

# NEWSLETTER MARCH 2014



**MIDGARD**  
FIXED INCOME FUND LIMITED

# MIDGARD

FIXED INCOME FUND LIMITED

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Performance & NAV	AA	A	B
Monthly return	<b>1.29%</b>	<b>1.29%</b>	<b>1.08%</b>
Return year-to-date	<b>2.23%</b>	<b>2.23%</b>	<b>1.78%</b>
NAV per share	<b>240.01</b>	<b>118.29</b>	<b>114.89</b>

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

## MARKET UPDATE MARCH 2014

Midgard Fixed Income Fund returned 1.29 per cent in March leaving first quarter of the year with a total yield of 2.23 pct.

The short end of the euro yield curve received little support from Frankfurt where ECB again failed to deliver neither explicit nor implicit easing of monetary policy. EONIA fixings again drifted higher albeit at a slow pace and even though EURDKK drifted higher as well, triggering speculations of central bank intervention, Danish CITA rates overall performed against euro ditto in March boosting performance of the Fund.

The performance of March was driven mainly by the DKK bond portfolio and the EUR hedges.

The spread widening in the short end of the DKK bond market that emerged during the auction of non-callable bonds in February reversed in March. New supply will expectedly stay subdued for the next many months and that supported the market. Midgard managed to increase the DKK portfolio duration slightly on the back of the initial widening. March 2014 was the last month with issuance of old style 1 to 2 year non-callable bonds without a rate trigger. First issuance of new style bonds with an embedded rate trigger suggest a discount of 4-5bp. As funding rates of the new bonds are unchanged, this improves return forecasts slightly going forward.

In Sweden, March brought good appetite for short dated papers as a minority in the market started to price in a future rate cut from the Riksbank. Otherwise the long end of the curve remain well supported by low supply as Swedish banks benefit from the cross-currency swap and issue at attractive levels in the euro market.



Christian Riemann-Andersen  
Senior Portfolio Manager, Midgard

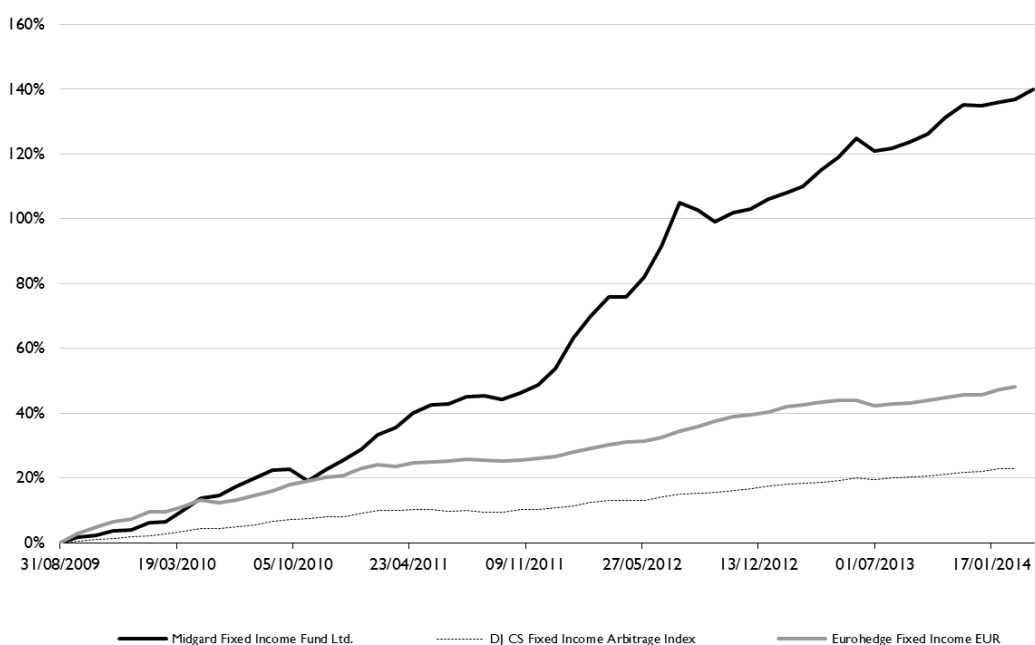
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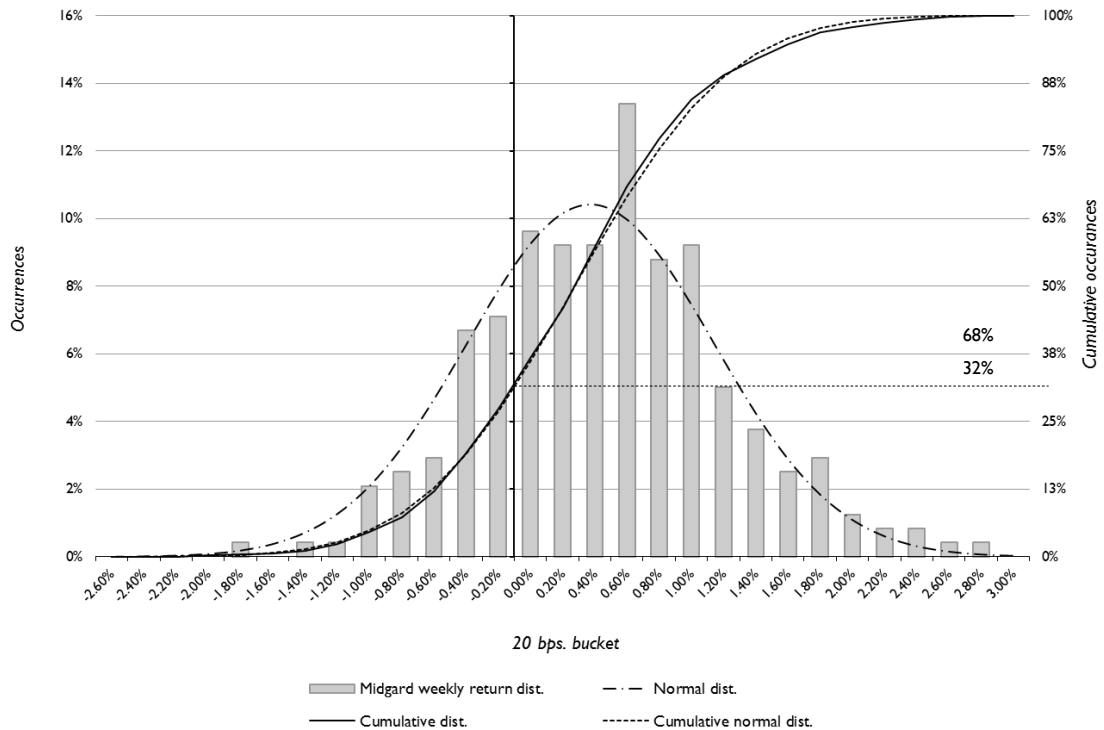
## HISTORICAL PERFORMANCE

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%	0.41%	1.29%										2.23%



Return	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJIA Fixed Income Arbitrage Index
Annualized	21.11%	4.66%	9.14%
Last 12 months	11.86%	3.78%	3.91%
Last 3 months	2.48%	0.77%	1.84%
Since inception	140.59%	22.71%	48.18%
Best month	6.97%	1.02%	2.77%
Worst month	-2.98%	-0.50%	-1.14%
Positive months	87.27%	90.74%	90.74%
Negative months	12.73%	9.26%	9.26%
Volatility	6.30%	1.21%	2.43%
Sharpe Ratio	3.27	3.41	3.54

## RETURN DISTRIBUTION



Moments	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJIA Fixed Income Arbitrage Index
Return	21.11%	4.66%	9.14%
Standard deviation	6.30%	1.21%	2.43%
Kurtosis	1.37	0.18	1.04
Skewness	0.36	-0.43	0.13

Correlation analysis	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJIA Fixed Income Arbitrage Index
Correlation coefficient	-	45.89%	18.81%
Beta	-	254.03%	51.83%
Alpha	-	9.40%	16.31%
R2	-	21.06%	3.54%
Autocorrelation	29.96%	6.79%	30.54%

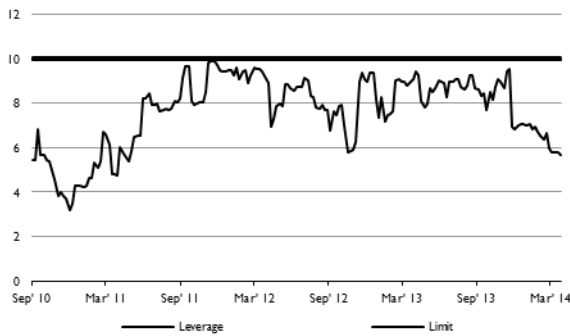
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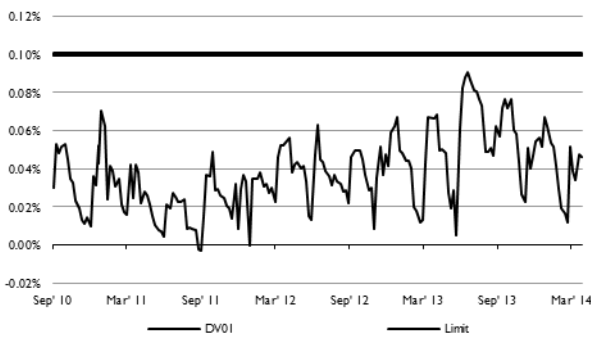
## RISK & LINE LIMITS

### LEVERAGE

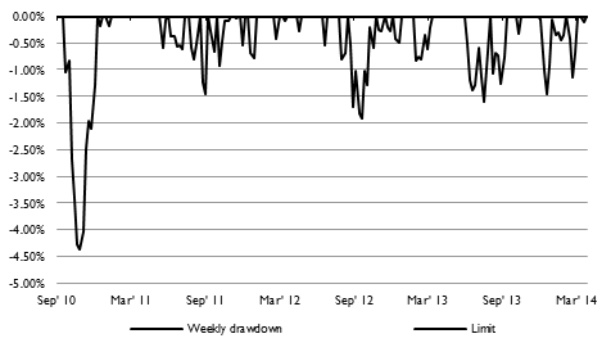


Risk	Midgard	Limit/limit
DV01	0.03%	± 0.10%
Leverage	5.66	Max. 10
VaR	0.65%	Max. 2 %
FX exposure	46.84%	Max. 100 %

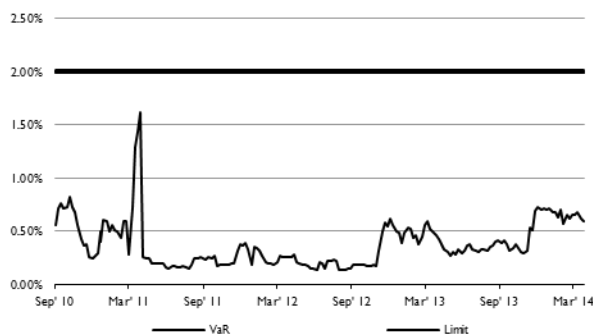
### DV01



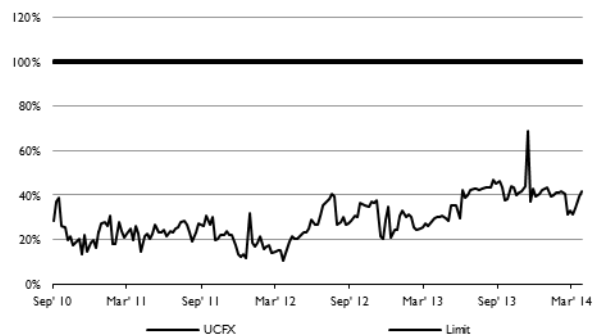
### WEEKLY DRAWDOWN



### VaR



### NON-COVERED FX EXPOSURE



## RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return ( $r_p$ )	21.11%	11.86%	
Excess return ( $r_p - r_f$ )	20.61%	11.74%	
<i>36 month</i>			
Portfolio return ( $r_p$ )	21.09%	-	
Excess return ( $r_p - r_f$ )	20.66%	-	
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	10.81	-	*
MAR Ratio	4.71	7.33	
Sterling ratio	13.72	8.04	
Downside risk	0.86%	1.07%	
Upside risk	1.30%	1.68%	
Loss standard deviation	6.59%	5.07%	
Gain standard deviation	4.85%	3.36%	
Mean absolute moment, downside	-23.95%	-21.88%	
Mean absolute moment, upside	39.51%	28.71%	
Omega ratio	1.51	1.57	
Volatility skewness	0.54	0.44	

\* Not applicable for 1-year returns

# MIDGARD

## FIXED INCOME FUND LIMITED

Strategy AUM	EUR 532.62 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 <a href="http://www.pfaassetmanagement.dk">www.pfaassetmanagement.dk</a>
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