



**NEWSLETTER FEBRUARY 2015**

**MIDGARD**

FIXED INCOME FUND LIMITED

Performance & NAV	AA	A	B
Monthly return	<b>3.01%</b>	<b>3.01%</b>	<b>2.61%</b>
Return year-to-date	<b>11.44%</b>	<b>11.44%</b>	<b>10.65%</b>
NAV per share	<b>264.53</b>	<b>130.37</b>	<b>124.37</b>

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

## MARKET UPDATE FEBRUARY 2015

Midgard Fixed Income Fund Ltd. Returned 3.01 per cent in February bringing the year to date return to 11.44 per cent.

The Danish fixed income and currency market continued throughout February to be the focal point for Midgard. As Danish rates reached all-time lows and currency reserves all-time highs, the risk for an unconventional policy response increased to an extent that left EUR versus DKK positions vulnerable to counter rapid moves. The net exposure was consequently reduced substantially by mid-February. A rather rapid market correction came in the afternoon on February 20<sup>th</sup> as officials were quoted by media to consider imposing capital restrictions as a new unconventional policy tool to defend the Danish Kroner peg to the Euro. The market continued to correct on Monday 23<sup>rd</sup> as the quarterly Danish refinancing auctions kicked off with more than 150bn DKK of new issuance and no liquid derivatives market. It was during Monday confirmed, that neither the Danish Central Bank nor the Government officials were behind the statement, but rather an independent economic advisor. With a Danish Kroner spot rate reaching out for the opposite limit of the currency peg corridor, discussions on the timing of reverse policy responses from the Danish Central rose and left consequently the money market rate curve remarkably steep. The current curvature constitutes a very interesting business case going forward.

In Sweden, the Riksbank introduced quantitative easing, which gave strong support to government bonds, in particular the five year segment. Macro-economic figures prints rather mixed, why the major concern from the Riksbank point of view should be to avoid importing deflation and exporting growth to the Eurozone through a strong Swedish Kronor as the ECB quantitative easing programme impacts asset pricing and currencies. Midgard anticipate no more rate cuts from the Riksbank, but however extension of its purchases going forward.

All in all a very supportive market environment for the Midgard investment strategy.



Christian Lindstrøm Lagreid  
Chief Investment Officer, Midgard

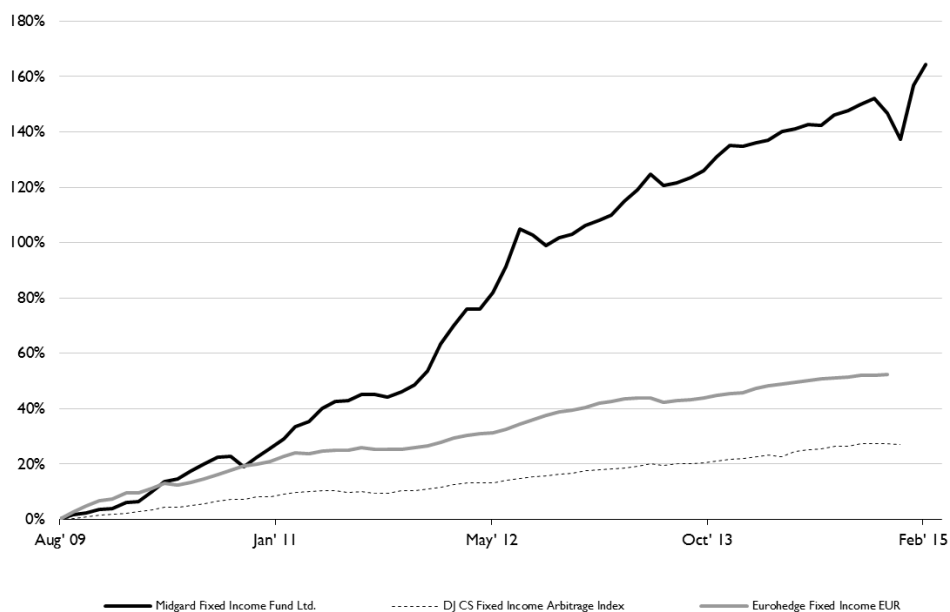
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## HISTORICAL PERFORMANCE

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%											11.44%



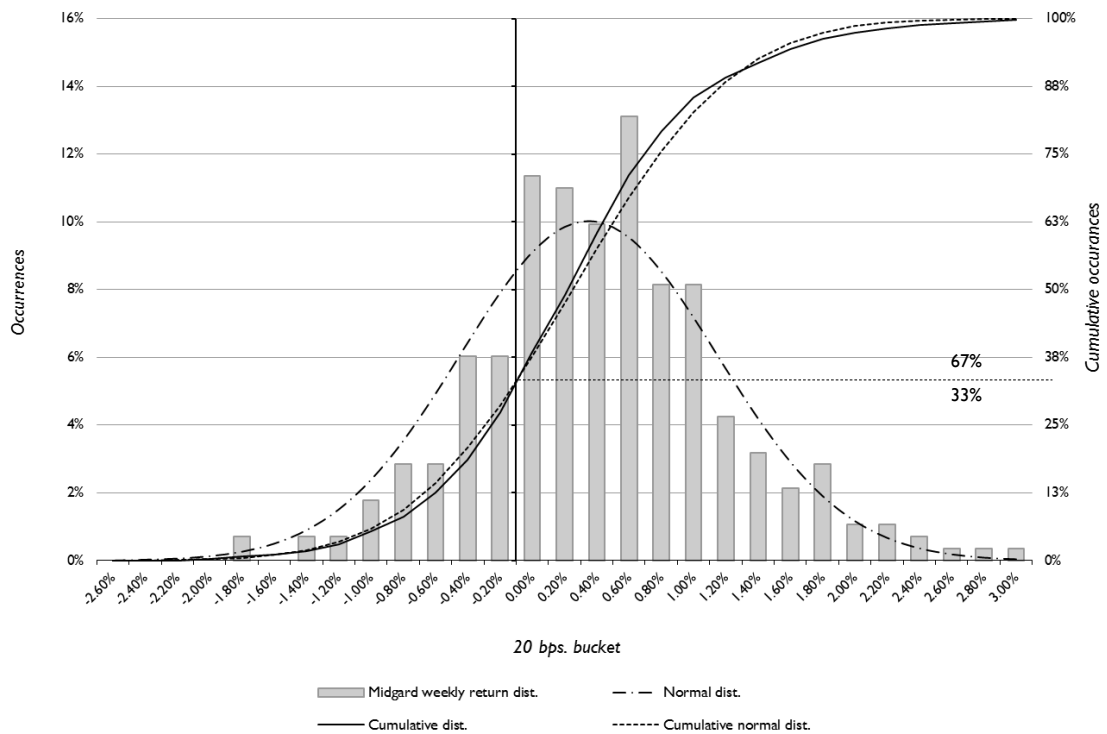
Return	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJIA Fixed Income Arbitrage Index
Annualized	19.37%	4.58%	8.33%
Last 12 months	11.64%	4.01%	4.63%
Last 3 months	7.18%	-0.30%	0.53%
Since inception	164.53%	26.98%	52.23%
Best month	8.18%	1.51%	2.77%
Worst month	-3.82%	-0.50%	-1.14%
Positive months	84.85%	87.50%	90.48%
Negative months	15.15%	12.50%	9.52%
Volatility	7.10%	1.30%	2.32%
Sharpe Ratio	2.66	3.17	3.40

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## RETURN DISTRIBUTION



Moments	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJIA Fixed Income Arbitrage Index
Return	19.37%	4.58%	8.33%
Standard deviation	7.10%	1.30%	2.32%
Kurtosis	2.05	0.69	1.27
Skewness	0.51	-0.07	0.36

Correlation analysis	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJIA Fixed Income Arbitrage Index
Correlation coefficient	-	45.89%	18.81%
Beta	-	254.03%	51.83%
Alpha	-	9.40%	16.31%
R2	-	21.06%	3.54%
Autocorrelation	19.69%	-6.03%	33.62%

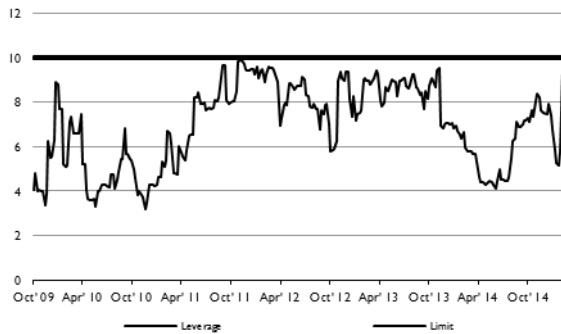
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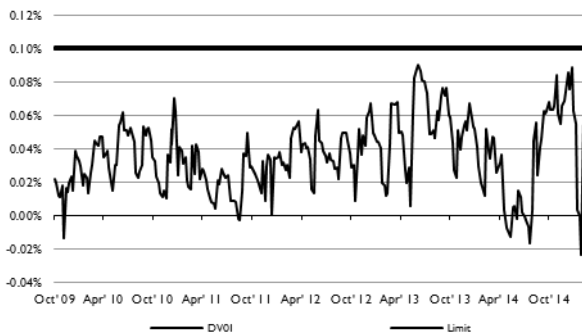
## RISK & LINE LIMITS

### LEVERAGE

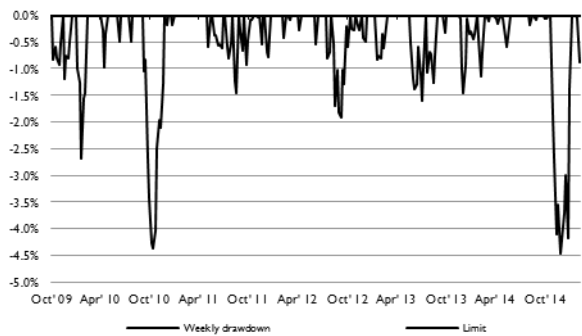


Risk	Midgard	Limit/limit
DV01	0.06%	± 0.10%
Leverage	9.48	Max. 10
VaR	0.09%	Max. 2 %
FX exposure	30.39%	Max. 100 %

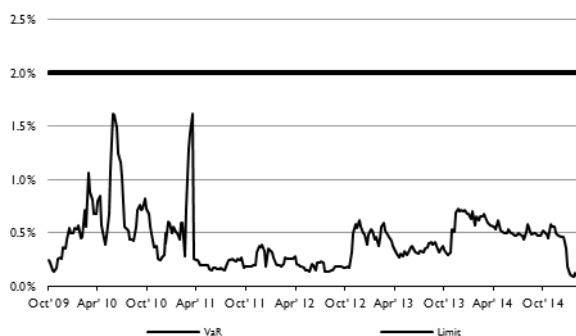
### DV01



### WEEKLY DRAWDOWN



### VaR



### NON-COVERED FX EXPOSURE



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## RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return ( $r_p$ )	19.37%	11.64%	
Excess return ( $r_p - r_f$ )	18.95%	11.59%	
<i>36 month</i>			
Portfolio return ( $r_p$ )	15.91%	-	
Excess return ( $r_p - r_f$ )	15.78%	-	
Maximum drawdown since inception	4.46%	4.46%	
Maximum drawdown 36m	4.46%	-	*
Largest individual drawdown			
First	1.86%	4.46%	
Second	1.85%	4.11%	
Third	1.46%	3.71%	
Average	1.72%	4.09%	
Calmar Ratio	3.54	-	*
MAR Ratio	4.24	2.60	
Sterling ratio	10.99	2.85	
Downside risk	0.81%	1.86%	
Upside risk	1.21%	1.02%	
Loss standard deviation	6.42%	5.19%	
Gain standard deviation	4.76%	3.10%	
Mean absolute moment, downside	-23.89%	-23.36%	
Mean absolute moment, upside	36.64%	19.50%	
Omega ratio	1.49	0.55	
Volatility skewness	0.55	0.36	

\* Not applicable for 1-year returns

# MIDGARD

## FIXED INCOME FUND LIMITED

Strategy AUM	EUR 549.55 million
Listing	Irish Stock Exchange
ISIN	KYG6125M1015
Bloomberg ID	MIDGFXI KY 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>
Administrator	GlobeOp Financial Services +1 345 945 5664
Prime Broker	Skandinaviska Enskilda Banken AB +45 33 36 85 07
Investor Relations	PFA Asset Management +45 39 17 50 00