

NEWSLETTER December 2018



PFA
INVESTMENT FUND

Performance & NAV	AA	A	B
Monthly return	-0.93%	-0.97%	-0.97%
Return year-to-date	-2.18%	-2.55%	-2.92%
NAV per share	309.30	151.93	138.53

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

MARKET UPDATE December 2018

PFA Investment Fund - Midgard Fixed Income Fund returned -0.93 % in December, bringing total YTD return to -2.18 %.

A continuation of the down-beat financial market sentiment continued and accelerated in December 2018 primarily driven by a deterioration in economic key figures with lower global confidence indicators as well as a less favorable employment report out of the US.

Credit spreads continued wider, taking equities lower together with government bond yields. The spiral continued throughout the month and rebalancing of portfolios, after some very decent Years in risky assets, seemed to be reason enough to let the spiral continue.

The financial markets found some comfort in what looks like a FED put at the money – comments from central banks turned towards soothing for financial market stability. Never the less, from having priced a few rate hikes from the US central bank, at one point in time late December, the financial market participants had priced in cuts towards end of 2019.

Perhaps not the end of an already difficult Year one would have hoped for, but on the other hand it seems that volatility in different asset classes are starting to realize it self. This bodes well for trading opportunities in 2019 after several Years, where the abundance of liquidity had driven prospective returns harshly down.

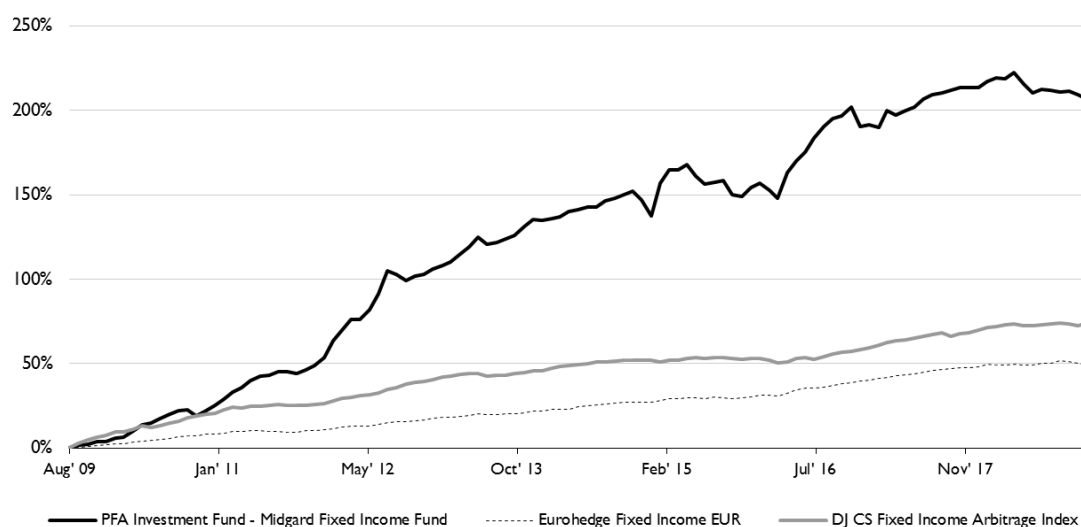
Throughout 2018 the Midgard strategy was confronted with lack of carry, which, combined with a flat development in spreads between covered bonds and interest rate swaps as well as widening of Scandinavian yields relative to European, sent the return into negative territory. Adding to this was the long awaited hike from the Swedish central bank at the end of December.

Jesper Slemming
Chief Investment Officer, PFA Investment Fund



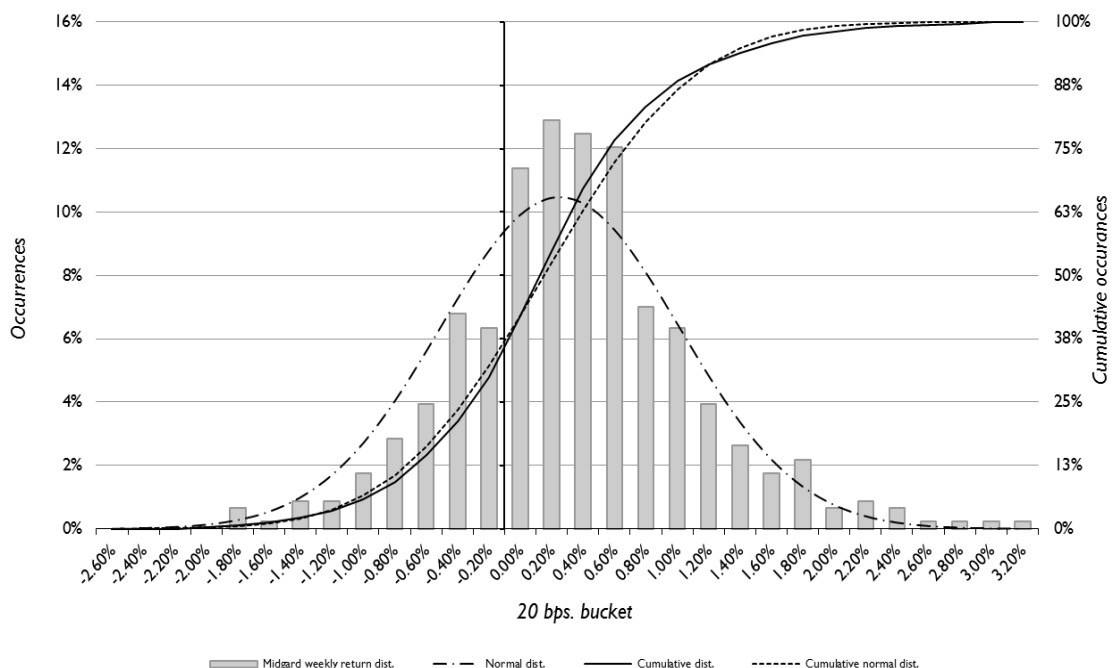
HISTORICAL PERFORMANCE

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%



Return	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Annualized	12.75%	4.68%	6.29%
Last 12 months	-2.18%	3.04%	4.71%
Last 3 months	-1.43%	1.57%	0.93%
Since inception	206.43%	51.55%	74.11%
Best month	8.18%	1.51%	2.77%
Worst month	-3.82%	-0.58%	-1.19%
Positive months	75.89%	84.40%	83.49%
Negative months	24.11%	15.60%	16.51%
Volatility	7.00%	1.41%	2.29%
Sharpe Ratio	1.80	3.21	2.69

RETURN DISTRIBUTION

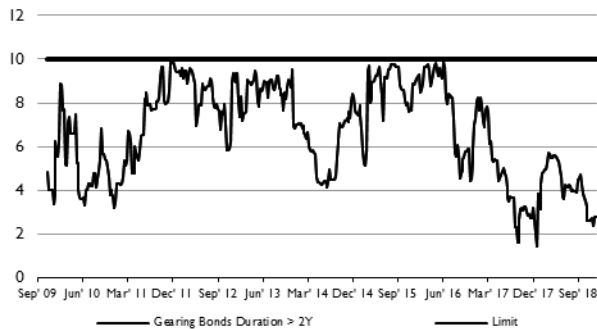


Moments	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Return	12.75%	4.68%	6.29%
Standard deviation	7.00%	1.41%	2.29%
Kurtosis	1.77	0.41	1.30
Skewness	0.48	-0.13	0.08

Correlation analysis	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Correlation coefficient	-	50.90%	28.96%
Beta	-	253.48%	89.19%
Alpha	-	0.94%	7.31%
R2	-	25.91%	8.39%
Autocorrelation	22.85%	3.06%	33.08%

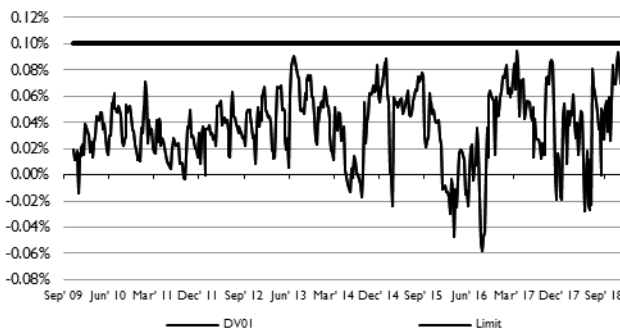
RISK & LINE LIMITS

GEARING BONDS DURATION > 2Y

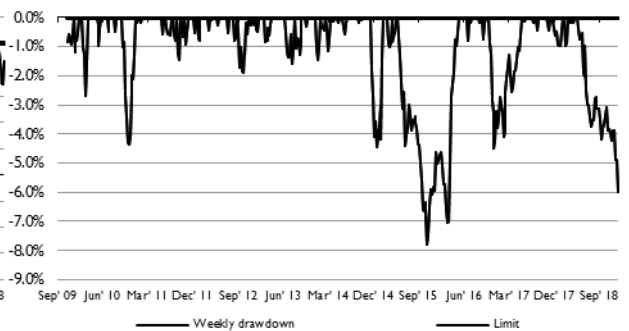


Risk	Midgard	Lime/limit
DV01	0.05%	± 0.10%
Leverage	2.77	Max. 10
VaR	0.67%	Max. 2 %
FX exposure	40.46%	Max. 100 %

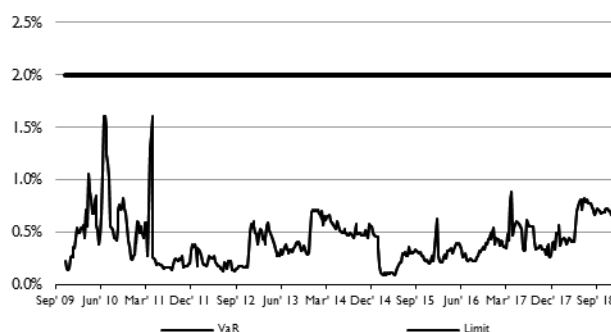
DV01



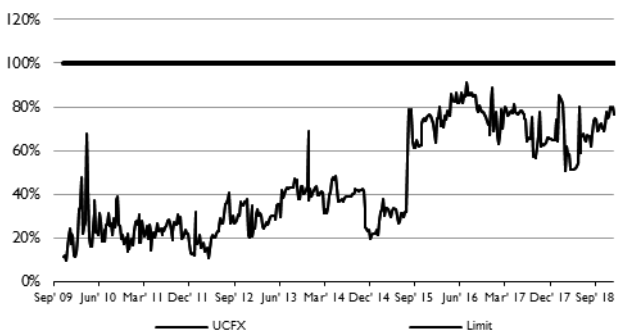
WEEKLY DRAWDOWN



VaR



NON-COVERED FX EXPOSURE



RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return (r_p)	12.75%	-2.18%	
Excess return ($r_p - r_f$)	12.73%	-2.15%	
<i>36 month</i>			
Portfolio return (r_p)	6.04%	-	
Excess return ($r_p - r_f$)	6.05%	-	
Maximum drawdown since inception	7.78%	4.08%	
Maximum drawdown 36m	7.03%	-	*
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	0.86	-	*
MAR Ratio	1.64	-0.53	
Sterling ratio	7.24	-3.03	
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 496.6 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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