

NEWSLETTER MAY 2014

A black and white photograph of a rocky coastline. In the foreground, several fishing boats are beached on a sandy and rocky shore. The boats are of various sizes and designs, some with cabins and masts. A few people are visible on the boats and on the shore. In the background, the ocean is visible with waves breaking against a rocky reef. The sky is overcast with heavy clouds.

MIDGARD
FIXED INCOME FUND LIMITED

MIDGARD

FIXED INCOME FUND LIMITED

NEWSLETTER MAY 2014

Performance & NAV	AA	A	B
Monthly return	0.64%	0.64%	0.50%
Return year-to-date	3.32%	3.32%	2.60%
NAV per share	242.56	119.54	115.82

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

MARKET UPDATE MAY 2014

Midgard Fixed Income Fund returned 0.64 per cent in May leaving the total yield year to date at 3.32 pct.

ECB did not deliver a cut in May but stepped up the rhetorical intervention. The dovish tone combined with failed sterilizations pushing more liquidity into the system pressed rates down significantly in May ahead of the June ECB meeting.

The Danish bond market was trying to find a new balance post the independent rate hike in April from the Danish central bank. The EURDKK spot remained at relatively elevated levels fuelling the fear that another hike was imminent. This of course added upward pressure on the EURDKK interest rate differential that already suffered from the dovish ECB. With the short end of the Danish bond market somewhat under pressure and the long end holding up well due to limited supply, the Danish curve flattened quite a lot and left limited roll down on the curve. With limited supply ahead in the near term, this is likely to stay unchanged the next months.

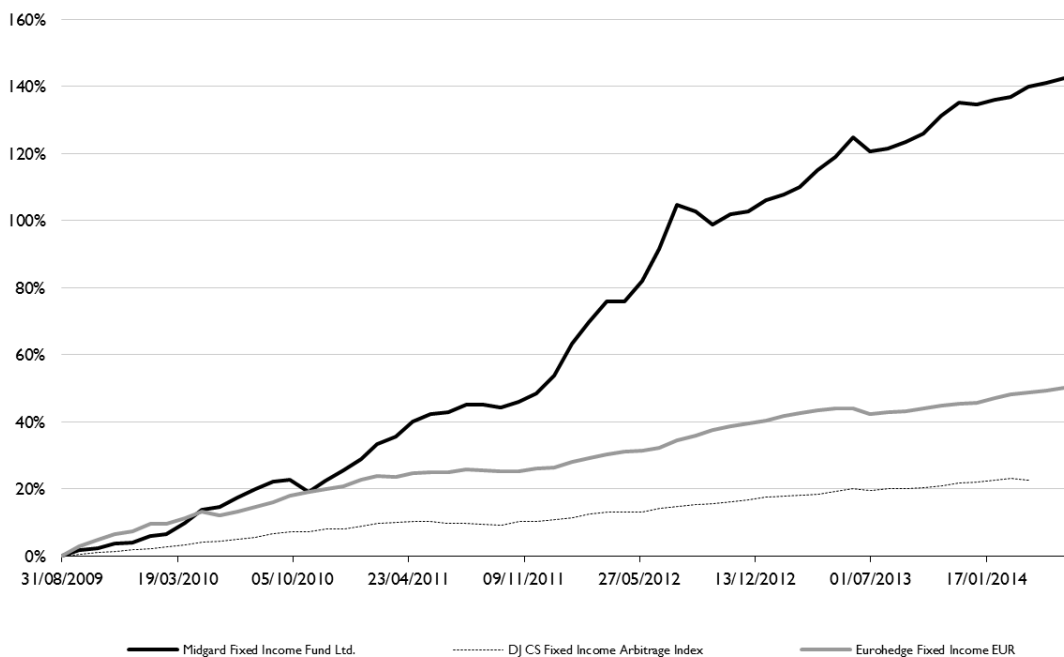
In Sweden mortgage bonds continued to perform against swaps driven by index extensions and subdued supply. The Swedish central bank has so far been reluctant to lower interest rates to stimulate the economy as the fear of the rising household debt burden has outweighed the fact that the inflation is far below target rate. However, disappointing key indicators and a continuously more dovish tone from the central bank have increasingly led the market to price in a rate cut at the July meeting. A potential future cut stimulated the short end of the curve in May and with surprisingly low supply of longer dated bonds, the entire SEK mortgage curve performed in May.



Christian Riemann-Andersen
Senior Portfolio Manager, Midgard

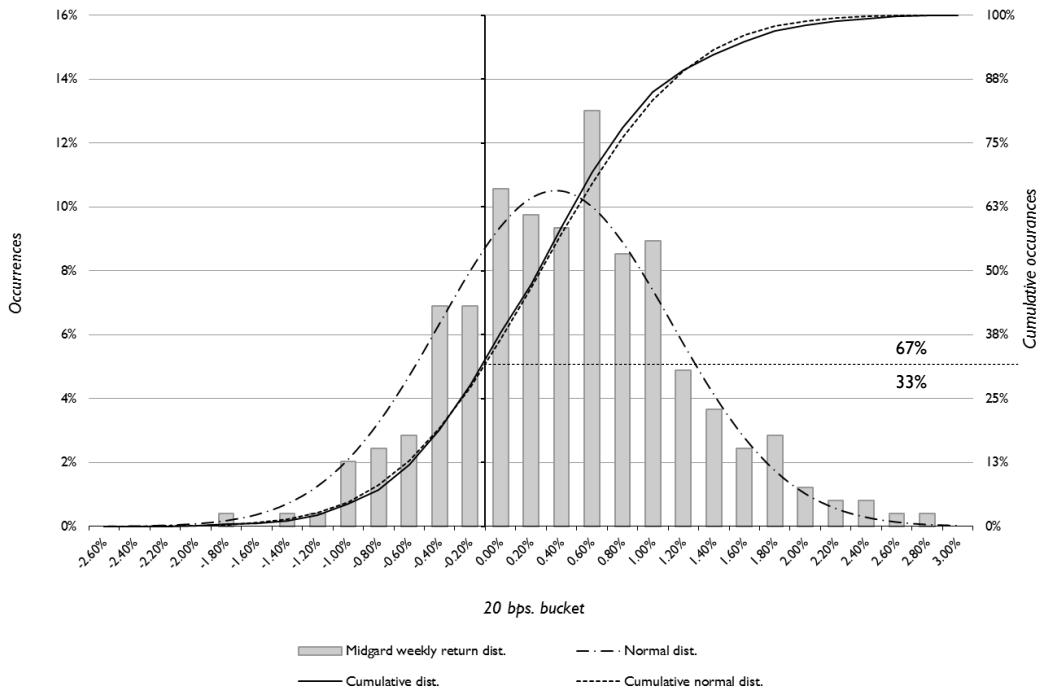
HISTORICAL PERFORMANCE

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%								3.32%



Return	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJIA Fixed Income Arbitrage Index
Annualized	20.51%	4.57%	9.06%
Last 12 months	7.86%	3.53%	3.70%
Last 3 months	2.37%	0.51%	2.08%
Since inception	142.56%	22.71%	48.78%
Best month	6.97%	1.02%	2.77%
Worst month	-2.98%	-0.50%	-1.14%
Positive months	87.72%	89.09%	91.23%
Negative months	12.28%	10.91%	8.77%
Volatility	6.22%	1.23%	2.38%
Sharpe Ratio	3.21	3.27	3.58

RETURN DISTRIBUTION



Moments	Midgard Fixed Income	EuroHedge Fixed	DJIA Fixed Income
	Fund Ltd.	Income Arbitrage Index	Arbitrage Index
Return	20.51%	4.57%	9.06%
Standard deviation	6.22%	1.23%	2.38%
Kurtosis	1.45	0.17	1.19
Skewness	0.43	-0.48	0.20

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	30.64%	7.60%	30.57%

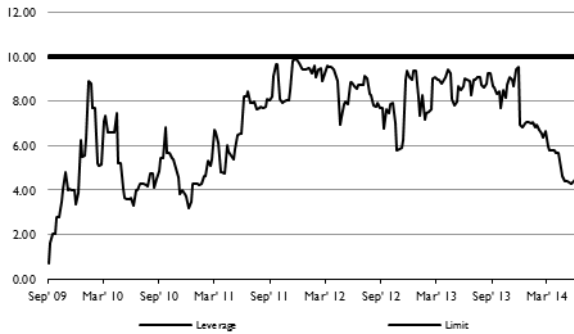
MIDGARD

FIXED INCOME FUND LIMITED

NEWSLETTER MAY 2014

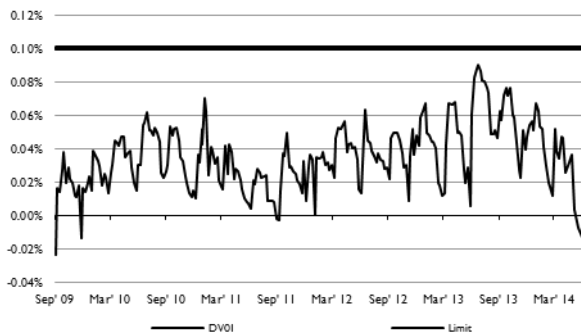
RISK & LINE LIMITS

LEVERAGE

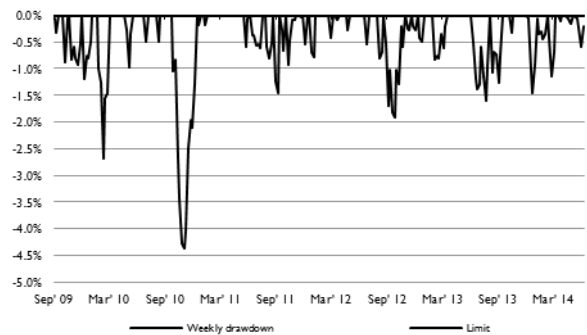


Risk	Midgard	Limit/limit
DV01	0.00%	± 0.10%
Leverage	4.42	Max. 10
VaR	0.49%	Max. 2 %
FX exposure	37.51%	Max. 100 %

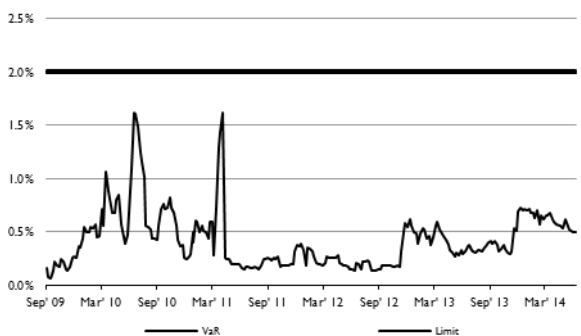
DV01



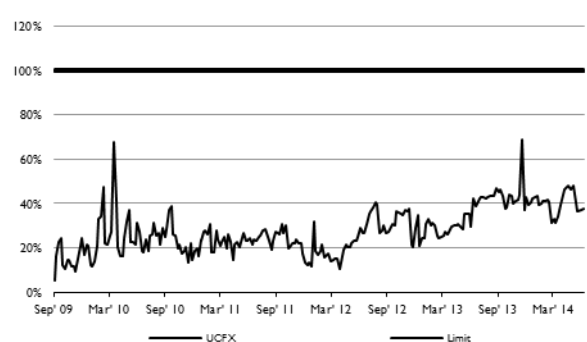
WEEKLY DRAWDOWN



VaR



NON-COVERED FX EXPOSURE



RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return (r_p)	20.51%	6.66%	
Excess return ($r_p - r_f$)	19.74%	6.54%	
<i>36 month</i>			
Portfolio return (r_p)	18.97%	-	
Excess return ($r_p - r_f$)	18.61%	-	
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	9.74	-	*
MAR Ratio	4.51	4.08	
Sterling ratio	13.14	4.52	
Downside risk	0.85%	1.07%	
Upside risk	1.28%	1.68%	
Loss standard deviation	6.40%	4.33%	
Gain standard deviation	4.85%	3.73%	
Mean absolute moment, downside	-23.03%	-18.92%	
Mean absolute moment, upside	39.00%	28.03%	
Omega ratio	1.51	1.57	
Volatility skewness	0.57	0.74	

* Not applicable for 1-year returns

MIDGARD

FIXED INCOME FUND LIMITED

Strategy AUM	EUR 523.18 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
Investor Relations	PFA Asset Management +45 39 17 50 00