



# NEWSLETTER DECEMBER 2017

**PFA**  
INVESTMENT FUND

Performance & NAV	<b>AA</b>	<b>A</b>	<b>B</b>
Monthly return	<b>-0.07%</b>	<b>-0.07%</b>	<b>-0.13%</b>
Return year-to-date	<b>7.46%</b>	<b>7.46%</b>	<b>6.01%</b>
NAV per share	<b>313.26</b>	<b>154.39</b>	<b>141.32</b>

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

## MARKET UPDATE DECEMBER 2017

PFA Investment Fund - Midgard Fixed Income Fund returned -0.07 % in December, bringing total YTD return to 7.46 %.

At the beginning of the last Month of 2017 it seemed as if most of the financial markets had already begun an early Christmas holiday. All around it seemed as if all were content and looking to close the financial Year. 10 Year German government bonds were trading around 30bp, on a broad scale Equity indices continued their upward drift together with oil prices and the short end of the Yield curve seemed to be firmly anchored.

Mid-December this changed. Investors were focused on whether 2018 could bring about the same returns as the past Year and intensified rhetoric from Central Banks shifted sentiment. But where to go – Equity, High Yield, Credit, Rates....all seemed expensive to some extent. So the overall picture was for higher rates and equity prices as a firm belief in the improved hard data coming in across the Globe became the main scenario.

Oil prices went from 56 USD/barrel to 66 USD/barrel and sent Yield curves steeper and outright rates higher.

As is often the case the Swedish market reacted harsher than European and underperformed by a couple of basis points. Resolution fee for Swedish banks kept the short end of covered bonds fastened (placement of cash) and sent the asset swap curve (covered bonds versus swaps) steeper. Also Swap curves relative to Europe steepened.

The Riksbank continued to be focused on a change of monetary policy in the mid of 2018 with an end to Quantitative Easing at the start of 2018 (although reinvestments were moved forward) and indicating a hike towards late summer 2018.

Also, the falling house prices continued to be a focal point for the Swedish and Norwegian market. It seems as if the general sentiment is for a corrective move as other fundamentals are very sound. I tend to lean towards the same conclusion but it will for sure be interesting to watch the moves in 2018.

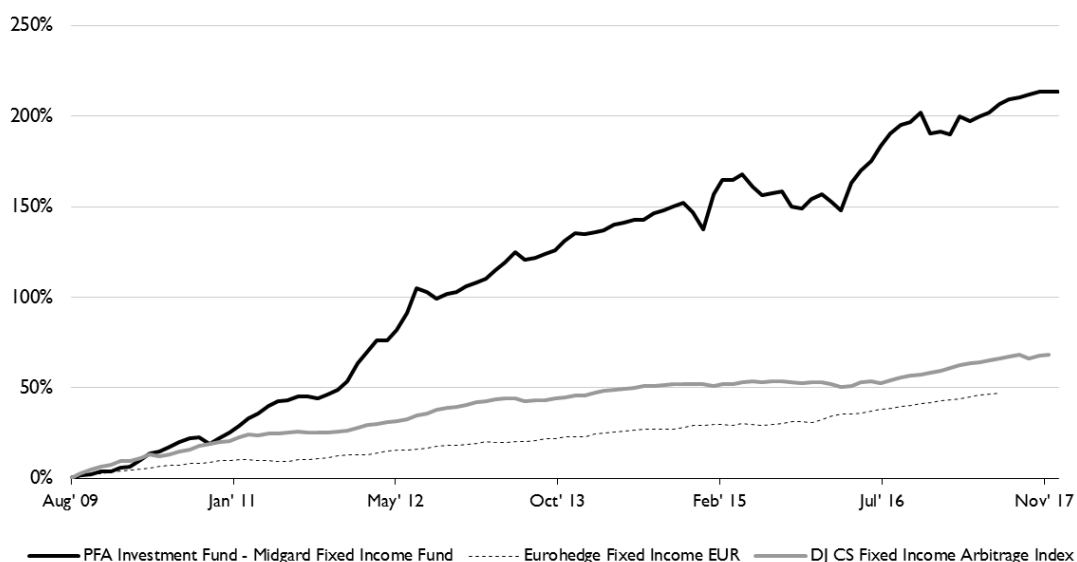
USD scarcity was a topic for the first couple of weeks but eased dramatically and became a non-event.



Jesper Slemming  
Chief Investment Officer, PFA Investment Fund

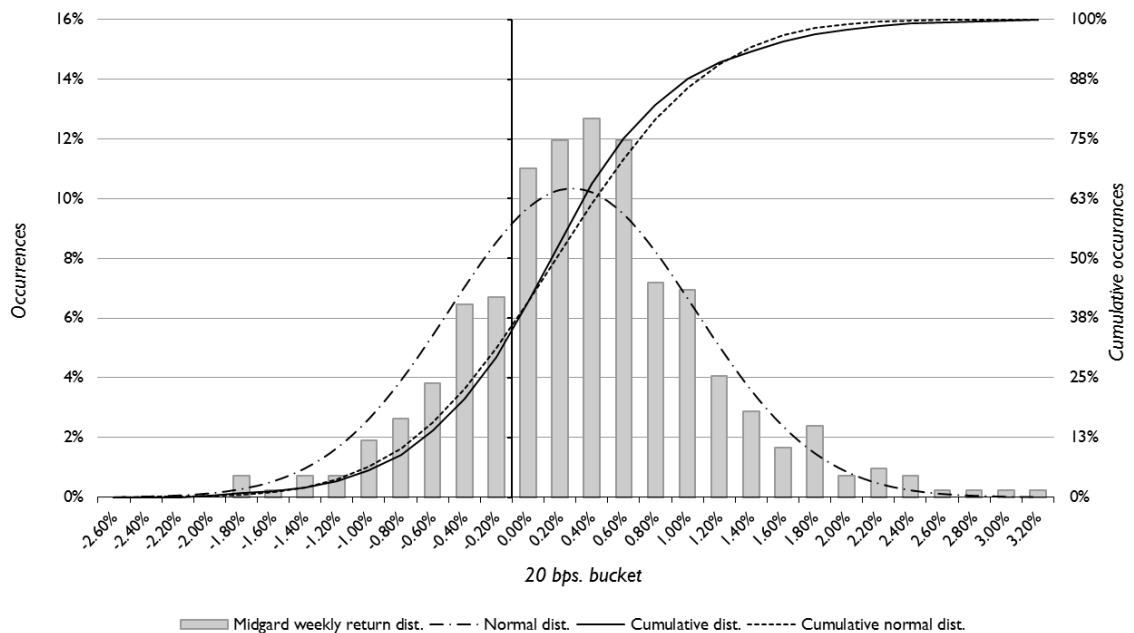
**HISTORICAL PERFORMANCE**

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%



Return	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Annualized	14.69%	4.89%	6.53%
Last 12 months	7.46%	6.44%	6.53%
Last 3 months	0.43%	1.37%	0.11%
Since inception	213.26%	47.07%	68.46%
Best month	8.18%	1.51%	2.77%
Worst month	-3.82%	-0.58%	-1.19%
Positive months	80.00%	86.60%	82.83%
Negative months	20.00%	13.40%	17.17%
Volatility	7.14%	1.41%	2.34%
Sharpe Ratio	2.03	3.31	2.70

RETURN DISTRIBUTION

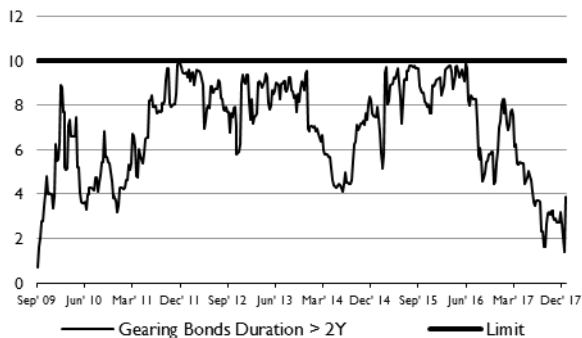


<b>Moments</b>	<b>PFA Investment Fund - Midgard Fixed Income Fund</b>	<b>EuroHedge Fixed Income Arbitrage Index</b>	<b>DJ CS Fixed Income Arbitrage Index</b>
Return	14.69%	4.89%	6.53%
Standard deviation	7.14%	1.41%	2.34%
Kurtosis	1.70	0.63	1.17
Skewness	0.38	-0.17	0.08

<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	-	49.54%	26.42%
Beta	-	253.11%	80.97%
Alpha	-	2.05%	9.03%
R2	-	24.54%	6.98%
Autocorrelation	20.07%	4.07%	32.80%

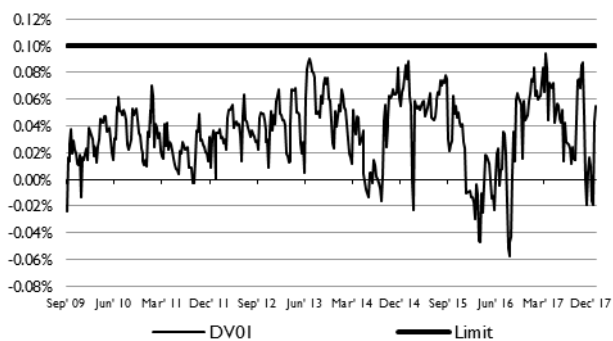
### RISK & LINE LIMITS

#### GEARING BONDS DURATION > 2Y

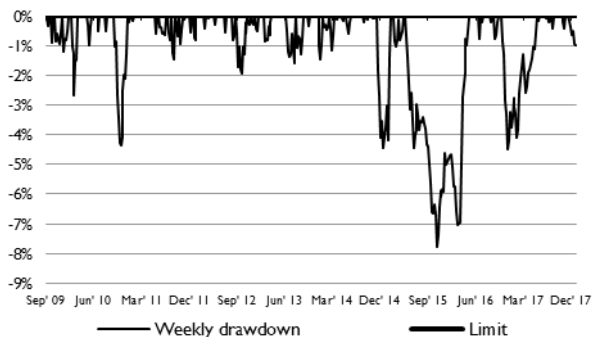


Risk	Midgard	Lime/limit
DV01	0.05%	± 0.10%
Leverage	3.86	Max. 10
VaR	0.49%	Max. 2 %
FX exposure	64.71%	Max. 100 %

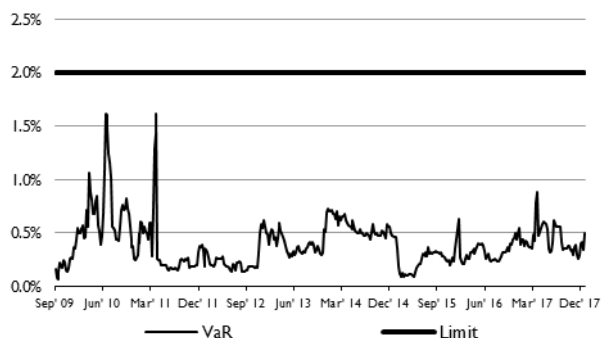
#### DV01



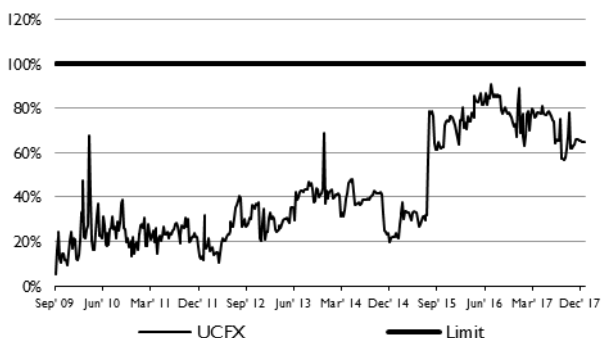
#### WEEKLY DRAWDOWN



#### VaR



#### NON-COVERED FX EXPOSURE



RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return ( $r_p$ )	14.69%	7.46%	
Excess return ( $r_p - r_f$ )	14.53%	7.84%	
<i>36 month</i>			
Portfolio return ( $r_p$ )	9.69%	-	
Excess return ( $r_p - r_f$ )	9.98%	-	
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	1.28	-	*
MAR Ratio	1.87	1.92	
Sterling ratio	8.26	10.36	
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 507.63 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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