

# NEWSLETTER NOVEMBER 2013



# MIDGARD

FIXED INCOME FUND LIMITED

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Performance & NAV	AA	A	B
Monthly return	1.71%	1.71%	1.45%
Return year-to-date	14.13%	14.13%	11.66%
NAV per share	235.13	115.88	113.11

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

## MARKET UPDATE NOVEMBER 2013

Midgard Fixed Income Fund yielded 1.71 per cent in November, which brings total performance for 2013 to 14.13 per cent.

Danish lawmakers took center stage throughout November as the Danish minister of Business and Growth forwarded a proposal for new regulation of the Danish non-callable mortgage issuance. The uncertainty during the weeks after the announcement led market participants to bid very strongly for bonds issued under current law. To what extent current market pricing is a short term phenomenon and to what degree it's going to spillover to upcoming issuance in April remains to be seen. What is clear, however, is that banks need of eligible collateral still appreciates, why regulators have been forced to take investor base considerations into account before forwarding law at parliament. The new law proposal was introduced just two days prior to the annual December refinancing auction and was heavily sponsored by both the Danish Central Bank as well as the Danish Financial Supervisory Authority. The uncertainty with regard to the pricing and eligibility of new issuance under new law led to a unprecedented bid at the auctions and historically low levels towards swaps. Whether the current pricing is sustainable is deeply reliant on to which extent policy makers and their sponsors are able to adjust the current proposal to be both compliant with demand caused by banking regulation and ultimately investor demand. Several adjustments have already been announced, why the political process so far is subject to severe criticism.

The strong bid for Danish non-callable mortgages has supported the current Midgard position substantially, but leads to lower return projections going forward, should the OAS curve not widen back up again. Midgard anticipates, that the final proposal are going to accommodate both needs defined by financial stability concerns, needs defined by banking regulation and needs required by the broad investor base in a more balanced manner. This implies, that the issuance under new law are going to be carried out under more normal market conditions and that the current bid is only going to be sustainable for shorter dated durations.



Christian Lindstrøm Lage  
Chief Investment Officer, Midgard

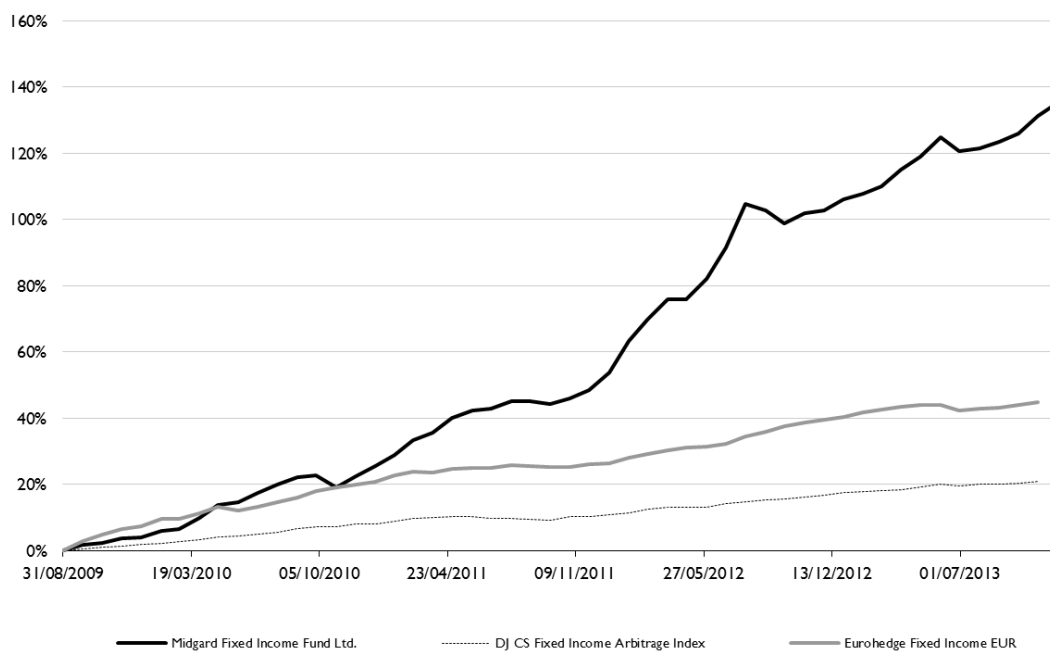
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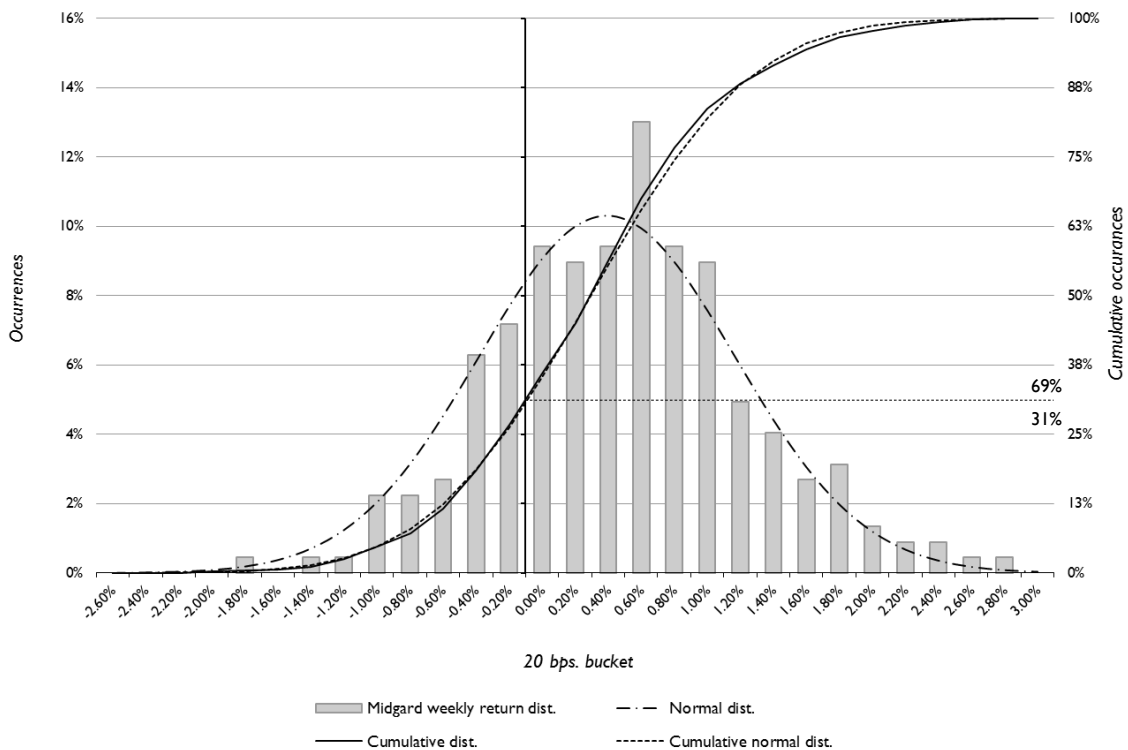
## HISTORICAL PERFORMANCE

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%		14.13%



Return	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJIA Fixed Income Arbitrage Index
Annualized	22.28%	4.68%	9.29%
Last 12 months	15.89%	4.10%	4.29%
Last 3 months	5.17%	0.83%	1.33%
Since inception	135.13%	21.00%	44.78%
Best month	6.97%	1.02%	2.77%
Worst month	-2.98%	-0.50%	-1.14%
Positive months	88.24%	90.00%	90.00%
Negative months	11.76%	10.00%	10.00%
Volatility	6.43%	1.23%	2.51%
Sharpe Ratio	3.38	3.37	3.49

## RETURN DISTRIBUTION



Moments	Midgard Fixed Income	EuroHedge Fixed	DJIA Fixed Income
	Fund Ltd.	Income Arbitrage Index	Arbitrage Index
Return	22.28%	4.68%	9.29%
Standard deviation	6.43%	1.23%	2.51%
Kurtosis	1.28	0.17	0.86
Skewness	0.26	-0.44	0.09

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	28.94%	8.32%	31.21%

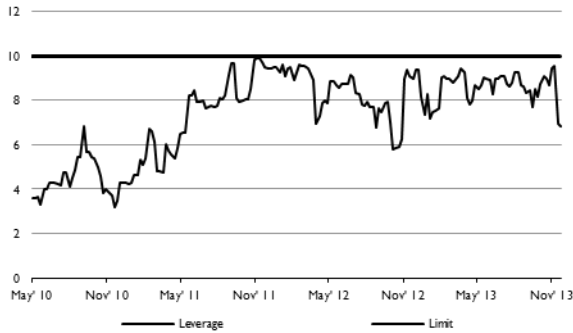
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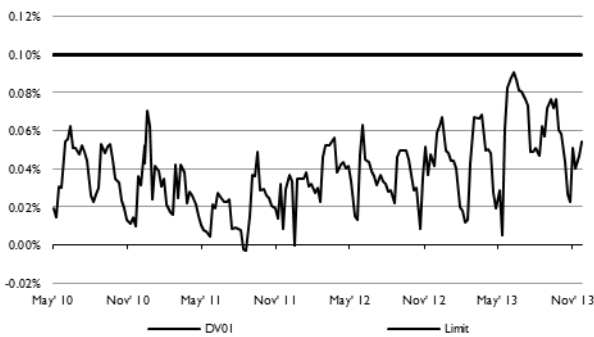
## RISK & LINE LIMITS

### LEVERAGE

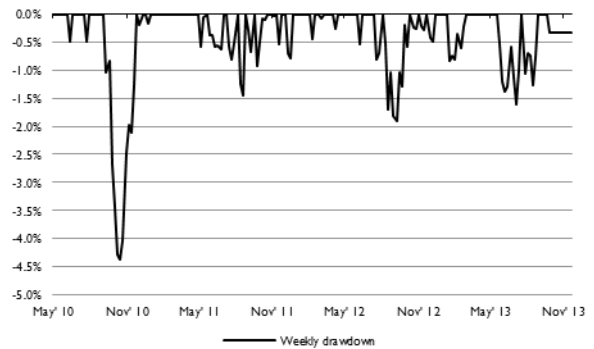


Risk	Midgard	Line/limit
DV01	0.06%	± 0.10%
Leverage	6.89	Max. 10
VaR	0.70%	Max. 2 %
FX exposure	41.70%	Max. 100 %

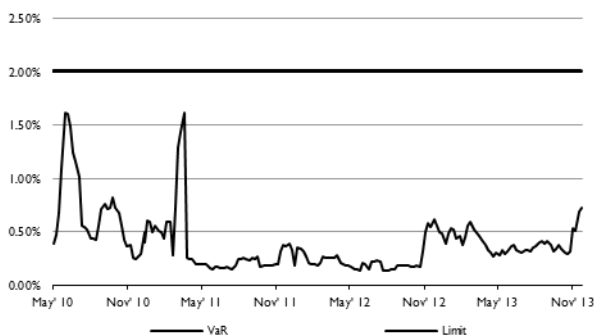
### DV01



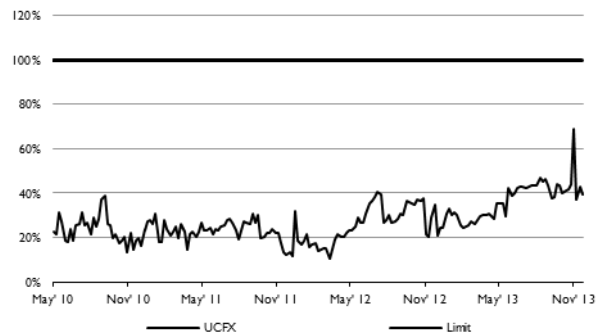
### WEEKLY DRAWDOWN



### VaR



### NON-COVERED FX EXPOSURE



## RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return ( $r_p$ )	22.28%	15.89%	
Excess return ( $r_p - r_f$ )	21.75%	15.78%	
<i>36 month</i>			
Portfolio return ( $r_p$ )	24.32%	-	
Excess return ( $r_p - r_f$ )	23.79%	-	
Maximum drawdown since inception	4.38%	1.60%	
Maximum drawdown 36m	2.11%	-	*
Largest individual drawdown			
First	1.85%	1.60%	
Second	1.42%	1.38%	
Third	1.24%	1.29%	
Average	1.50%	1.42%	
Calmar Ratio	11.30	-	*
MAR Ratio	4.97	9.86	
Sterling ratio	14.48	11.17	
Downside risk	0.89%	1.07%	
Upside risk	1.35%	1.68%	
Loss standard deviation	6.75%	5.28%	
Gain standard deviation	4.87%	3.45%	
Mean absolute moment, downside	-24.04%	-19.87%	
Mean absolute moment, upside	40.23%	30.29%	
Omega ratio	1.51	1.57	
Volatility skewness	0.52	0.43	

\* Not applicable for 1-year returns

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## FIXED INCOME FUND LIMITED

Strategy AUM	EUR 531.82 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