

# NEWSLETTER FEBRUARY 2017



**PFA**  
INVESTMENT FUND

| Performance & NAV   | <b>AA</b>     | <b>A</b>      | <b>B</b>      |
|---------------------|---------------|---------------|---------------|
| Monthly return      | <b>3.53%</b>  | <b>3.53%</b>  | <b>3.40%</b>  |
| Return year-to-date | <b>2.89%</b>  | <b>2.89%</b>  | <b>2.67%</b>  |
| NAV per share       | <b>299.93</b> | <b>147.82</b> | <b>136.87</b> |

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

## MARKET UPDATE FEBRUARY 2017

PFA Investment Fund - Midgard Fixed Income Fund returned 3.53 % in February, bringing total YTD return to 2.89 %.

February was dominated by significant risk-off sentiment in especially European fixed income markets, as the risk of a Le Pen victory in France was being priced as increasingly likely. This, coupled with an increasing need for DBRs as collateral, resulted in German government papers along the entire curve receiving a sizeable bid, sending yields to all-time lows and spreads against swaps to the widest levels since the sovereign debt crisis in 2011-2012.

The pronounced risk-off sentiment translated into a revival of the safe-haven flow story that has been seen in especially Danish fixed income. The Danish National Bank is expected to have intervened in foreign exchange markets in February in an effort to defend the Krone's peg against the Euro. As a result, Danish rates along the entire curve fell quite substantially in February compared to Euro rates, and especially for the nearest tenors. The Swiss National Bank is expected to have also intervened in February, as the bid for CHF is expected to have undergone the same dynamics as was the case for DKK.

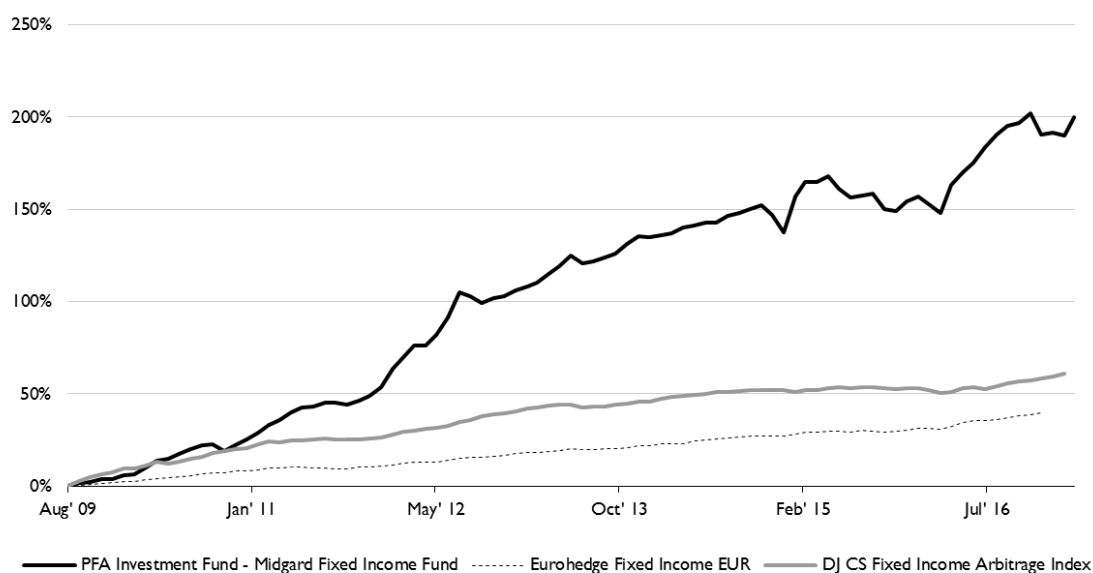
Demand for Swedish fixed income assets was comparably bid in February, as especially the pricing of the expected pace of monetary tightening was moderated. However, in Sweden the banking sector is undergoing significant changes in the regulatory environment, where topics such as a bank tax and increased resolution fund fees were being discussed/proposed in February. This could possibly muddy the waters in terms of demand for Swedish assets, which is something that we monitor closely.



Jesper Slemming  
Chief Investment Officer, PFA Investment Fund

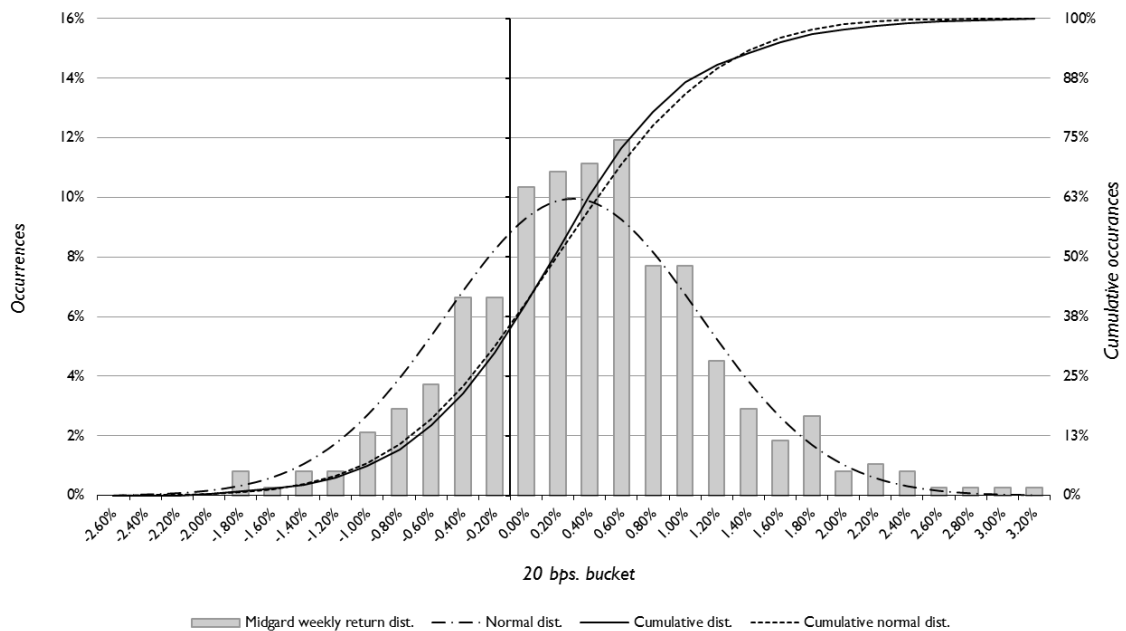
**HISTORICAL PERFORMANCE**

| 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%  |       |        |        |        |       |        |        |        |        |        | 2.89%  |



| Return          | PFA Investment Fund - Midgard Fixed Income Fund | EuroHedge Fixed Income Arbitrage Index | DJ CS Fixed Income Arbitrage Index |
|-----------------|---|--|------------------------------------|
| Annualized      | 15.78%  | 4.70%                                  | 6.64%                              |
| Last 12 months  | 20.92%  | 6.98%                                  | 6.09%                              |
| Last 3 months   | 3.30%   | 1.65%                                  | 2.40%                              |
| Since inception | 199.93%   | 39.51%                                 | 61.12%                             |
| Best month      | 8.18%   | 1.51%                                  | 2.77%                              |
| Worst month     | -3.82%  | -0.58%                                 | -1.14%                             |
| Positive months | 80.00%  | 85.06%                                 | 82.02%                             |
| Negative months | 20.00%  | 14.94%                                 | 17.98%                             |
| Volatility      | 7.45%   | 1.47%                                  | 2.37%                              |
| Sharpe Ratio    | 2.08  | 3.02                                   | 2.69                               |

RETURN DISTRIBUTION

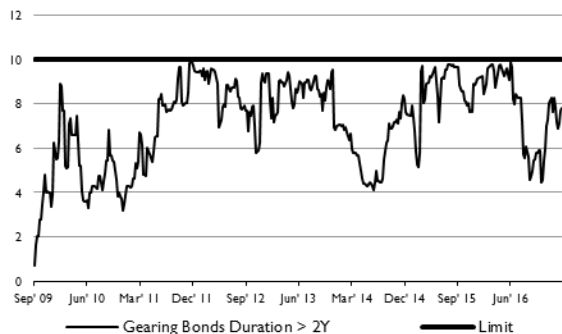


| Moments            | PFA Investment Fund -<br>Midgard Fixed Income Fund | EuroHedge Fixed Income<br>Arbitrage Index | DJ CS Fixed Income<br>Arbitrage Index |
|--------------------|--|---|---------------------------------------|
| Return             | 15.78%   | 4.70%                                     | 6.64%                                 |
| Standard deviation | 7.45%  | 1.47%                                     | 2.37%                                 |
| Kurtosis           | 1.37   | 0.44                                      | 0.91                                  |
| Skewness           | 0.27   | -0.11                                     | 0.22                                  |

| Correlation analysis    | PFA Investment Fund -<br>Midgard Fixed Income Fund | EuroHedge Fixed Income<br>Arbitrage Index | DJ CS Fixed Income<br>Arbitrage Index |
|-------------------------|--|---|---------------------------------------|
| Correlation coefficient | -  | 53.86%                                    | 27.21%                                |
| Beta                    | -  | 274.97%                                   | 85.36%                                |
| Alpha                   | -  | 2.11%                                     | 9.17%                                 |
| R2                      | -  | 29.00%                                    | 7.40%                                 |
| Autocorrelation         | 20.70%   | 4.48%                                     | 37.38%                                |

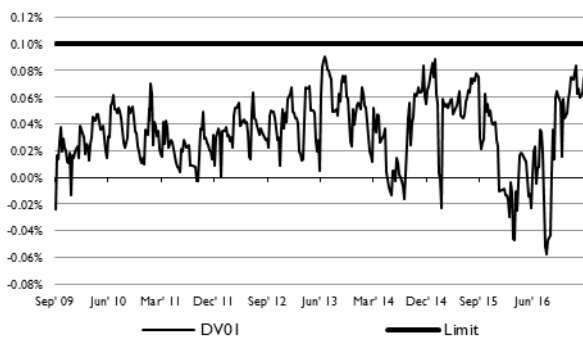
### RISK & LINE LIMITS

#### GEARING BONDS DURATION > 2Y

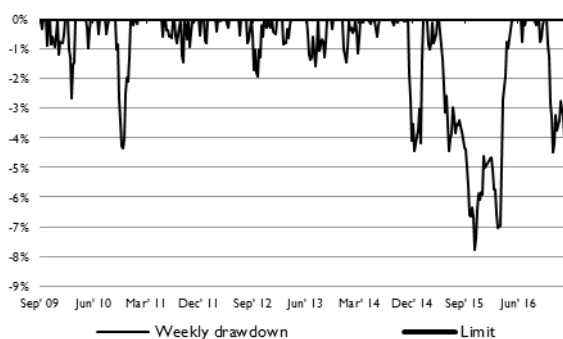


| Risk        | Midgard | Lime/limit |
|-------------|---------|------------|
| DV01        | 0.08%   | ± 0.10%    |
| Leverage    | 7.77    | Max. 10    |
| VaR         | 0.33%   | Max. 2 %   |
| FX exposure | 82.15%  | Max. 100 % |

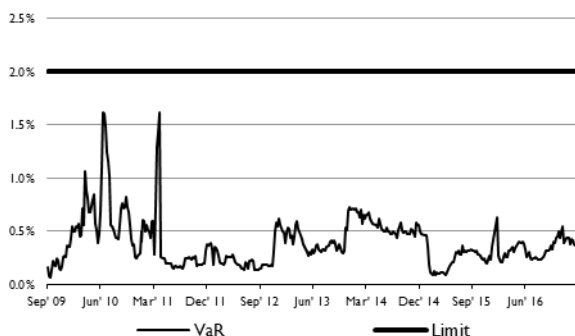
#### DV01



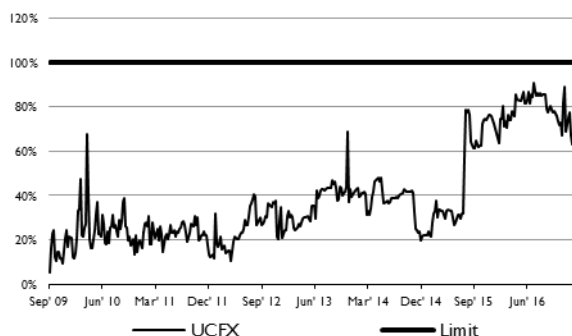
#### WEEKLY DRAWDOWN



#### VaR



#### NON-COVERED FX EXPOSURE



RISK FIGURES

| Risk Figure                      | Weekly data     |         | Note |
|----------------------------------|-----------------|---------|------|
|                                  | Since inception | 1Y      |      |
| <i>Period</i>                    |                 |         |      |
| Portfolio return ( $r_p$ )       | 15.78%          | 20.92%  |      |
| Excess return ( $r_p - r_f$ )    | 15.56%          | 21.34%  |      |
| <i>36 month</i>                  |                 |         |      |
| Portfolio return ( $r_p$ )       | 8.17%           | -       |      |
| Excess return ( $r_p - r_f$ )    | 8.34%           | -       |      |
| 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                     | 1.07            | -       | *    |
| MAR Ratio                        | 2.00            | 3.04    |      |
| Sterling ratio                   | 8.85            | 17.26   |      |
| Downside risk                    | 0.69%           | 1.57%   |      |
| Upside risk                      | 1.17%           | 2.35%   |      |
| Loss standard deviation          | 6.36%           | 7.13%   |      |
| Gain standard deviation          | 5.19%           | 5.17%   |      |
| Mean absolute moment, downside   | -25.47%         | -32.55% |      |
| Mean absolute moment, upside     | 37.01%          | 36.04%  |      |
| Omega ratio                      | 1.69            | 1.50    |      |
| Volatility skewness              | 0.67            | 0.53    |      |

\* Not applicable for 1-year returns

# PFA

INVESTMENT FUND

|                    |  |
|--------------------|--|
| Strategy AUM       | EUR 534.394 million  |
| Listing            | Irish Stock Exchange   |
| ISIN               | LU1439934933   |
| Bloomberg ID       | MIDGFXI LX Equity  |
| Investment Manager | PFA Asset Management<br>Sundkrogsgade 4<br>2100 Copenhagen<br>Denmark<br>+45 39 17 50 00<br><a href="http://www.pfaassetmanagement.dk">www.pfaassetmanagement.dk</a> |
| Administrator      | GlobeOp Financial Services<br>+1 345 945 5664  |
| Prime Broker       | Skandinaviska Enskilda Banken AB<br>+45 33 36 85 07  |
| Investor Relations | PFA Asset Management<br>+45 39 17 50 00  |