



NEWSLETTER OCTOBER 2014

MIDGARD
FIXED INCOME FUND LIMITED

MIDGARD

FIXED INCOME FUND LIMITED

NEWSLETTER OCTOBER 2014

| Performance & NAV | AA | A | B |
|---------------------|---------------|---------------|---------------|
| Monthly return | 0.88% | 0.88% | 0.72% |
| Return year-to-date | 7.35% | 7.35% | 5.82% |
| NAV per share | 252.02 | 124.20 | 119.43 |

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

MARKET UPDATE OCTOBER 2014

Midgard Fixed Income Fund returned 0.88 per cent in October bringing the total performance year to date to 7.35 per cent.

Both sluggish realised macro-economic figures as well as macro-economic indicators confirmed throughout October, why ECB governor Mr. Draghi was as dovish as he was at the September press conference. The negative sentiment was broadly diversified across regions and sectors, why it truly is hard to point at where inflationary support should stem from. The overnight cost of unsecured funding, the EONIA fixing, has come down somewhat after the September rate, however not by the magnitude that would have been anticipated in the usual European money regime, as pointed out in the former newsletter. It has been tempting to conclude that the most recent rate cut has been pointless given the fact that the market impact has been fairly muted. The rapid repayment of the European LTRO has however led to increasing short term rates, why a unchanged monetary policy equivalent would have led to higher EONIA fixings, should the ECB had done nothing. Mr. Draghi's dovish stance also at the October ECB press conference has led market participants to anticipate the announcement of a more classic yankee quantitative easing programme in addition to the previously announced covered bond and ABS purchasing programmes.

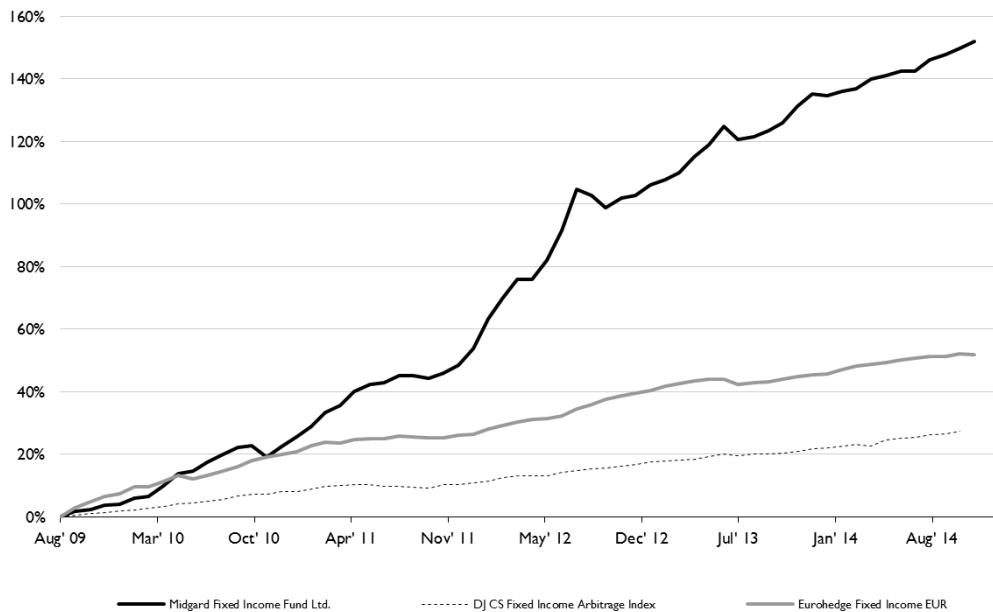
The October market environment in general was very supportive for the Midgard Fixed Income Fund strategy and so the strategy proved to be highly resilient to the mid October risk off setback.



Christian Lindstrøm Lage
Chief Investment Officer, Midgard

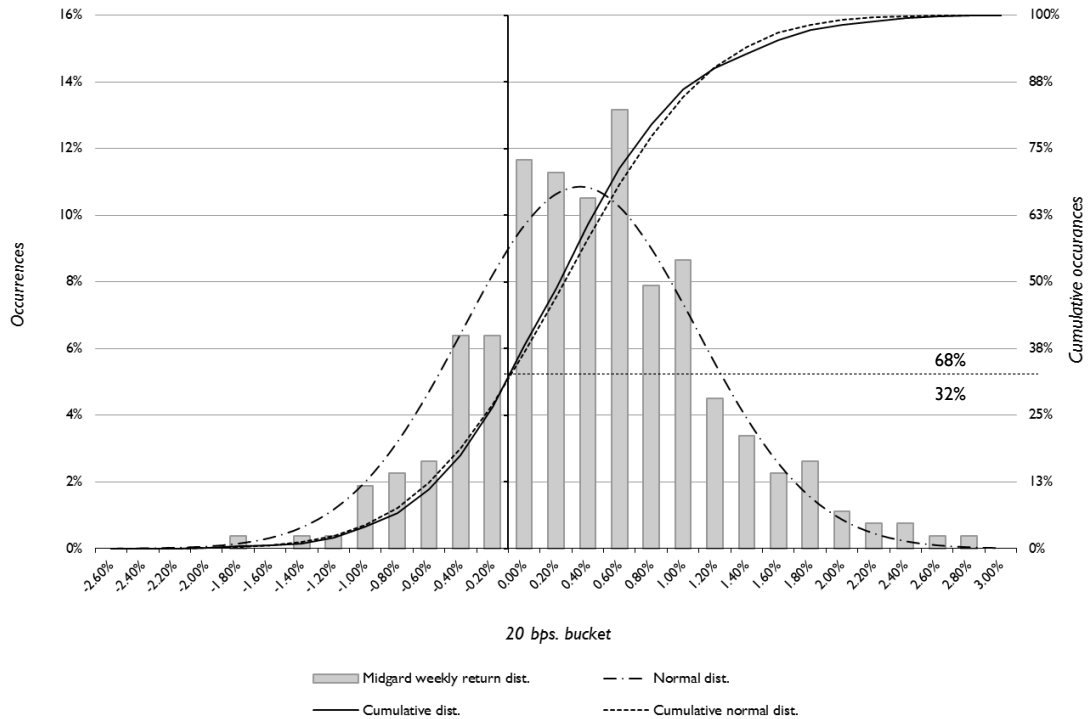
HISTORICAL PERFORMANCE

| 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% | -0.05% | 1.57% | 0.62% | 0.83% | 0.88% | | | 7.35% |



| Return | Midgard Fixed Income Fund Ltd. | EuroHedge Fixed Income Arbitrage Index | DJIA Fixed Income Arbitrage Index |
|-----------------|--------------------------------|--|-----------------------------------|
| Annualized | 19.59% | 4.87% | 8.43% |
| Last 12 months | 9.01% | 5.71% | 4.93% |
| Last 3 months | 2.35% | 1.46% | 0.50% |
| Since inception | 152.02% | 27.36% | 51.91% |
| Best month | 6.97% | 1.51% | 2.77% |
| Worst month | -2.98% | -0.50% | -1.14% |
| Positive months | 87.10% | 90.16% | 90.32% |
| Negative months | 12.90% | 9.84% | 9.68% |
| Volatility | 6.03% | 1.29% | 2.33% |
| Sharpe Ratio | 3.17 | 3.43 | 3.42 |

RETURN DISTRIBUTION



| Moments | Midgard Fixed Income | EuroHedge Fixed | DJIA Fixed Income |
|--------------------|----------------------|------------------------|-------------------|
| | Fund Ltd. | Income Arbitrage Index | Arbitrage Index |
| Return | 19.59% | 4.79% | 8.43% |
| Standard deviation | 6.03% | 1.28% | 2.33% |
| Kurtosis | 1.69 | 0.94 | 1.25 |
| Skewness | 0.53 | -0.11 | 0.33 |

| 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 | 31.29% | -4.72% | 32.78% |

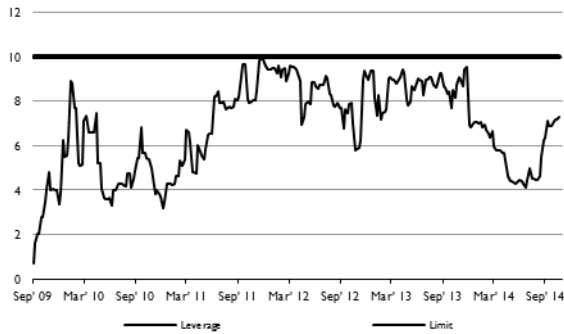
MIDGARD

FIXED INCOME FUND LIMITED

NEWSLETTER OCTOBER 2014

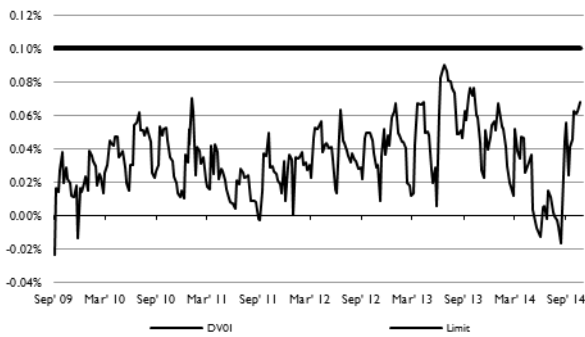
RISK & LINE LIMITS

LEVERAGE

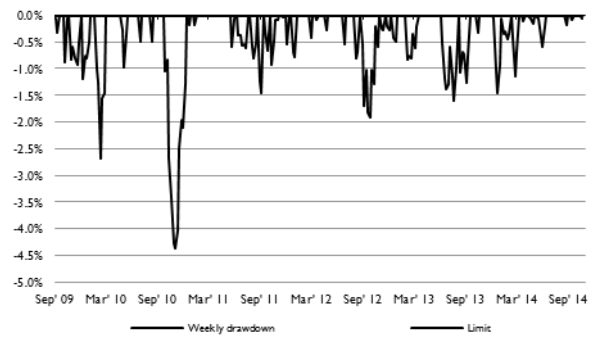


| Risk | Midgard | Limit/limit |
|-------------|---------|-------------|
| DV01 | 0.06% | ± 0.10% |
| Leverage | 7.13 | Max. 10 |
| VaR | 0.51% | Max. 2 % |
| FX exposure | 32.69% | Max. 100 % |

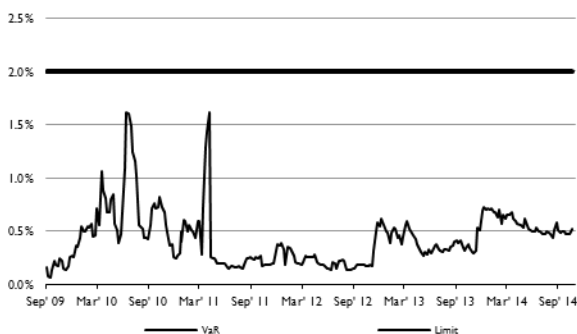
DV01



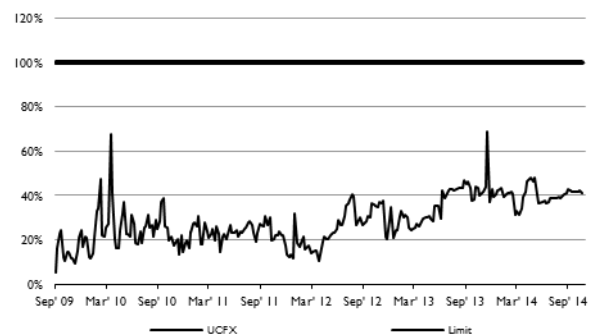
WEEKLY DRAWDOWN



VaR



NON-COVERED FX EXPOSURE



RISK FIGURES

| Risk Figure | Weekly data | | Note |
|----------------------------------|-----------------|---------|------|
| | Since inception | 1Y | |
| <i>Period</i> | | | |
| Portfolio return (r_p) | 19.59% | 9.01% | |
| Excess return ($r_p - r_f$) | 19.14% | 8.90% | |
| <i>36 month</i> | | | |
| Portfolio return (r_p) | 19.95% | - | |
| Excess return ($r_p - r_f$) | 19.75% | - | |
| Maximum drawdown since inception | 4.38% | 1.45% | |
| Maximum drawdown 36m | 1.91% | - | * |
| Largest individual drawdown | | | |
| First | 1.85% | 1.45% | |
| Second | 1.42% | 1.15% | |
| Third | 1.24% | 1.03% | |
| Average | 1.50% | 1.21% | |
| Calmar Ratio | 10.33 | - | * |
| MAR Ratio | 4.37 | 6.13 | |
| Sterling ratio | 12.74 | 7.44 | |
| Downside risk | 0.82% | 0.96% | |
| Upside risk | 1.23% | 1.02% | |
| Loss standard deviation | 6.18% | 3.59% | |
| Gain standard deviation | 4.72% | 2.68% | |
| Mean absolute moment, downside | -21.89% | -12.37% | |
| Mean absolute moment, upside | 37.03% | 21.59% | |
| Omega ratio | 1.51 | 1.07 | |
| Volatility skewness | 0.58 | 0.56 | |

* Not applicable for 1-year returns

MIDGARD

FIXED INCOME FUND LIMITED

| | |
|--------------------|--|
| Strategy AUM | EUR 543.57 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 |