

NEWSLETTER JANUARY 2014



MIDGARD

FIXED INCOME FUND LIMITED

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Performance & NAV	AA	A	B
Monthly return	0.51%	0.51%	0.39%
Return year-to-date	0.51%	0.51%	0.39%
NAV per share	235.97	116.30	113.32

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

MARKET UPDATE JANUARY 2014

Midgard Fixed Income Fund returned 0.51 per cent in January.

As expected ECB did not deliver a rate cut in January but the tone was to the dovish side. Nevertheless short term euro rates rose in beginning of January due to the continued declining liquidity surplus in the Eurozone and banks positioning themselves for the new reserve period. The upward pressure benefited many of the portfolio hedges and several of the relative value strategies. The trend however reversed again after decent take up in ECB's MRO operations and rates ultimately fell back to levels from primo January. Peripheral countries started the year on a very strong note and were not materially impacted by the selloff in Emerging Markets that otherwise was the dominating theme for January.

The Scandinavian fixed income markets had a very dull start of 2014. The DKK market saw little supply nor turnover and the ASW curve ended practically unchanged for the month. The next large auction of DKK non-callable covered bonds starts mid-February. With a total supply of approximately DKK170bn the auction is smaller than previous years as the refinancing degree have felt significantly. Especially the issuance of one year bonds has dropped. Some of the supply is moved further out the curve but not enough to create pressure on spreads. A large part is transferred to floating rate products linked to either CIBOR or CITA rates and that segment have lately experienced a widening trend compared to fixed rate bonds. As in the last auctions from November last year, bonds are expected to come at record tight spreads which of course weigh on return projections for 2014.

The Swedish ASW curve flattened slightly in January. Five year covered bonds have performed remarkably well whereas the short end experienced some upward pressure due to index extensions. New five year benchmarks bonds are coming up in February which could prove an interesting buying opportunity if the curve were to steepen up again. Despite the flattening, Sweden still offers a better expected roll-down for longer maturities than Danish peers.



Christian Riemann-Andersen
Senior Portfolio Manager, Midgard

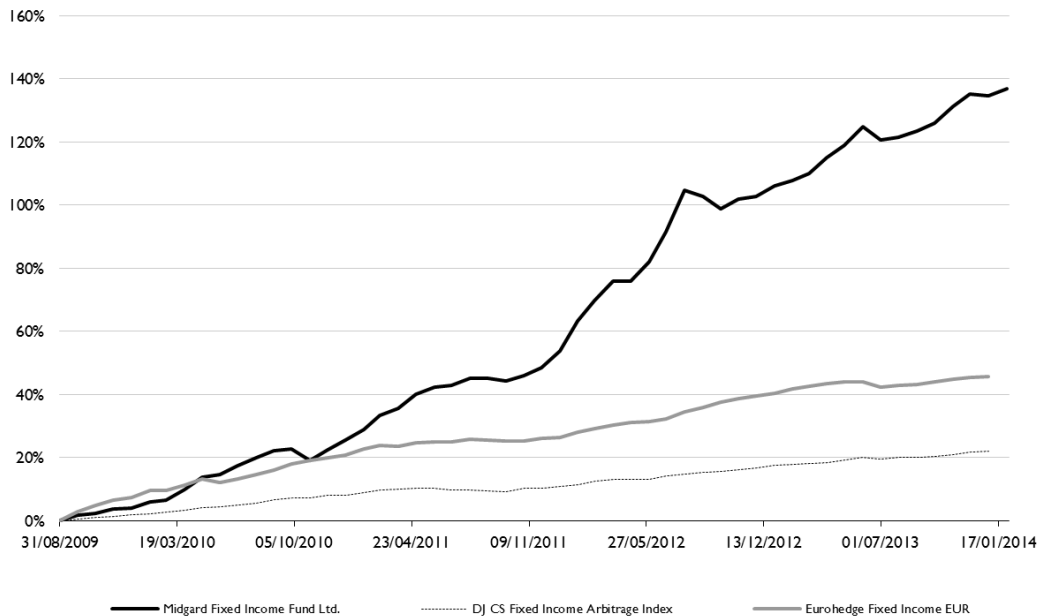
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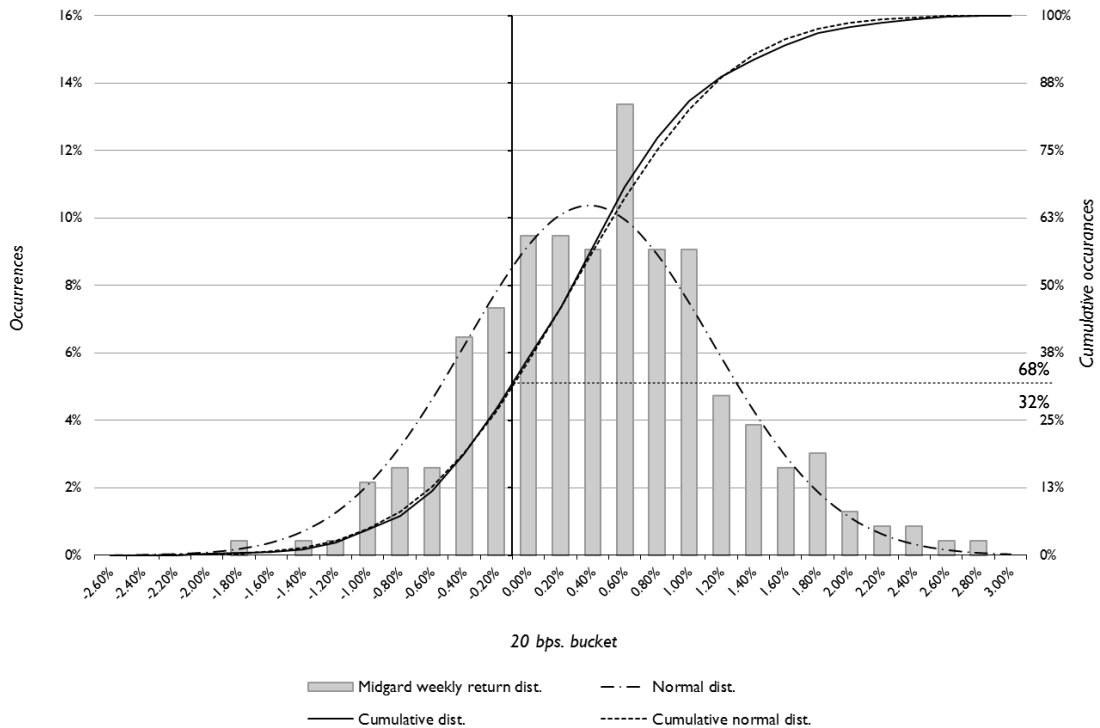
HISTORICAL PERFORMANCE

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%												0.51%



Return	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJIA Fixed Income Arbitrage Index
Annualized	21.57%	4.71%	9.08%
Last 12 months	13.95%	3.87%	3.80%
Last 3 months	2.48%	1.33%	1.29%
Since inception	136.91%	22.08%	45.76%
Best month	6.97%	1.02%	2.77%
Worst month	-2.98%	-0.50%	-1.14%
Positive months	86.79%	90.38%	90.38%
Negative months	13.21%	9.62%	9.62%
Volatility	6.37%	1.21%	2.47%
Sharpe Ratio	3.30	3.44	3.45

RETURN DISTRIBUTION



Moments	Midgard Fixed Income	EuroHedge Fixed	DJIA Fixed Income
	Fund Ltd.	Income Arbitrage Index	Arbitrage Index
Return	21.57%	4.71%	9.08%
Standard deviation	6.37%	1.21%	2.47%
Kurtosis	1.30	0.23	0.91
Skewness	0.32	-0.45	0.15

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	29.12%	7.93%	31.59%

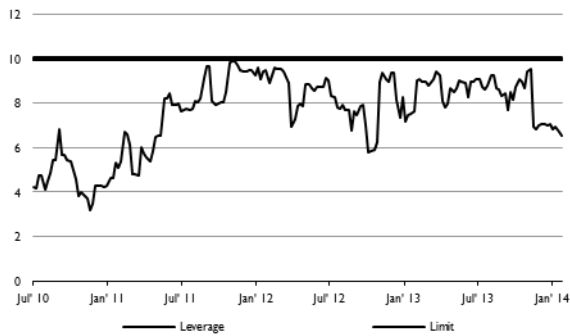
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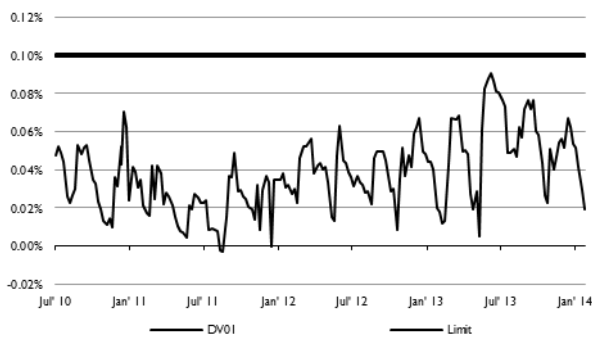
RISK & LINE LIMITS

LEVERAGE

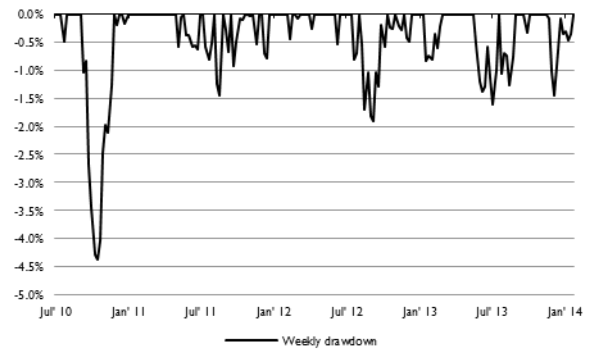


Risk	Midgard	Limit/limit
DV01	0.06%	± 0.10%
Leverage	6.89	Max. 10
VaR	0.70%	Max. 2 %
FX exposure	41.70%	Max. 100 %

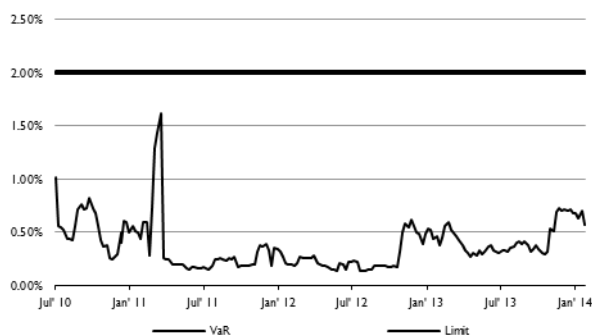
DV01



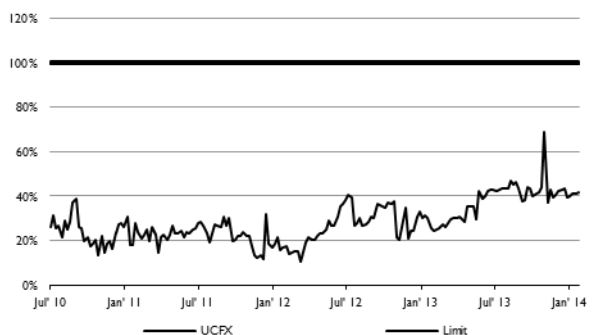
WEEKLY DRAWDOWN



VaR



NON-COVERED FX EXPOSURE



RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return (r_p)	21.77%	13.95%	
Excess return ($r_p - r_f$)	21.24%	13.84%	
<i>36 month</i>			
Portfolio return (r_p)	23.21%	-	
Excess return ($r_p - r_f$)	22.71%	-	
Maximum drawdown since inception	4.38%	1.60%	
Maximum drawdown 36m	1.91%	-	*
Largest individual drawdown			
First	1.85%	1.60%	
Second	1.42%	1.45%	
Third	1.24%	1.38%	
Average	1.50%	1.48%	
Calmar Ratio	11.88	-	*
MAR Ratio	4.85	8.64	
Sterling ratio	14.14	9.45	
Downside risk	0.88%	1.07%	
Upside risk	1.32%	1.68%	
Loss standard deviation	6.64%	5.05%	
Gain standard deviation	4.87%	3.26%	
Mean absolute moment, downside	-24.02%	-20.26%	
Mean absolute moment, upside	39.64%	28.55%	
Omega ratio	1.51	1.57	
Volatility skewness	0.54	0.42	

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Strategy AUM	EUR 523.67 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
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