



NEWSLETTER March 2019

PFA
INVESTMENT FUND

Performance & NAV	AA	A	B
Monthly return	1.88%	1.65%	1.56%
Return year-to-date	7.01%	6.62%	6.50%
NAV per share	327.90	160.42	146.10

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

MARKET UPDATE March 2019

PFA Investment Fund - Midgard Fixed Income Fund returned 1.88 % in March, bringing total YTD return to 7.01 %.

March was by no means a disruption of the Goldilocks (yields down together with equity higher) which seemed to be revived at the early stage of 2019. Broad equity indices continued their rise together with other risky assets in general and interest rates showed a flat to falling trajectory.

But that is not the important take away from the last Month of Q1 2019.

Just around mid-Month a genuine toxic interest rate curve flattener materialized in Europe as 30 Year fell at a much faster pace than 10 Year interest rates, taking the spread some 7bp tighter. The 30 Year point reached a low of 1%, forcing most investors with passive sides to re-visit the question of sanity in the financial market. That said, at 1% it is more fear driving the market and although it rebounded towards 1.12% at the very end of the month, one is left with the impression it is a matter of timing before the market will revisit and pass the 'magic' 1% barrier, hereby forcing receiving flows.

Even more harsh was the movements between 2 Year and 10 Year interest rates in Europe, where the swap curve flattened 16bp. To some extent this was also evident in the US market although 30 Year versus 10 Year actually steepened!

So....what has this to do with the Midgard Fixed Income strategy?

Well – the sentiment drove spreads tighter and especially the Danish callable bonds market benefitted immensely from the long end curve flattener. Spread performance ranged between 10 to 20bp and at some point a 30 Year 1% bond was open for issuance!

1%

30 Year

Shorter dated covered bonds across Scandinavia also performed versus interest rate swap, even though the verbalization of the Norwegian and Swedish Central Banks continued down the hawkish path – a path not chosen by the larger Central Banks in US, Europe, Japan, etc.

Never the less – hikes are on the agenda in Scandinavia.

Funny enough the currencies continued the depreciation and conundrum is the 'only word' describing this!

The Danish Central Bank is more prone to follow the ECB, but the liquidity in the Danish financial system continued upwards and is expected to continue upwards for the remainder of 2019 and hereby assist the attractiveness of Danish covered bonds for EUR and USD investors.

Therefore the core composition of the Midgard portfolio continue to be focused on the shorter end of Danish and longer end of Swedish covered bonds.

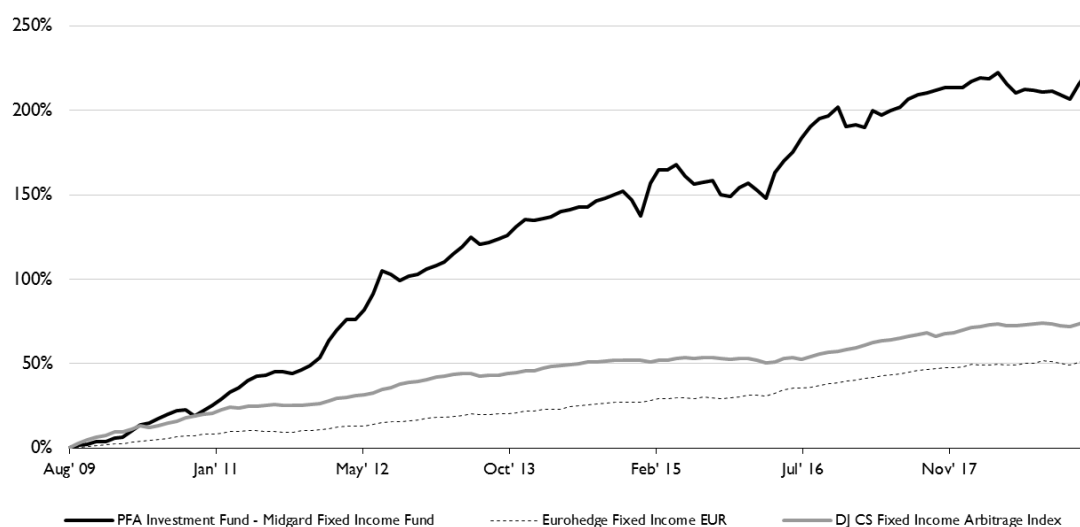
All of the above contributed to a positive return for the Midgard Fixed Income strategy for March.

Jesper Slemming
Chief Investment Officer, PFA Investment Fund



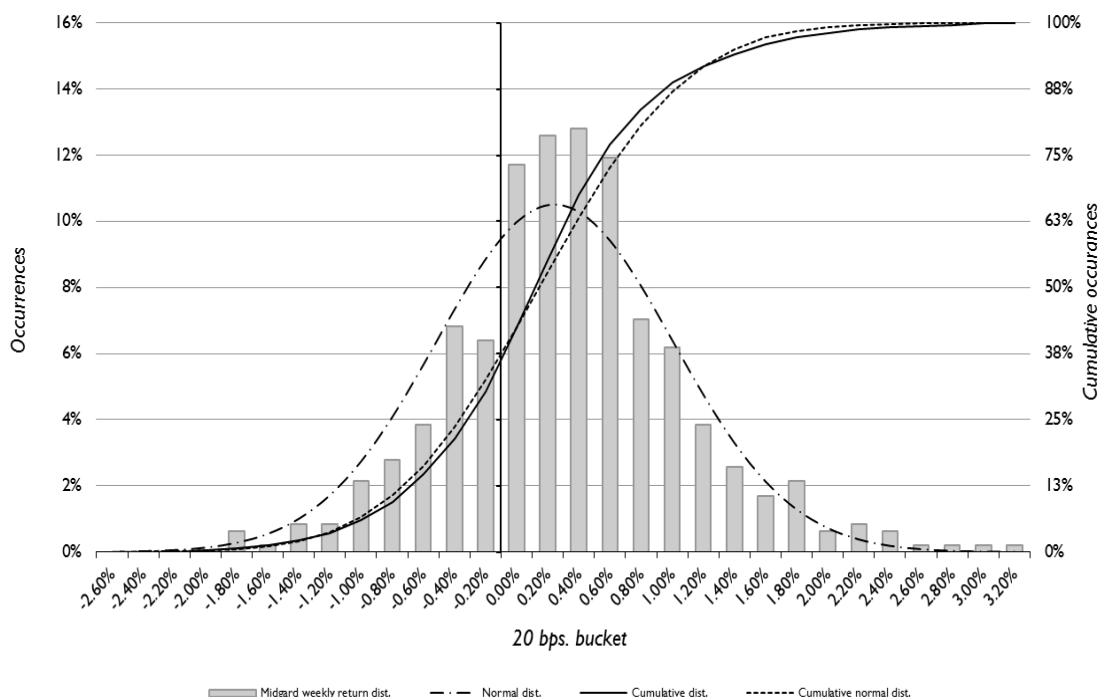
HISTORICAL PERFORMANCE

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%	-0.25%	0.10%	-0.60%	-0.93%	-2.18%
2019	2.90%	2.08%	1.88%										7.01%



Return	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Annualized	13.19%	4.51%	6.07%
Last 12 months	2.91%	1.83%	1.67%
Last 3 months	7.01%	1.29%	1.36%
Since inception	227.90%	52.05%	75.03%
Best month	8.18%	1.51%	2.77%
Worst month	-3.82%	-0.76%	-1.19%
Positive months	76.52%	82.46%	81.58%
Negative months	23.48%	17.54%	18.42%
Volatility	6.95%	1.49%	2.31%
Sharpe Ratio	1.88	2.93	2.58

RETURN DISTRIBUTION

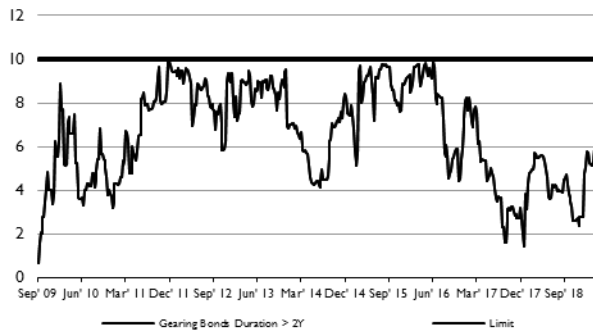


Moments	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Return	13.19%	4.51%	6.07%
Standard deviation	6.95%	1.49%	2.31%
Kurtosis	1.76	0.29	1.09
Skewness	0.44	-0.25	0.08

Correlation analysis	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Correlation coefficient	-	52.30%	31.50%
Beta	-	244.15%	95.24%
Alpha	-	1.60%	6.95%
R2	-	27.36%	9.93%
Autocorrelation	22.32%	8.98%	34.33%

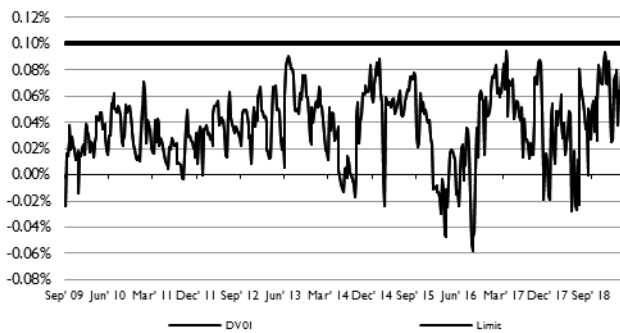
RISK & LINE LIMITS

GEARING BONDS DURATION > 2Y

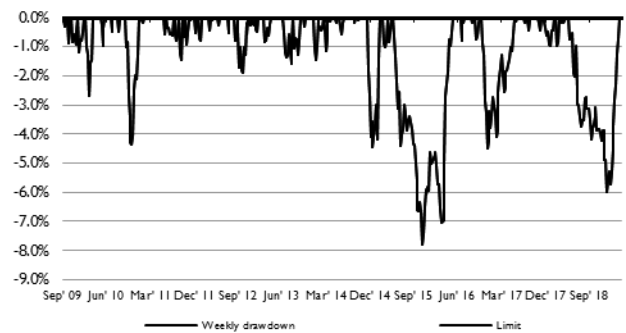


Risk	Midgard	Lime/limit
DV01	0.07%	± 0.10%
Leverage	5.94	Max. 10
VaR	0.83%	Max. 2 %
FX exposure	45.76%	Max. 100 %

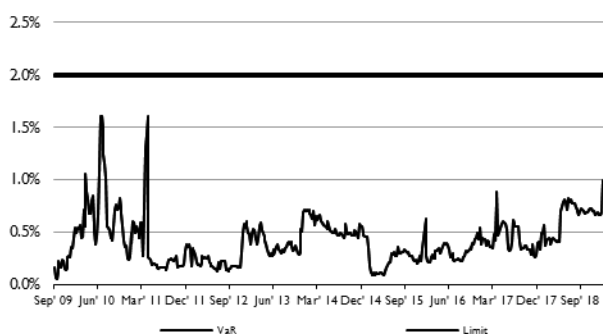
DV01



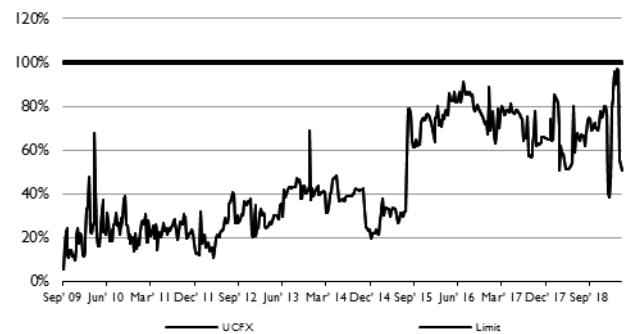
WEEKLY DRAWDOWN



VaR



NON-COVERED FX EXPOSURE



RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return (r_p)	13.19%	2.91%	
Excess return ($r_p - r_f$)	13.20%	2.94%	
<i>36 month</i>			
Portfolio return (r_p)	7.64%	-	
Excess return ($r_p - r_f$)	7.65%	-	
Maximum drawdown since inception	7.78%	4.08%	
Maximum drawdown 36m	4.48%	-	*
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	1.71	-	*
MAR Ratio	1.70	0.72	
Sterling ratio	7.50	4.04	
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 317.3 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 www.pfaassetmanagement.dk
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Prime Broker	Skandinaviska Enskilda Banken AB +45 33 36 85 07
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