

NEWSLETTER OCTOBER 2013



MIDGARD
FIXED INCOME FUND LIMITED

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Performance & NAV

Monthly return **2.24%**

Return year-to-date **12.21%**

NAV per share **231.19**

MARKET UPDATE OCTOBER 2013

Midgard Fixed Income Fund yielded 2.24 per cent in October, which brings total performance for 2013 to 12.21 per cent.

A more broad based negative macroeconomic sentiment characterized October globally. Both European core and headline inflation prints failed to show any signs of improvement, and confirmed why ECB president Mr. Draghi has been as keen on forcing forward rates lower. Mr. Draghi further took the unprecedented step to pre-commit the ECB to keep rates low earlier than anticipated. Curve flattening forced asset managers down the credit ladder and to extend duration, which provided a strong bid and led to flatter OAS curves in most asset swap structures. The old theme of the extent to which the ECB is willing to lower the lending/deposit corridor into negative territory, re-emerged and got fuelled by a more sceptical stance by the FOMC. Though the nonfarm payroll headline print seems fine, statistics on the ability of the U.S. economy to create jobs has been largely reliant on labor force depreciation, rather than sustainable job creation.

In Scandinavia, October offered a strong bid for the long end of the curves. In particular, the Swedish covered bond curve saw strong bids, which led to a significant 2 year versus 5 year flattening. Though the Swedish economy has been remarkably resilient to the European debt crisis, macroeconomic figures emphasized that the region clearly is highly dependent on global if not European growth. The Riksbank lowered accordingly its estimates for the interest rate path going forward.



Christian Lindstrøm Lage
Chief Investment Officer, Midgard

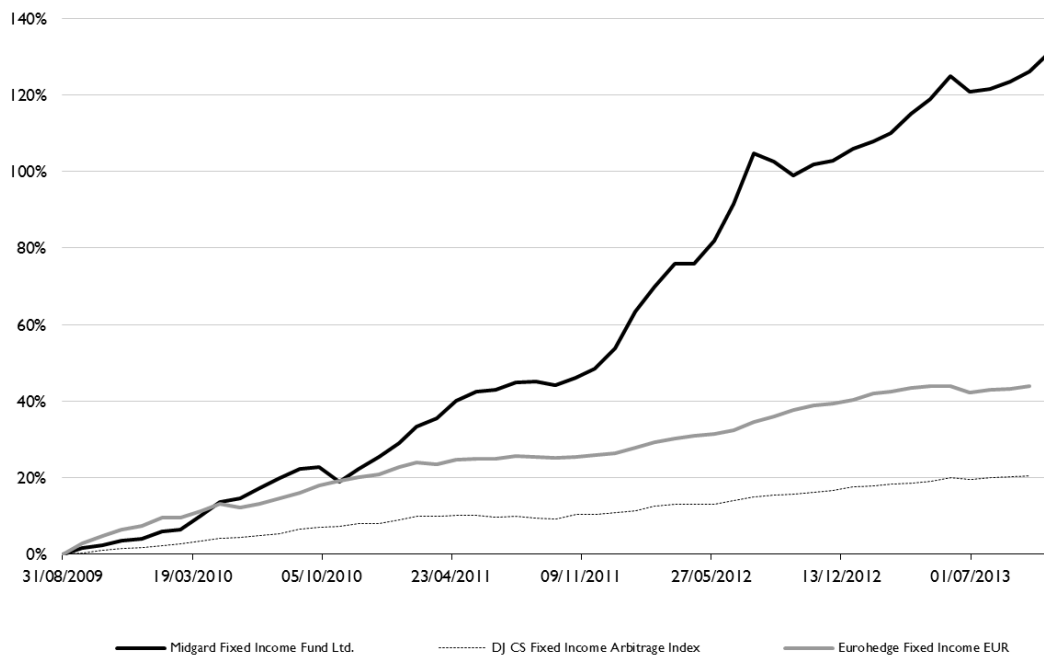
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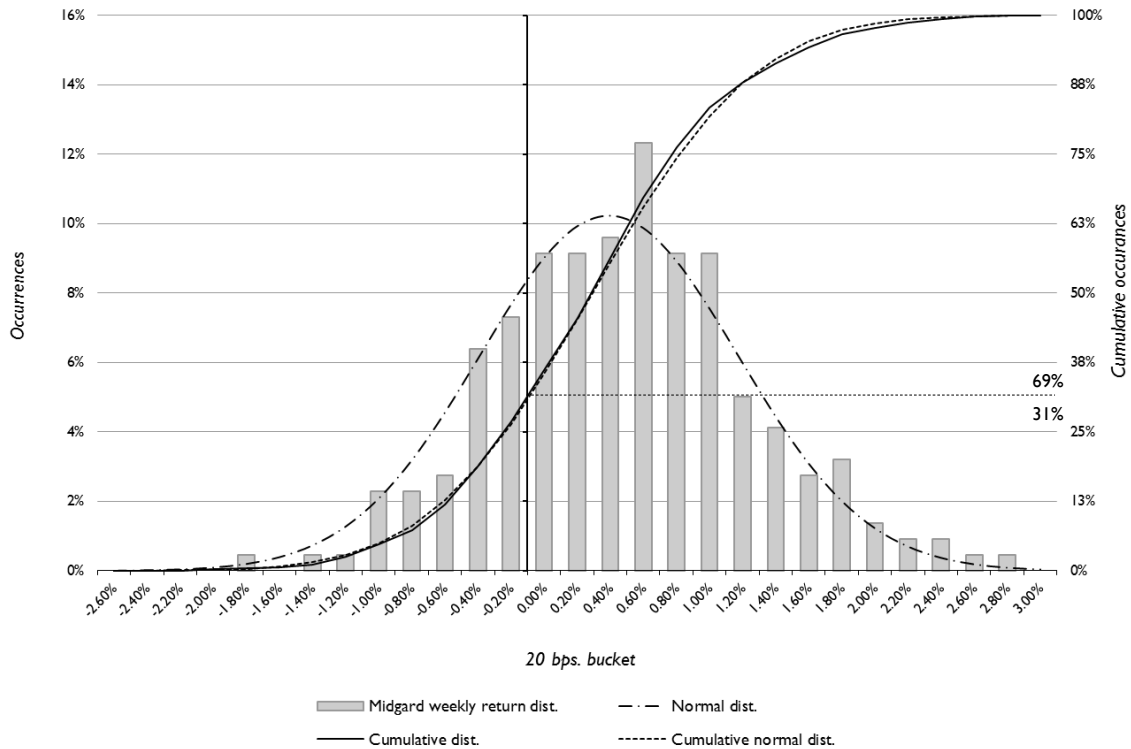
HISTORICAL PERFORMANCE

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%			12.21%



Return	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJIA Fixed Income Arbitrage Index
Annualized	22.28%	4.67%	9.32%
Last 12 months	14.51%	4.21%	4.56%
Last 3 months	4.33%	0.80%	1.10%
Since inception	131.19%	20.48%	43.90%
Best month	6.97%	1.02%	2.77%
Worst month	-2.98%	-0.50%	-1.14%
Positive months	88.00%	89.80%	89.80%
Negative months	12.00%	10.20%	10.20%
Volatility	6.49%	1.24%	2.53%
Sharpe Ratio	3.36	3.36	3.49

RETURN DISTRIBUTION



Moments	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJIA Fixed Income Arbitrage Index
Return	22.28%	4.67%	9.32%
Standard deviation	6.49%	1.24%	2.53%
Kurtosis	1.20	0.10	0.79
Skewness	0.26	-0.42	0.08

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	28.96%	8.49%	31.15%

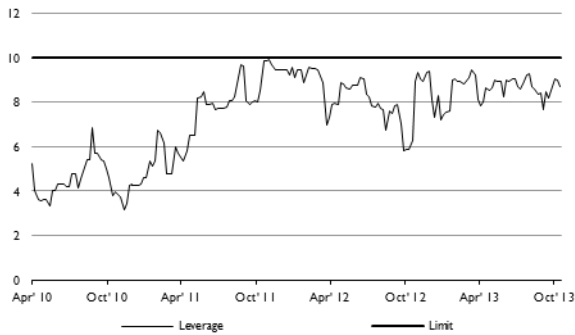
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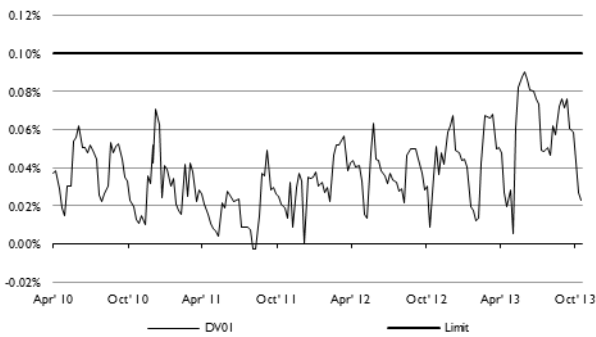
RISK & LINE LIMITS

LEVERAGE

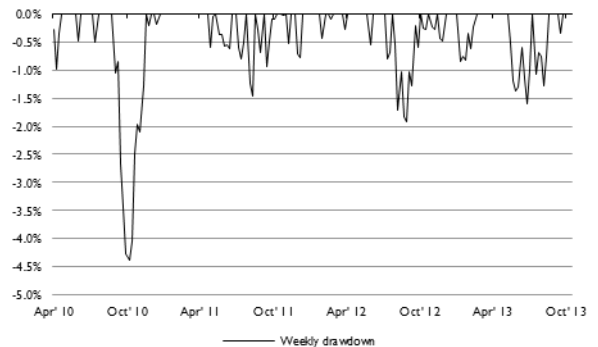


Risk	Midgard	Line/limit
DV01	0.07%	± 0.10%
Leverage	8.16	Max. 10
VaR	0.34%	Max. 2 %
FX exposure	43.56%	Max. 100 %

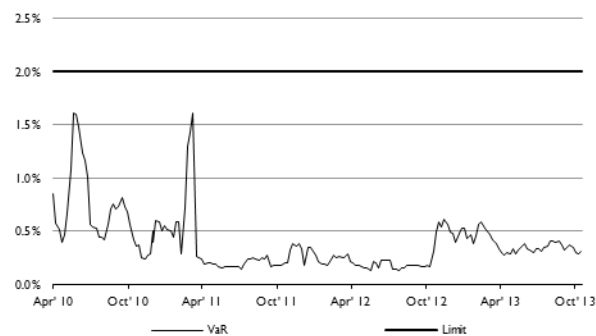
DV01



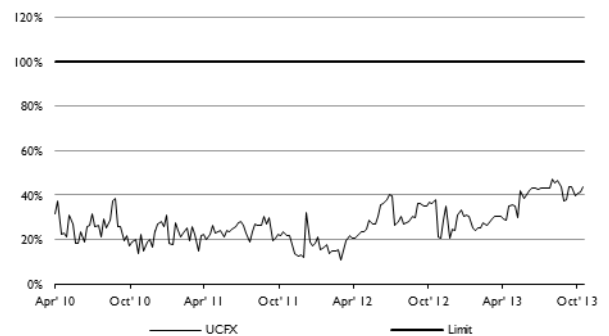
WEEKLY DRAWDOWN



VaR



NON-COVERED FX EXPOSURE



RISK FIGURES

Risk Figure	Weekly		Note
	Since inception	1Y	
<i>Period</i>			
r_p	22.28%	14.51%	
$r_p - r_f$	21.74%	14.41%	
<i>36 month</i>			
r_p	24.76%	-	
$r_p - r_f$	24.21%	-	
Maximum drawdown since inception	4.38%	1.60%	
Maximum drawdown 36m	4.38%	-	*
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	5.53	-	*
MAR Ratio	4.97	9.00	
Sterling ratio	14.47	10.21	
Downside risk	0.90%	1.07%	
Upside risk	1.36%	1.68%	
Loss standard deviation	6.79%	4.92%	
Gain standard deviation	4.91%	3.62%	
Mean absolute moment, downside	-24.34%	-18.34%	
Mean absolute moment, upside	40.44%	30.42%	
Omega ratio	1.51	1.57	
Volatility skewness	0.52	0.54	

* Not applicable for 1-year returns

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Strategy AUM	EUR 522.89 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
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