

# NEWSLETTER JULY 2018



**PFA**  
INVESTMENT FUND

Performance & NAV	<b>AA</b>	<b>A</b>	<b>B</b>
Monthly return	<b>0.77%</b>	<b>0.73%</b>	<b>0.73%</b>
Return year-to-date	<b>-0.26%</b>	<b>-0.43%</b>	<b>-0.814%</b>
NAV per share	<b>318.62</b>	<b>157.03</b>	<b>143.18</b>

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

#### MARKET UPDATE JULY 2018

PFA Investment Fund - Midgard Fixed Income Fund returned 0.77 % in July, bringing total YTD return to -0.26 %.

Even though the US and EU smoked the peace pipe in trade conflict in July, tensions in relation to an escalating trade conflict globally was still a focal point in July. The Trump administration announced considering imposing higher percentage tariffs on some USD 200bn worth of imported goods from China. As a retaliatory response, China published a list of US products to be hit if the Trump administration chose to move forward.

The Chinese Yuan depreciated versus US Dollar from start to end-month, as both fiscal and monetary policies were eased to counter 'external uncertainties'.

From Central Banks most interesting was the Bank of Japan meeting, where the bank tweaked its policy by increasing the upper bound on 10Y JGB from 0.1% to 0.2%

European core bond markets saw increasing support from rising geo-political risks, as especially the TRY remains under strong pressure as some European banks may be exposed.

Italy was particularly underperforming on the back of continued speculation on a new 2019 budget that would potentially clash with EU budget rules and trigger rating downgrades. The 10Y spread between Italy and Germany has widened further.

In Japan, the wider yield range for 10 Yr JGB yields from the BoJ initially created some market uncertainty and a slight increase in 10Y yields to 0.10%.

The core Scandinavian markets for Midgard Fixed Income Fund fared mostly sideways throughout July, with covered bonds versus interest rate swaps showed a modest spread tightening. This was primarily due to low issuance and roll down the curve.

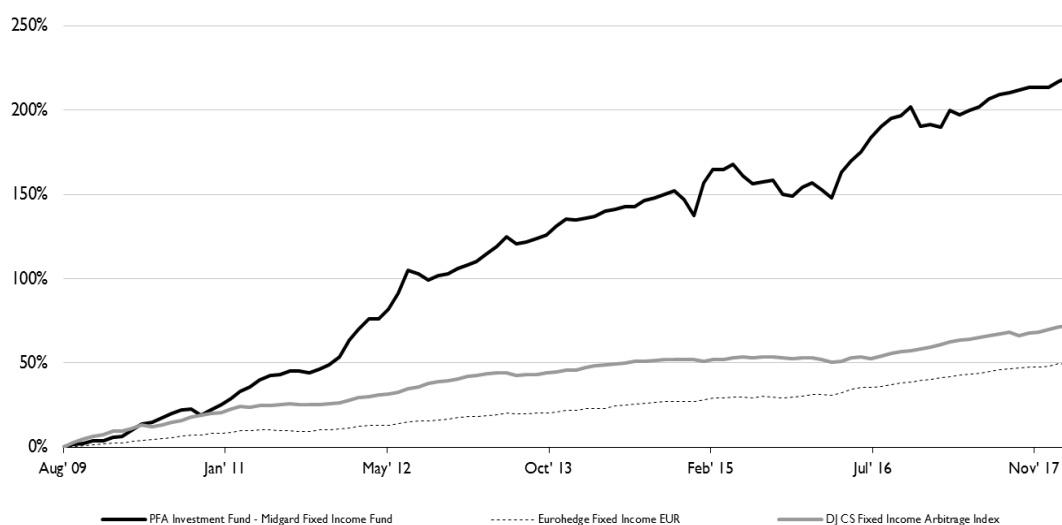
At the end of the month Swedish Yields climbed at a faster pace than European peers taking the 10 Yr swap rates spread to 30bp from 22bp at the beginning of the month. The Riksbank continued to be verbally 'hawkish' and kept an eye on a 'End-of-Year' hike.



Jesper Slemming  
Chief Investment Officer, PFA Investment Fund

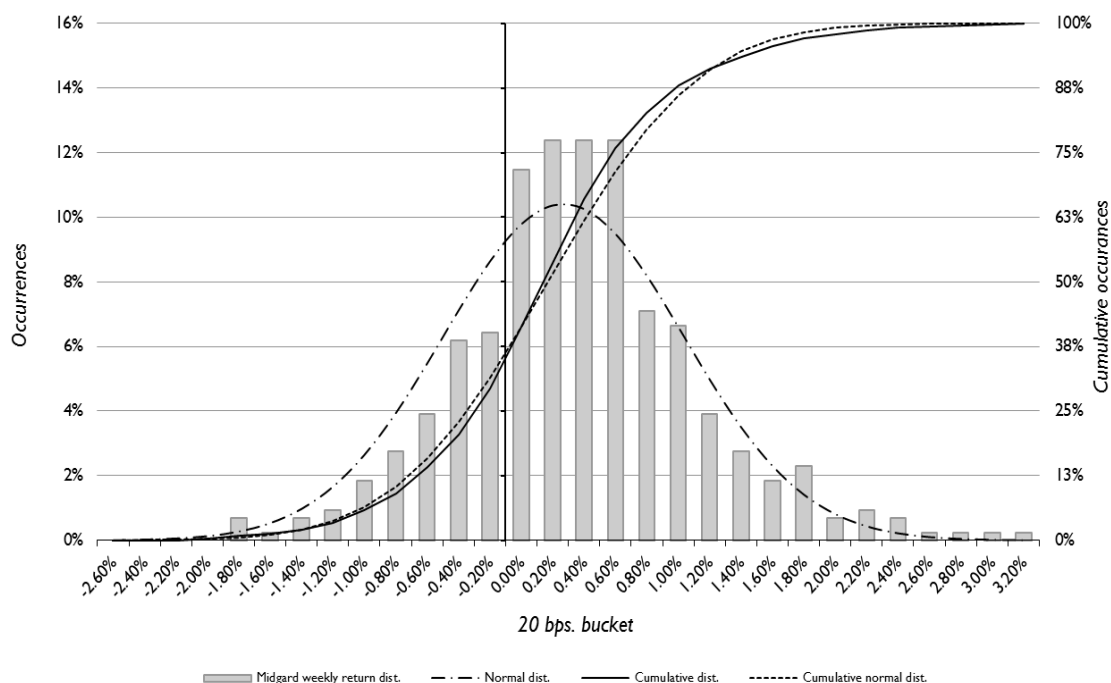
HISTORICAL PERFORMANCE

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%	0.68%	-0.20%	1.24%	-2.12%	-1.80%	0.77%						-0.26%



Return	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Annualized	13.63%	4.63%	6.36%
Last 12 months	1.07%	2.84%	3.50%
Last 3 months	-3.14%	0.02%	-0.21%
Since inception	212.44%	49.21%	73.22%
Best month	8.18%	1.51%	2.77%
Worst month	-3.82%	-0.58%	-1.19%
Positive months	78.50%	83.96%	83.18%
Negative months	21.50%	16.04%	16.82%
Volatility	7.08%	1.42%	2.30%
Sharpe Ratio	1.90	3.15	2.69

RETURN DISTRIBUTION

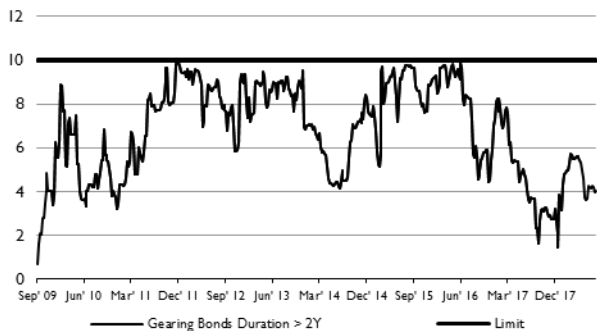


<b>Moments</b>	<b>PFA Investment Fund - Midgard Fixed Income Fund</b>	<b>EuroHedge Fixed Income Arbitrage Index</b>	<b>DJ CS Fixed Income Arbitrage Index</b>
Return	13.63%	4.63%	6.36%
Standard deviation	7.08%	1.42%	2.30%
Kurtosis	1.71	0.44	1.25
Skewness	0.41	-0.11	0.06

<b>Correlation analysis</b>	<b>PFA Investment Fund - Midgard Fixed Income Fund</b>	<b>EuroHedge Fixed Income Arbitrage Index</b>	<b>DJ CS Fixed Income Arbitrage Index</b>
Correlation coefficient	-	51.81%	28.64%
Beta	-	259.57%	87.98%
Alpha	-	1.10%	7.63%
R2	-	26.84%	8.20%
Autocorrelation	21.45%	5.35%	32.97%

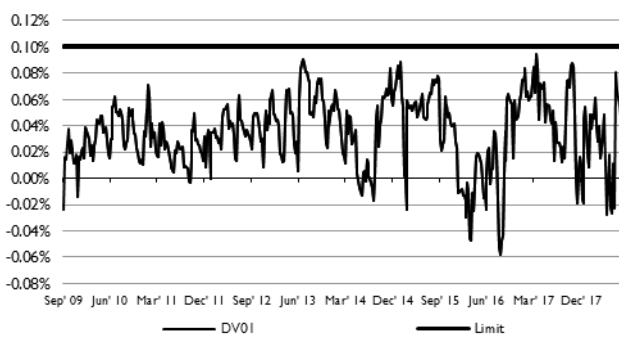
### RISK & LINE LIMITS

#### GEARING BONDS DURATION > 2Y

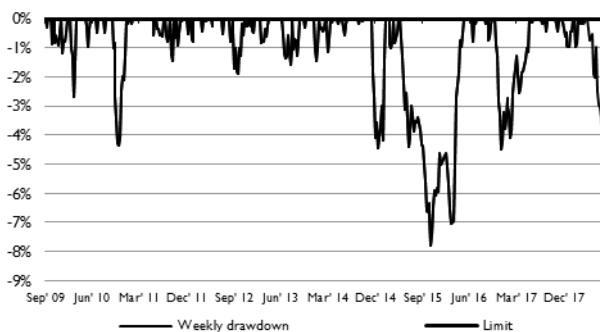


Risk	Midgard	Lime/limit
DV01	0.04%	± 0.10%
Leverage	4.00	Max. 10
VaR	0.75%	Max. 2 %
FX exposure	63.19%	Max. 100 %

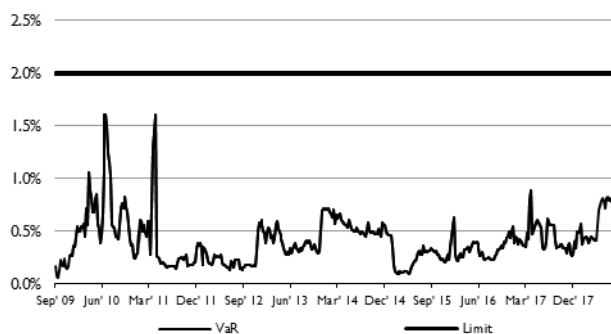
#### DV01



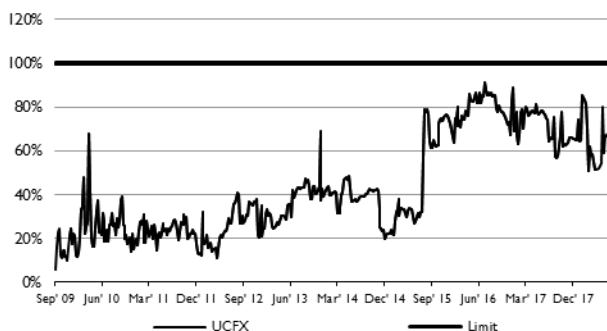
#### WEEKLY DRAWDOWN



#### VaR



#### NON-COVERED FX EXPOSURE



RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return ( $r_p$ )	13.63%	1.07%	
Excess return ( $r_p - r_f$ )	13.64%	1.16%	
<i>36 month</i>			
Portfolio return ( $r_p$ )	6.69%	-	
Excess return ( $r_p - r_f$ )	6.72%	-	
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	0.86	-	*
MAR Ratio	1.75	0.28	
Sterling ratio	7.75	1.49	
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 506.3 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 <a href="http://www.pfaassetmanagement.dk">www.pfaassetmanagement.dk</a>
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