX exposure	74.87%	Max. 100 %

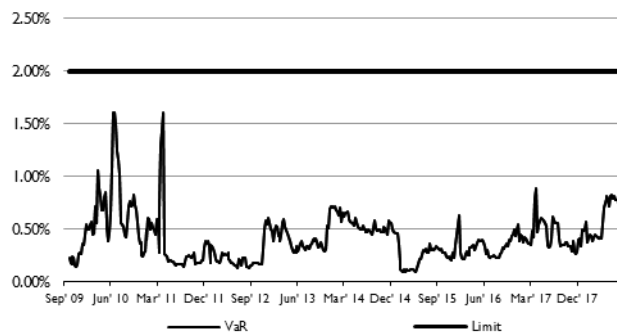
DV01



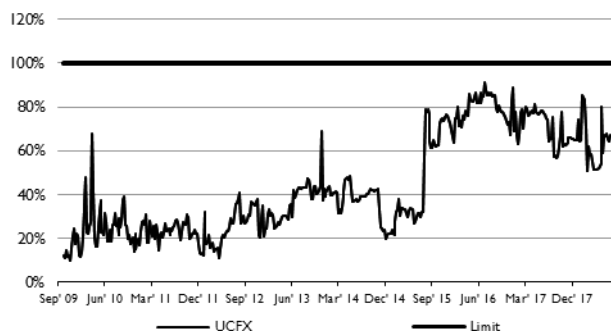
WEEKLY DRAWDOWN



VaR



NON-COVERED FX EXPOSURE



RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return (r_p)	13.46%	0.48%	
Excess return ($r_p - r_f$)	13.35%	0.84%	
<i>36 month</i>			
Portfolio return (r_p)	6.41%	-	
Excess return ($r_p - r_f$)	6.76%	-	
Maximum drawdown since inception	7.78%	4.08%	
Maximum drawdown 36m	7.78%	-	*
Largest individual drawdown			
First	1.86%	0.85%	
Second	1.85%	0.69%	
Third	1.57%	0.63%	
Average	1.76%	0.72%	
Calmar Ratio	0.87	-	*
MAR Ratio	1.72	0.20	
Sterling ratio	7.59	0.67	
Downside risk	0.66%	0.85%	
Upside risk	1.11%	1.33%	
Loss standard deviation	6.07%	3.62%	
Gain standard deviation	5.02%	2.56%	
Mean absolute moment, downside	-24.33%	-16.21%	
Mean absolute moment, upside	34.89%	19.27%	
Omega ratio	1.69	1.57	
Volatility skewness	0.68	0.50	

PFA

INVESTMENT FUND

Strategy AUM	EUR 505.0 million
Listing	Irish Stock Exchange
ISIN	LU1439934933
Bloomberg ID	MIDGFXI LX Equity
Investment Manager	PFA Asset Management Sundkrogsgade 4 2100 Copenhagen Denmark +45 39 17 50 00 www.pfaassetmanagement.dk
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Prime Broker	Skandinaviska Enskilda Banken AB +45 33 36 85 07
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