



# NEWSLETTER OCTOBER 2016

**PFA**  
INVESTMENT FUND

Performance & NAV	<b>AA</b>	<b>A</b>	<b>B</b>
Monthly return	<b>1.62%</b>	<b>1.62%</b>	<b>1.37%</b>
Return year-to-date	<b>17.37%</b>	<b>17.37%</b>	<b>15.10%</b>
NAV per share	<b>301.66</b>	<b>148.67</b>	<b>137.94</b>

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

## MARKET UPDATE OCTOBER 2016

PFA Investment Fund - Midgard Fixed Income Fund returned 1.62 % in October, bringing total YTD return to 17.37 %.

After a somewhat quiet summer, October brought an increase in yields as 10 Year German Government Bond rose from -0.11% to 0.16% and somewhat negative equity markets. The primary driver was a shift in tone within the financial markets from an expected dovish stance from central banks to concerns over higher probability for tapering of QE programs in Europe as well as better than expected key figures out of UK. The latter giving the image that UK have, at least for now, rebounded in the aftermath of the Brexit outcome.

Core markets continued to perform for PFA Investment Fund – Midgard Fixed Income Fund although at a slightly sluggish pace and primarily in the 4-5 Year segment of the bond curve.

Especially the Swedish swap curve flattened driven by fixings coming lower. This can to some extent be explained by worse than expected inflation figures and an expected lower rate path of the Riksbank, but also to some extent by the fact that the financial market is already starting to price in effects for Year end. Here the financial system will once again be faced by the effects of the Resolution Fund and although preparations have been made this could lead the way to a wide spread between STIBOR fixings and funding levels to avoid higher balance sheets.

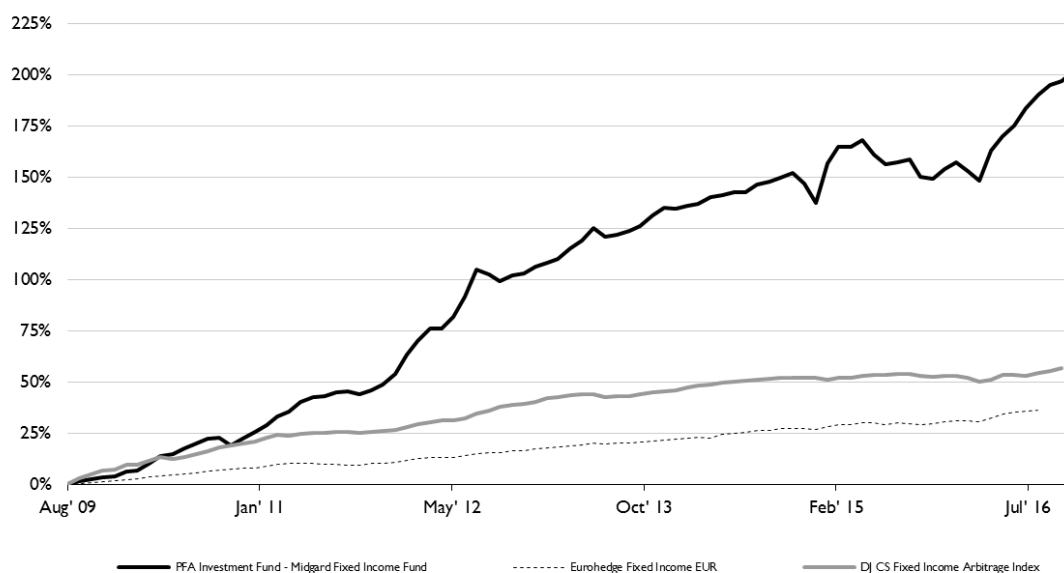
The appetite continued to be impressive for the long mortgage bonds in Denmark, primarily driven by foreign interest. High yielding, AAA rated bonds – what’s not to like? A real test of this will be the day the negative convexity will come to market via higher rates. This more often than not leads to underperformance as the Danish market is flooded with duration.



Jesper Slemming  
Chief Investment Officer, Midgard

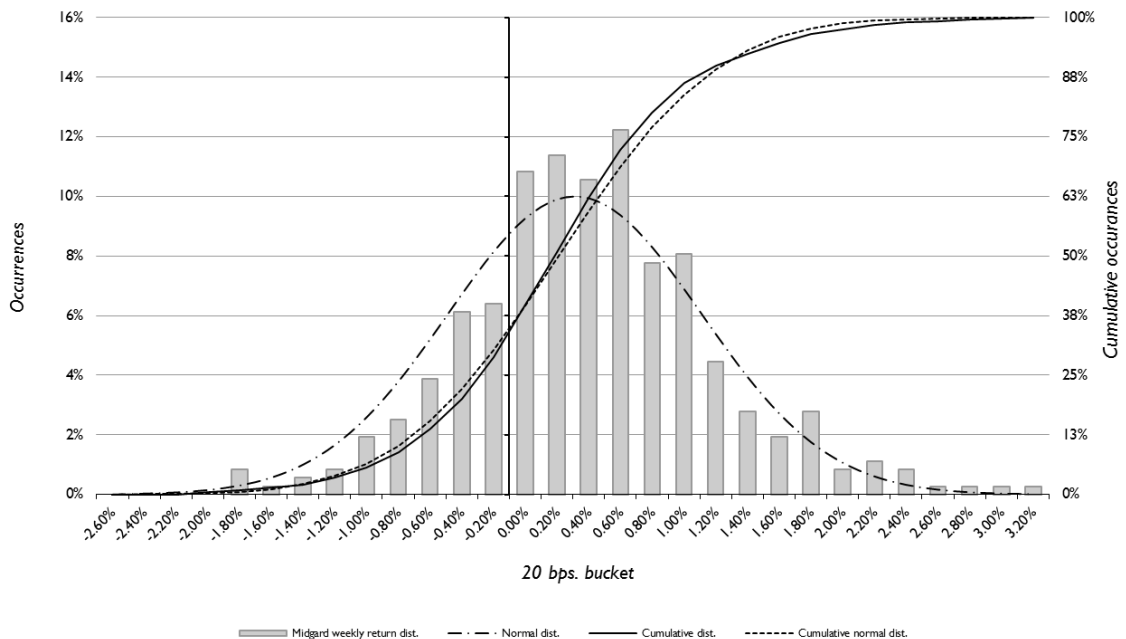
**HISTORICAL PERFORMANCE**

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%	-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%			17.37%



Return	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Annualized	16.66%	4.57%	6.55%
Last 12 months	21.04%	4.58%	2.42%
Last 3 months	3.90%	1.46%	2.61%
Since inception	201.66%	36.22%	56.68%
Best month	8.18%	1.51%	2.77%
Worst month	-3.82%	-0.58%	-1.14%
Positive months	81.40%	84.34%	81.18%
Negative months	18.60%	15.66%	18.82%
Volatility	7.29%	1.49%	2.42%
Sharpe Ratio	2.24	2.87	2.59

RETURN DISTRIBUTION

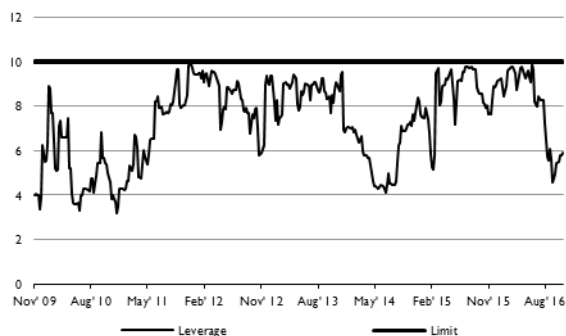


Moments	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Return	16.66%	4.57%	6.55%
Standard deviation	7.29%	1.49%	2.42%
Kurtosis	1.53	0.37	0.81
Skewness	0.37	-0.05	0.25

Correlation analysis	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Correlation coefficient	-	56.65%	29.19%
Beta	-	281.86%	88.54%
Alpha	-	2.83%	10.07%
R2	-	32.09%	8.52%
Autocorrelation	22.48%	3.52%	37.30%

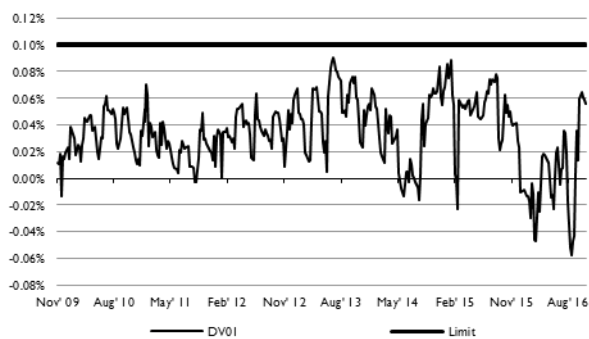
### RISK & LINE LIMITS

#### LEVERAGE

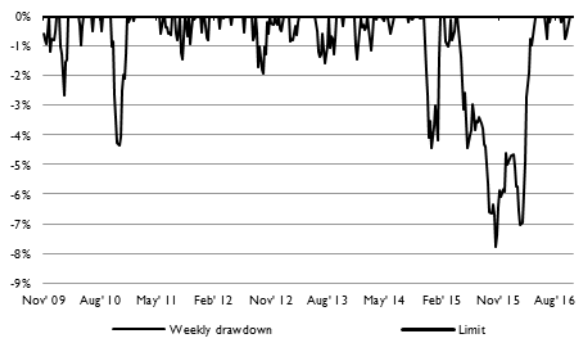


Risk	Midgard	Lime/limit
DV01	0.03%	± 0.10%
Leverage	5.90	Max. 10
VaR	0.39%	Max. 2 %
FX exposure	76.37%	Max. 100 %

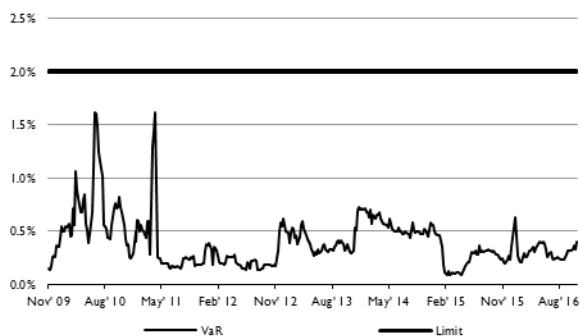
#### DV01



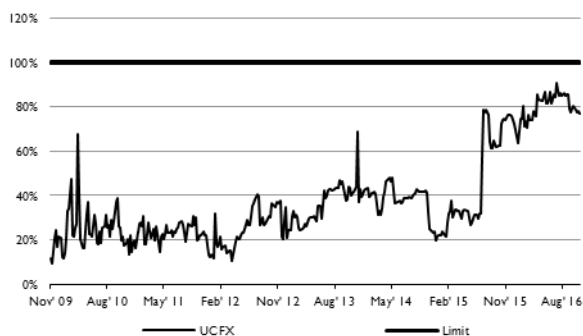
#### WEEKLY DRAWDOWN



#### VaR



#### NON-COVERED FX EXPOSURE



RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return ( $r_p$ )	16.66%	21.04%	
Excess return ( $r_p - r_f$ )	16.40%	21.42%	
<i>36 month</i>			
Portfolio return ( $r_p$ )	9.27%	-	
Excess return ( $r_p - r_f$ )	9.38%	-	
Maximum drawdown since inception	7.78%	7.78%	
Maximum drawdown 36m	7.78%	-	*
Largest individual drawdown			
First	1.86%	1.15%	
Second	1.85%	0.86%	
Third	1.46%	0.78%	
Average	1.72%	0.93%	
Calmar Ratio	1.21	-	*
MAR Ratio	2.11	2.75	
Sterling ratio	9.52	22.66	
Downside risk	0.71%	1.15%	
Upside risk	1.20%	2.35%	
Loss standard deviation	6.34%	6.19%	
Gain standard deviation	5.16%	4.95%	
Mean absolute moment, downside	-24.58%	-24.25%	
Mean absolute moment, upside	37.21%	34.24%	
Omega ratio	1.69	2.04	
Volatility skewness	0.66	0.64	

\* Not applicable for 1-year returns

# PFA

INVESTMENT FUND

Strategy AUM	EUR 468.004 million
Listing	Irish Stock Exchange
ISIN	LU1439934933
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