

NEWSLETTER JANUARY 2016



MIDGARD
FIXED INCOME FUND LIMITED

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| Performance & NAV | AA | A | B |
|---------------------|--------|--------|--------|
| Monthly return | -1.67% | -1.67% | -1.75% |
| Return year-to-date | -1.67% | -1.67% | -1.75% |
| NAV per share | 252.72 | 124.55 | 117.74 |

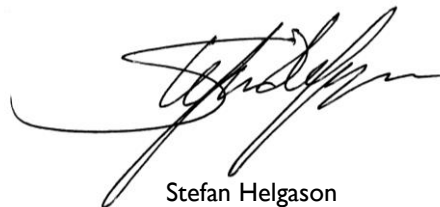
All statistics, unless otherwise stated, are for the AA share class.

MARKET UPDATE JANUARY 2016

The Midgard Fixed Income Fund Ltd. Returned -1.67 % in January.

The rather volatile financial markets conditions reigning in markets since January 4, sparked in part by increasing worries for Chinese growth, Oil prices hitting new lows with fears of future low inflation prints, SEK covered bond spreads widened further in January, making their imprints on returns. During the current spread widening cycle in Bostäder, which has lasted for the last couple of months, allocation towards this segment has been gradually increased. At current spreads, relative value between the two markets still favour SEK covereds, and we see the widenings as further opportunities to buy.

In Denmark, the country's national bank raised the CD rate by 10 bps to -65 bps as the bank is beginning on the path to normalization. The hike comes approx. a year after the aggressive run on the Krone on the back of the SNB unpegging the Franc. The bank has seen its currency reserves decrease to pre-intervention levels, and forward yields on interest rate swap contracts on day-to-day fixings have gradually been increasing as well, pricing in a full normalization somewhat rapidly. Concurrently, Danish covered bond spreads have widened slightly as the market is gearing up for the coming April-term bonds auctions.



Stefan Helgason
Senior Portfolio Manager, Midgard

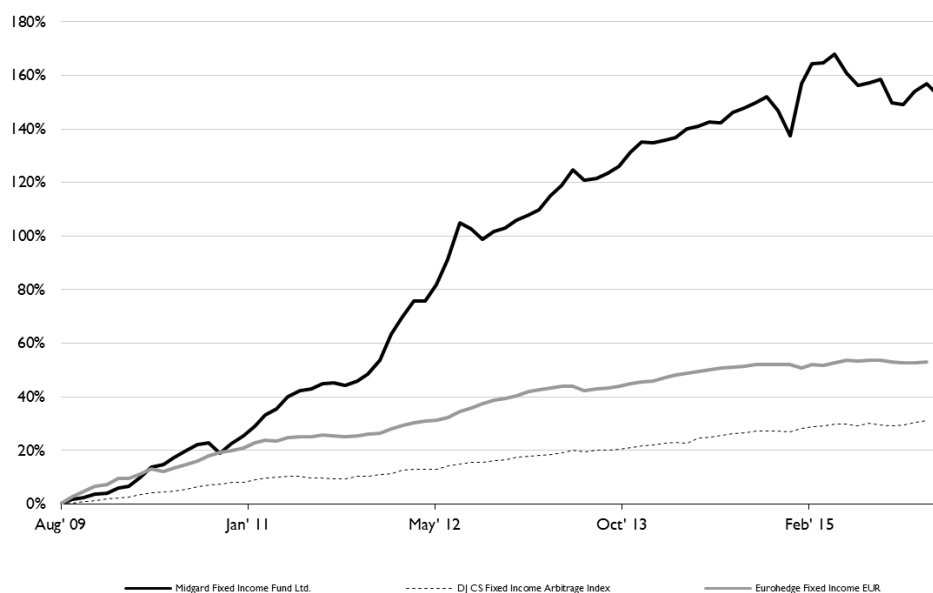
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HISTORICAL PERFORMANCE

| 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% | 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% | | | | | | | | | | | | -1.67% |



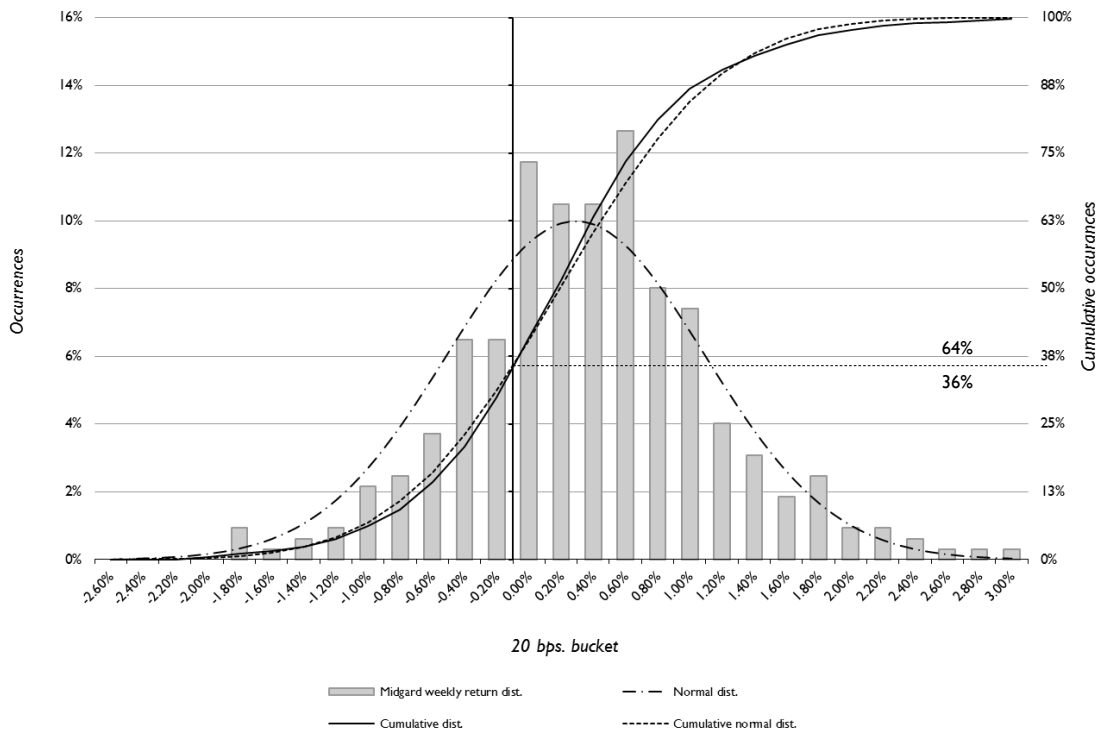
| Return | Midgard Fixed Income Fund Ltd. | EuroHedge Fixed Income Arbitrage Index | DJIA Fixed Income Arbitrage Index |
|-----------------|--------------------------------|--|-----------------------------------|
| Annualized | 15.54% | 4.37% | 6.95% |
| Last 12 months | -1.59% | 3.23% | 0.59% |
| Last 3 months | 1.40% | 1.57% | 0.03% |
| Since inception | 152.72% | 31.08% | 53.02% |
| Best month | 8.18% | 1.51% | 2.77% |
| Worst month | -3.82% | -0.58% | -1.14% |
| Positive months | 80.52% | 84.21% | 82.89% |
| Negative months | 19.48% | 15.79% | 17.11% |
| Volatility | 7.30% | 1.40% | 2.34% |
| Sharpe Ratio | 2.08 | 2.87 | 2.81 |

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RETURN DISTRIBUTION



| Moments | Midgard Fixed Income | EuroHedge Fixed | DJIA Fixed Income |
|--------------------|----------------------|------------------------|-------------------|
| | Fund Ltd. | Income Arbitrage Index | Arbitrage Index |
| Return | 15.54% | 4.37% | 6.95% |
| Standard deviation | 7.30% | 1.40% | 2.34% |
| Kurtosis | 1.72 | 0.38 | 1.06 |
| Skewness | 0.41 | -0.30 | 0.44 |

| Correlation analysis | Midgard Fixed Income | EuroHedge Fixed | DJIA Fixed Income |
|-------------------------|----------------------|------------------------|-------------------|
| | Fund Ltd. | Income Arbitrage Index | Arbitrage Index |
| Correlation coefficient | - | 45.89% | 18.81% |
| Beta | - | 254.03% | 51.83% |
| Alpha | - | 9.40% | 16.31% |
| R2 | - | 21.06% | 3.54% |
| Autocorrelation | 23.97% | -3.46% | 38.31% |

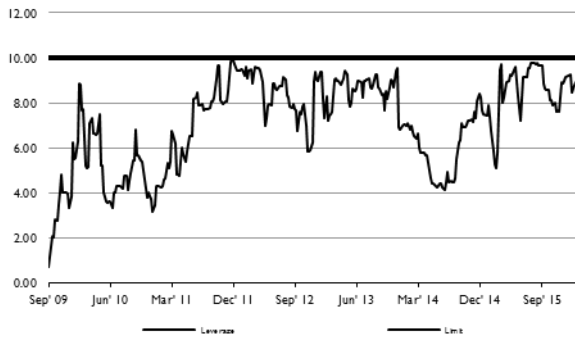
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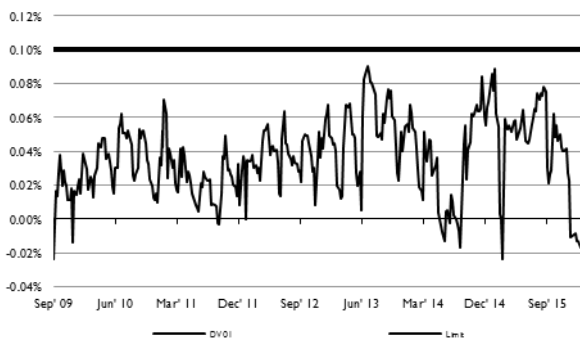
RISK & LINE LIMITS

LEVERAGE

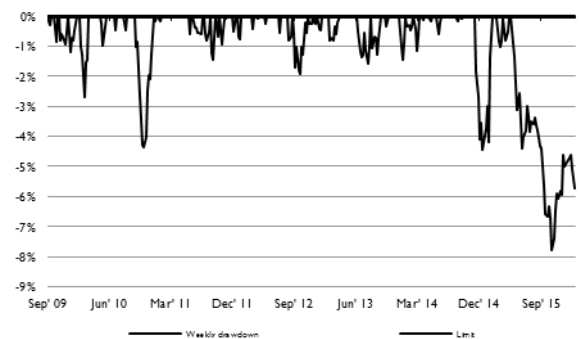


| Risk | Midgard | Line/limit |
|-------------|---------|------------|
| DV01 | -0.02% | ± 0.10% |
| Leverage | 8.92 | Max. 10 |
| VaR | 0.21% | Max. 2 % |
| FX exposure | 80.27% | Max. 100 % |

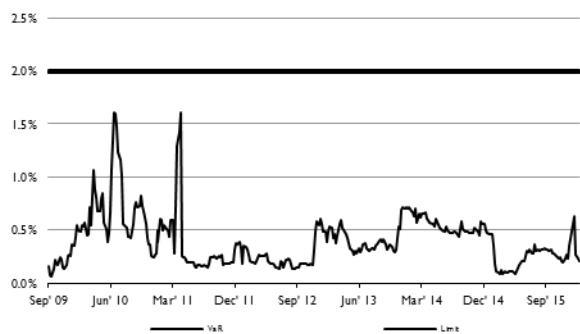
DV01



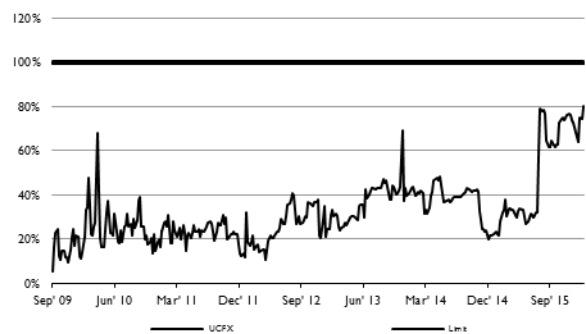
WEEKLY DRAWDOWN



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) | 15.54% | -1.59% | |
| Excess return ($r_p - r_f$) | 15.22% | -1.46% | |
| <i>36 month</i> | | | |
| Portfolio return (r_p) | 6.72% | - | |
| Excess return ($r_p - r_f$) | 6.71% | - | |
| Maximum drawdown since inception | 7.78% | 7.78% | |
| Maximum drawdown 36m | 7.78% | - | * |
| Largest individual drawdown | | | |
| First | 1.86% | 1.22% | |
| Second | 1.85% | 1.15% | |
| Third | 1.46% | 1.01% | |
| Average | 1.72% | 1.12% | |
| Calmar Ratio | 0.86 | - | * |
| MAR Ratio | 1.96 | -0.19 | |
| Sterling ratio | 8.83 | -1.42 | |
| Downside risk | 0.75% | 1.22% | |
| Upside risk | 1.26% | 3.15% | |
| Loss standard deviation | 6.25% | 5.27% | |
| Gain standard deviation | 5.20% | 7.72% | |
| Mean absolute moment, downside | -24.49% | -27.39% | |
| Mean absolute moment, upside | 37.36% | 42.00% | |
| Omega ratio | 1.69 | 2.59 | |
| Volatility skewness | 0.69 | 2.15 | |

* Not applicable for 1-year returns

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| | |
|--------------------|--|
| Strategy AUM | EUR 422.295 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 www.pfaassetmanagement.dk |
| 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 |