

# NEWSLETTER DECEMBER 2016



**PFA**  
INVESTMENT FUND

Performance & NAV	<b>AA</b>	<b>A</b>	<b>B</b>
Monthly return	<b>0.41%</b>	<b>0.41%</b>	<b>0.32%</b>
Return year-to-date	<b>13.42%</b>	<b>13.42%</b>	<b>11.24%</b>
NAV per share	<b>291.51</b>	<b>143.67</b>	<b>133.31</b>

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

## MARKET UPDATE DECEMBER 2016

PFA Investment Fund - Midgard Fixed Income Fund returned 0.41% in December, bringing total YTD return to 13.42 %.

The last month of 2016 showed sustained strength in Danish covered bonds as domestic as well as international interest dominated and was helped by lower than expected month end issuance. Especially callable bonds were resilient to any market movement and performed dramatically. Although the Danish Central Bank did not intervene in a large scale, the Danish Krone continued the drift and ended at levels where the Financial Market participants would expect intervention for a depreciation.

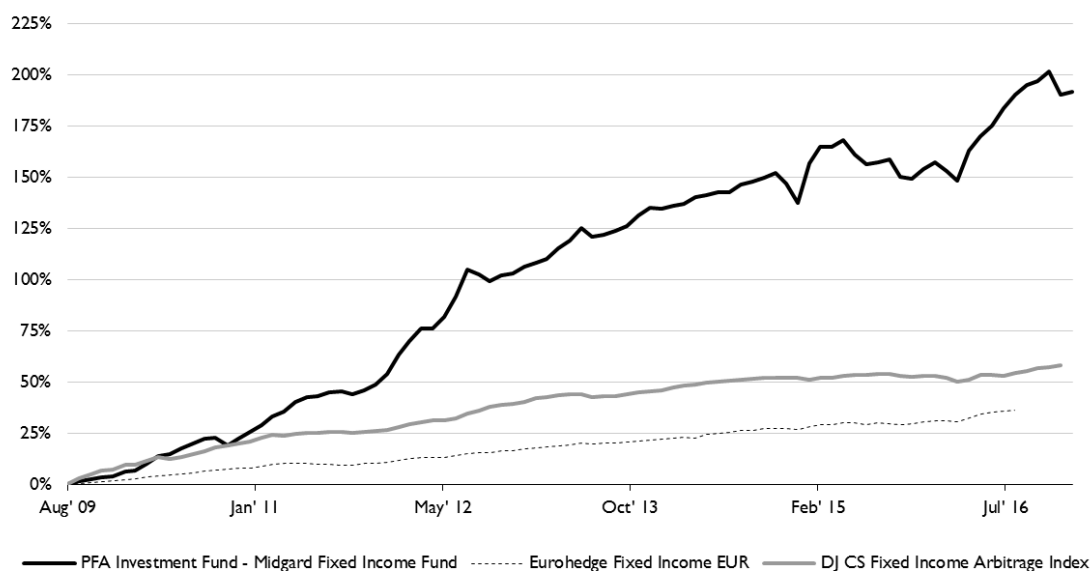
In general terms, sentiment through the last months changed for a more bright growth outlook combined with higher expectations for inflation evident from impressive economic key figures and Central Banks setting a tone for expected continuation of the economic outlook for 2017 – a cocktail leading to continued pressure on the Swedish Interest Swap curves and disperformance for longer dated covered bonds. It seemed as if the Resolution Fund fee kept the pressure on both long end Covered but also showed a tendency for a ‘cash is trash’ attitude – fixings drifted lower (way below the Riksbanks repo rate at -0,50%) and any available cash was placed in short dated covered bond and the bond versus swap curve steepened as a natural consequence.



Jesper Slemming  
Chief Investment Officer, PFA Investment Fund

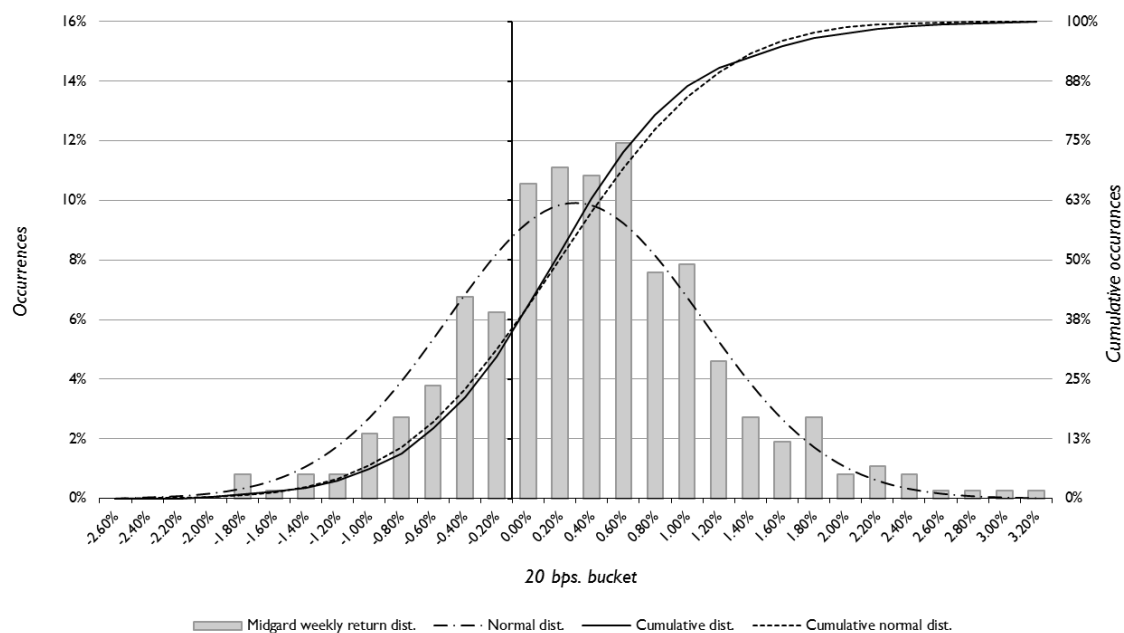
**HISTORICAL PERFORMANCE**

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%



Return	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Annualized	15.71%	4.57%	6.53%
Last 12 months	13.42%	4.58%	3.50%
Last 3 months	-1.80%	1.46%	1.68%
Since inception	191.51%	36.22%	58.13%
Best month	8.18%	1.51%	2.77%
Worst month	-3.82%	-0.58%	-1.14%
Positive months	80.68%	84.34%	81.61%
Negative months	19.32%	15.66%	18.39%
Volatility	7.45%	1.49%	2.39%
Sharpe Ratio	2.07	2.88	2.61

RETURN DISTRIBUTION

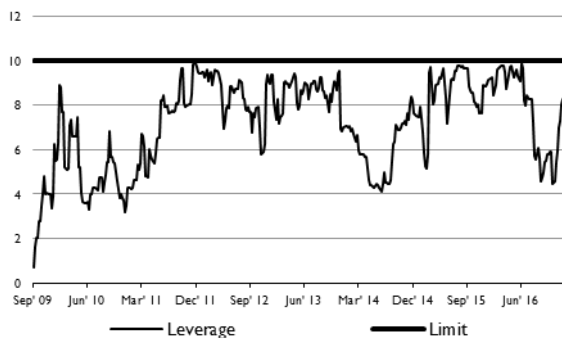


Moments	PFA Investment Fund -	EuroHedge Fixed Income	DJ CS Fixed Income
	Midgard Fixed Income Fund	Arbitrage Index	Arbitrage Index
Return	15.71%	4.57%	6.53%
Standard deviation	7.45%	1.49%	2.39%
Kurtosis	1.45	0.37	0.90
Skewness	0.28	-0.05	0.26

Correlation analysis	PFA Investment Fund -	EuroHedge Fixed Income	DJ CS Fixed Income
	Midgard Fixed Income Fund	Arbitrage Index	Arbitrage Index
Correlation coefficient	-	56.65%	28.32%
Beta	-	281.86%	88.75%
Alpha	-	2.83%	9.42%
R2	-	32.09%	8.02%
Autocorrelation	21.71%	3.52%	37.22%

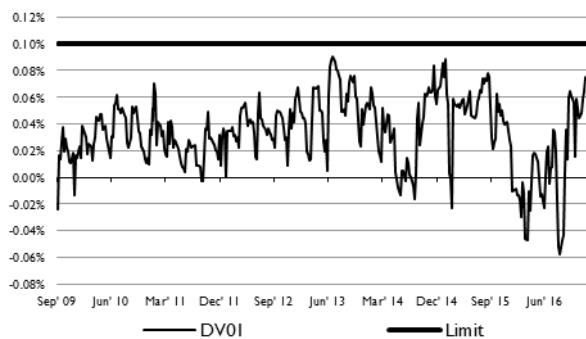
### RISK & LINE LIMITS

#### LEVERAGE

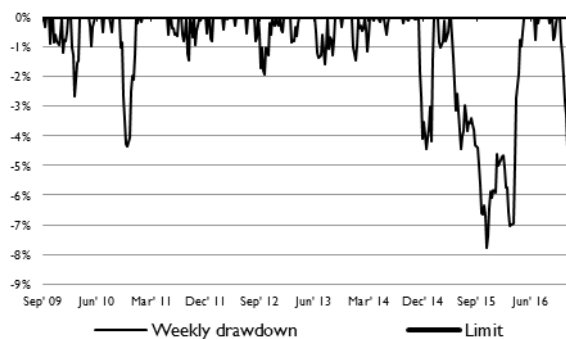


Risk	Midgard	Lime/limit
DV01	0.07%	± 0.10%
Leverage	8.26	Max. 10
VaR	0.44%	Max. 2 %
FX exposure	74.98%	Max. 100 %

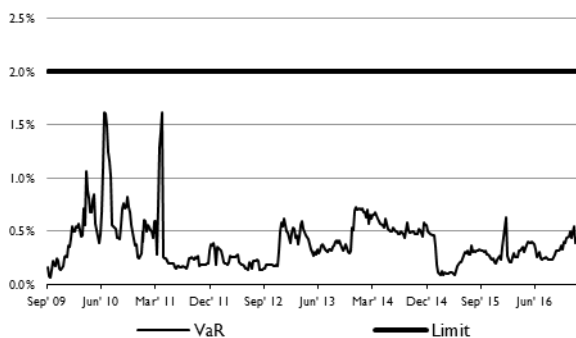
#### DV01



#### WEEKLY DRAWDOWN



#### VaR



#### NON-COVERED FX EXPOSURE



RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return ( $r_p$ )	15.71%	13.42%	
Excess return ( $r_p - r_f$ )	15.47%	13.80%	
<i>36 month</i>			
Portfolio return ( $r_p$ )	7.48%	-	
Excess return ( $r_p - r_f$ )	7.62%	-	
Maximum drawdown since inception	7.78%	7.03%	
Maximum drawdown 36m	7.78%	-	*
Largest individual drawdown			
First	1.86%	1.57%	
Second	1.85%	1.20%	
Third	1.57%	0.87%	
Average	1.76%	1.21%	
Calmar Ratio	0.98	-	*
MAR Ratio	1.99	1.96	
Sterling ratio	8.79	11.07	
Downside risk	0.70%	1.57%	
Upside risk	1.18%	2.35%	
Loss standard deviation	6.38%	6.73%	
Gain standard deviation	5.21%	5.39%	
Mean absolute moment, downside	-25.51%	-31.51%	
Mean absolute moment, upside	37.11%	34.78%	
Omega ratio	1.69	1.50	
Volatility skewness	0.67	0.64	

\* Not applicable for 1-year returns

# PFA

INVESTMENT FUND

Strategy AUM	EUR 519.516 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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