

NEWSLETTER JANUARY 2018



PFA
INVESTMENT FUND

Performance & NAV	AA	A	B
Monthly return	1.23%	1.23%	1.02%
Return year-to-date	1.23%	1.23%	1.02%
NAV per share	317.10	156.28	141.32

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

MARKET UPDATE JANUARY 2018

PFA Investment Fund - Midgard Fixed Income Fund returned 1.23 % in January.

The beginning of a new Year and all sorts of possible paths for the financial markets seemed viable. Would the improved key figures globally materialize in higher rates and equity indices? How would Central Banks across the Globe approach the unwinding of elevated balance sheets and extremely low interest rates in a scenario of growth but only tentative signs of inflation? And the possibility of major currencies to come into focus on the back of the latter was also in the cards.

So – a brief description of January would by all means confirm the continued flow of improved key figures and a European Central Bank on the more hawkish footing. And the financial markets, in overall terms, reacted in a text book manner. Broad equity indices climbed – S&P500 up 5% and DAX approximately half of that – Yields on both Government Bonds and interest rate swaps up around 16bp and Yield curves steepened 14bp between 10 Year and 2 Year whereas they flattened 13bp between 30 Year and 10 Year. In FX focus was to a large extent focused on the weakened USD with EURUSD taking lift off from 1,20 to end at 1,24 – and here the verbal intervention hit the headlines and stopping any further USD weakening!

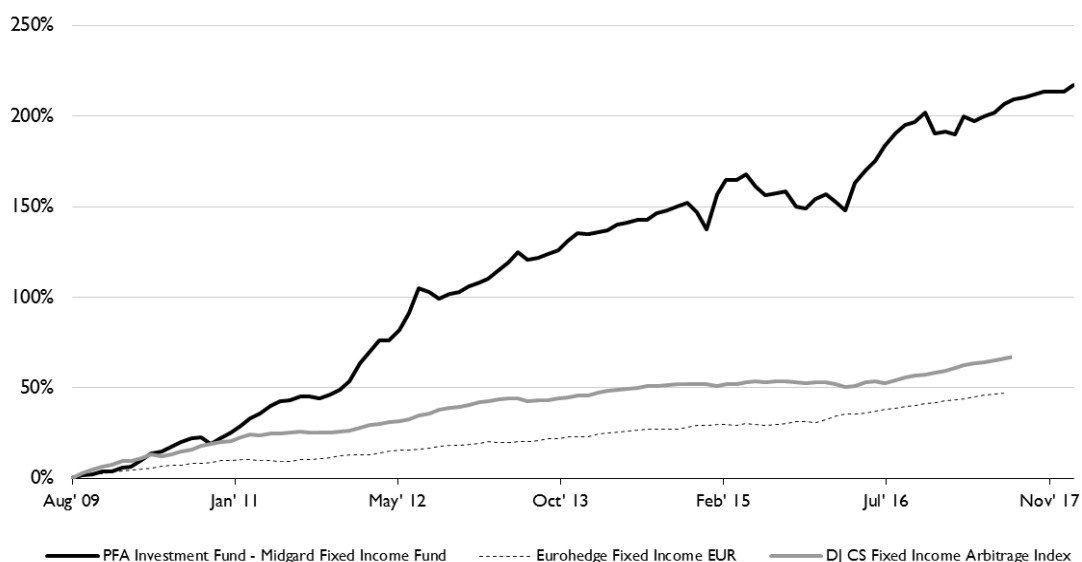
Turning to the primary markets of the Midgard Fixed Income Fund, January was a month of continued performance in Swedish covered bonds versus interest rate swaps, with around 6bp performance along the curve, while the Danish peers stayed flat in the bullet bonds. The Danish callable bonds however dis-performed and widened some 10bp – after several months of massive performance it seemed the international interest in the segment was somewhat muted. The combination of this and the effects of added duration via negative convexity summed to the underperformance. Biggest question is whether the continued higher rates will continue to push OAS wider or the callable segment will see renewed buying interest in the months to come.



Jesper Slemming
Chief Investment Officer, PFA Investment Fund

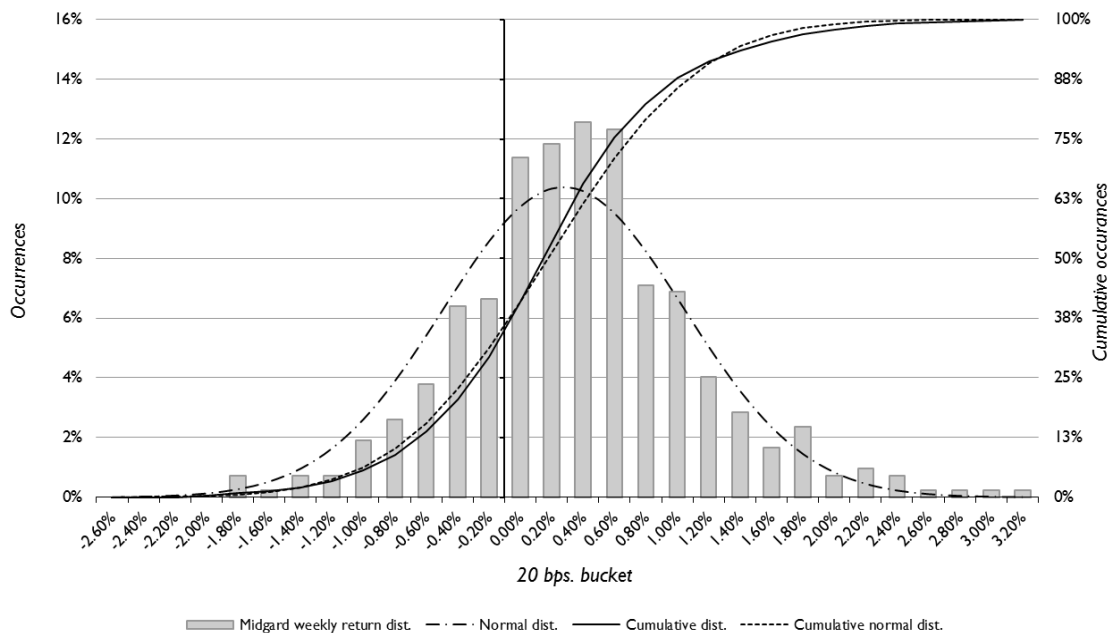
HISTORICAL PERFORMANCE

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%												1.23%



Return	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Annualized	14.70%	4.89%	6.53%
Last 12 months	9.46%	6.44%	6.53%
Last 3 months	1.24%	1.37%	0.11%
Since inception	217.10%	47.07%	68.46%
Best month	8.18%	1.51%	2.77%
Worst month	-3.82%	-0.58%	-1.19%
Positive months	80.20%	86.60%	82.83%
Negative months	19.80%	13.40%	17.17%
Volatility	7.11%	1.41%	2.34%
Sharpe Ratio	2.04	3.32	2.71

RETURN DISTRIBUTION

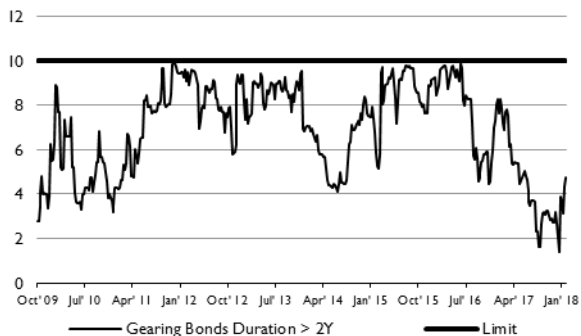


Moments	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Return	14.70%	4.89%	6.53%
Standard deviation	7.11%	1.41%	2.34%
Kurtosis	1.75	0.63	1.17
Skewness	0.38	-0.17	0.08

Correlation analysis	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Correlation coefficient	-	49.54%	26.42%
Beta	-	253.11%	80.97%
Alpha	-	2.05%	9.03%
R2	-	24.54%	6.98%
Autocorrelation	20.01%	4.07%	32.80%

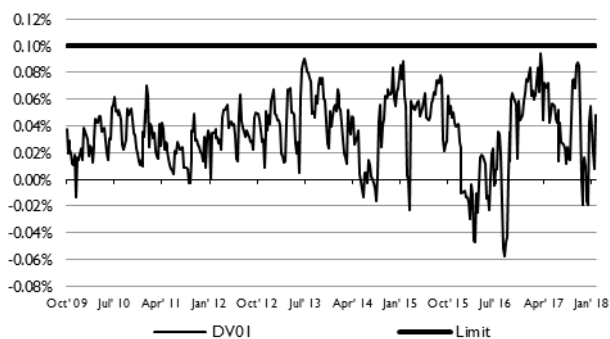
RISK & LINE LIMITS

GEARING BONDS DURATION > 2Y

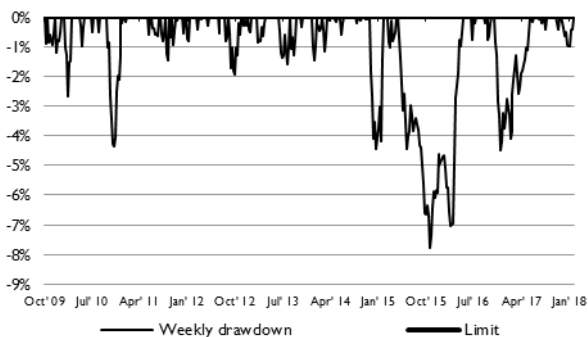


Risk	Midgard	Lime/limit
DV01	0.07%	± 0.10%
Leverage	4.76	Max. 10
VaR	0.40%	Max. 2 %
FX exposure	84.62%	Max. 100 %

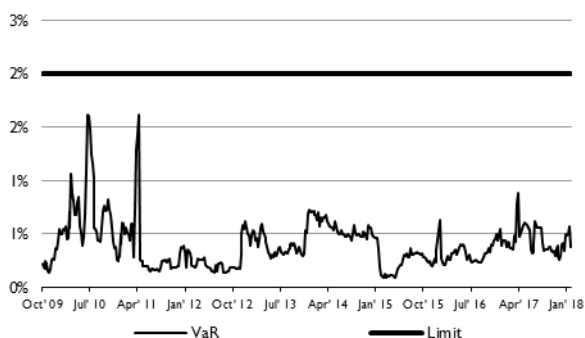
DV01



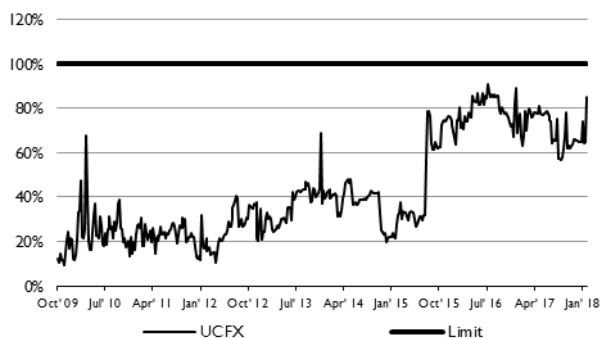
WEEKLY DRAWDOWN



VaR



NON-COVERED FX EXPOSURE



RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return (r_p)	14.70%	9.46%	
Excess return ($r_p - r_f$)	14.54%	9.84%	
<i>36 month</i>			
Portfolio return (r_p)	7.28%	-	
Excess return ($r_p - r_f$)	7.58%	-	
Maximum drawdown since inception	7.78%	4.08%	
Maximum drawdown 36m	7.78%	-	*
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	0.97	-	*
MAR Ratio	1.87	2.41	
Sterling ratio	8.27	13.13	
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 513.8 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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