



# NEWSLETTER August 2019

**PFA**  
INVESTMENT FUND

Performance & NAV	<b>AA</b>	<b>A</b>	<b>B</b>
Monthly return	<b>-2.43%</b>	<b>-2.43%</b>	<b>-2.42%</b>
Return year-to-date	<b>8.22%</b>	<b>7.28%</b>	<b>6.99%</b>
NAV per share	<b>331.62</b>	<b>161.41</b>	<b>146.79</b>

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

### MARKET UPDATE August 2019

New month and yet another turn around in the financial markets, where realized volatility in most asset classes was evident throughout August.

At the very beginning, August 1st, the President of the United States of America, Mr. Donald Trump, announced a new round of fresh tariffs on China, once again igniting the trade war between the two countries. Risk aversion was the focal point as risky assets sold off, interest rate fell globally and safe haven currencies went bid.

Further to the bonfire, Mr. Trump accused China of manipulating their currency followed by the US Treasury with a formal designation of China as a currency manipulator. The Chinese currency broke through the 7.00 barrier and has not returned since.

All added up to a genuine risk off mood. And even though the US rhetoric was soothed mid-August, equity markets ended the month returning negative and interest rates fell to new, fresh lows. Throughout August, US 10 Year interest rates on government bonds fell a massive 50bp, from 2% to 1.5%, and German likes 26bp, from -0.44% to -0.70%.

The movements were underpinned by several eastern central banks cutting rates and/or turning to a more dismal picture of the state of the economy, among these the central bank of New Zealand, India, Thailand and Indonesia.

In Europe, the ECB sought to verbally assuring the financial markets that a new round of initiatives with the Governor of Finland, Olli Rehn, stating that the ECB has a 'big bazooka primed for September'.

To all of the above one can add the renewed disturbances out of Italy as snap elections was called.

The Midgard Fixed Income Fund returned had a negative return in August of -2.43% bringing the YTD return to 8.22%.

The combination of aggressive curve flattening/inversion and a significant decrease in yields across markets as a response to the general risk off mood posed a challenge for the Midgard fund, where the relative flattening across markets did not move in favor of the fund. Additionally we experienced adverse movements in country swap spreads, where in particular Scandi markets underperformed relative to Europe with eg. 10y SEK vs EUR swap spreads widened by approx. 7 bps. On a positive note several hedge positions proved effective and provided the fund with the desired relief.

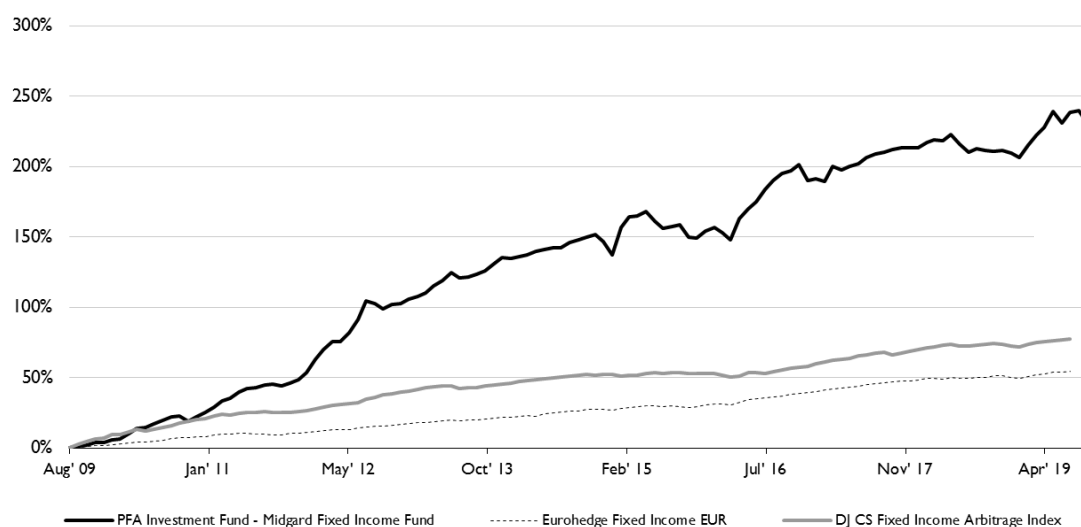
The primary portfolio performed as intended and provided a decent positive return. This was largely attributable to advantageous changes in SEK ASW spreads, which tightened and flattened during the month of August.



Jesper Slemming  
Chief Investment Officer, PFA Investment Fund

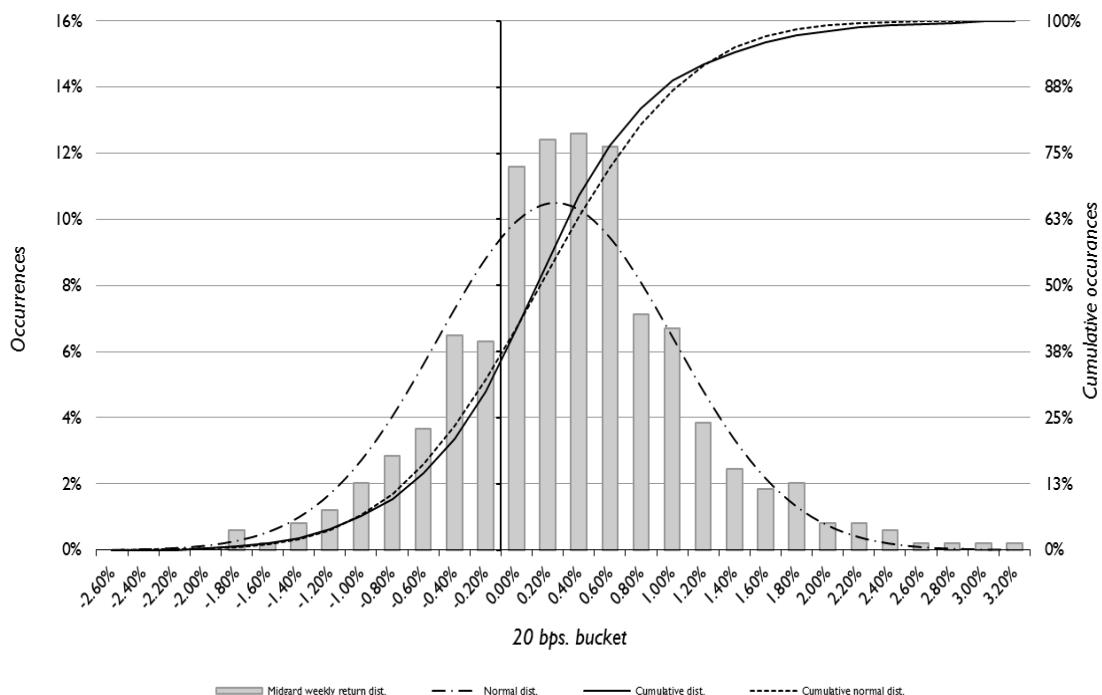
**HISTORICAL PERFORMANCE**

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%	-0.25%	0.10%	-0.60%	-0.93%	-2.18%
2019	2.90%	2.08%	1.88%	3.39%	-2.39%	2.29%	0.41%	-2.43%					8.22%



Return	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Annualized	12.74%	4.54%	6.02%
Last 12 months	6.41%	3.75%	3.05%
Last 3 months	0.21%	1.38%	1.21%
Since inception	231.62%	54.81%	77.75%
Best month	8.18%	1.51%	2.77%
Worst month	-3.82%	-0.76%	-1.19%
Positive months	75.83%	83.05%	82.20%
Negative months	24.17%	16.95%	17.80%
Volatility	7.03%	1.48%	2.27%
Sharpe Ratio	1.80	3.00	2.60

RETURN DISTRIBUTION

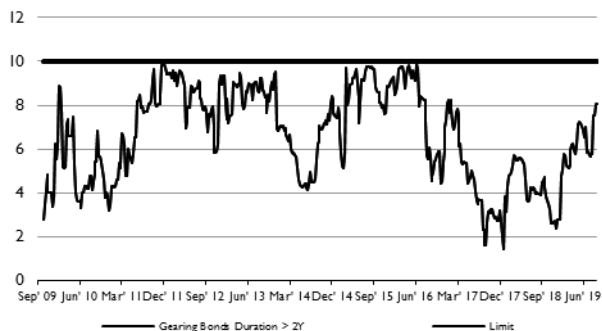


<b>Moments</b>	<b>PFA Investment Fund - Midgard Fixed Income Fund</b>	<b>EuroHedge Fixed Income Arbitrage Index</b>	<b>DJ CS Fixed Income Arbitrage Index</b>
Return	12.74%	4.54%	6.02%
Standard deviation	7.03%	1.48%	2.27%
Kurtosis	1.53	0.32	1.20
Skewness	0.38	-0.27	0.10

<b>Correlation analysis</b>	<b>PFA Investment Fund - Midgard Fixed Income Fund</b>	<b>EuroHedge Fixed Income Arbitrage Index</b>	<b>DJ CS Fixed Income Arbitrage Index</b>
Correlation coefficient	-	53.22%	31.32%
Beta	-	251.80%	96.53%
Alpha	-	1.28%	7.02%
R2	-	28.32%	9.81%
Autocorrelation	19.29%	8.10%	34.12%

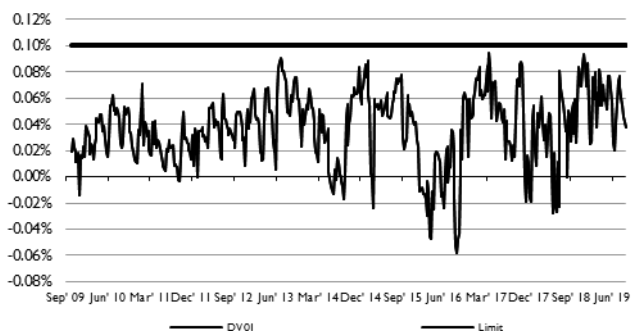
### RISK & LINE LIMITS

#### GEARING BONDS DURATION > 2Y

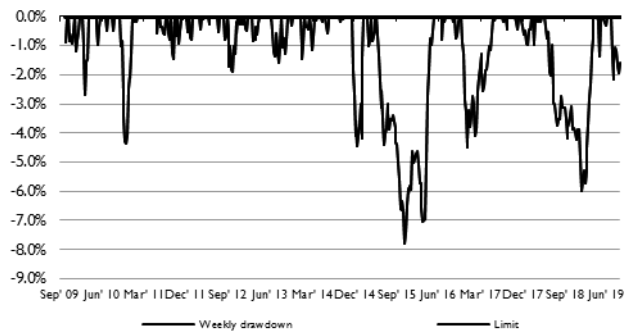


Risk	Midgard	Lime/limit
DV01	0.03%	± 0.10%
Leverage	8.01	Max. 10
VaR	0.66%	Max. 2 %
FX exposure	53.17%	Max. 100 %

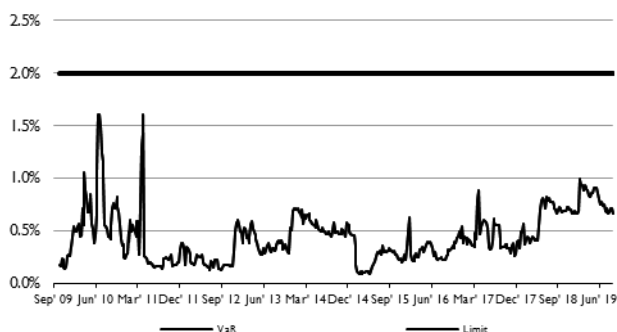
#### DV01



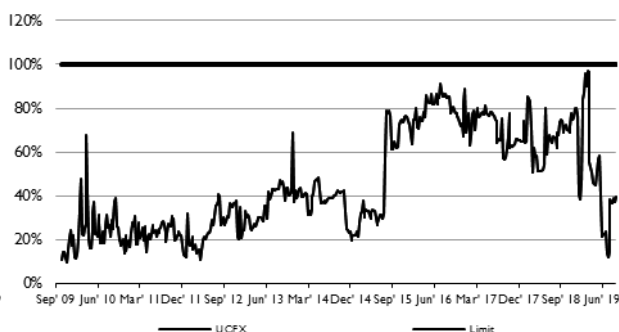
#### WEEKLY DRAWDOWN



#### VaR



#### NON-COVERED FX EXPOSURE



RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return ( $r_p$ )	12.74%	6.41%	
Excess return ( $r_p - r_f$ )	12.68%	6.80%	
<i>36 month</i>			
Portfolio return ( $r_p$ )	3.97%	-	
Excess return ( $r_p - r_f$ )	4.34%	-	
Maximum drawdown since inception	7.78%	4.08%	
Maximum drawdown 36m	4.48%	-	*
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	0.97	-	*
MAR Ratio	1.63	1.67	
Sterling ratio	7.21	8.90	
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	

\* Not applicable for 1-year returns

# PFA

INVESTMENT FUND

Strategy AUM	EUR 320.9 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 <a href="http://www.pfaassetmanagement.dk">www.pfaassetmanagement.dk</a>
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Prime Broker	Skandinaviska Enskilda Banken AB +45 33 36 85 07
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