



**NEWSLETTER SEPTEMBER 2012**

**MIDGARD**

FIXED INCOME FUND LIMITED

### Performance & NAV

Monthly return **-1.82%**

Return year-to-date **29.41%**

NAV per share **198.97**

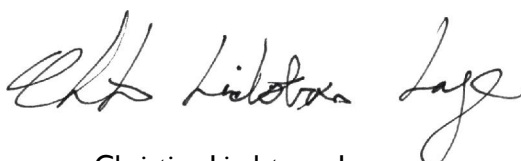
### MARKET UPDATE SEPTEMBER 2012

The risk-on sentiment, and the partial unwinding of Nordic safe haven bets, continued to put pressure on Midgard's key trades in September. Hence, the fund recorded a loss (1.82%) for the second consecutive month. Year to date the result is 29.41%.

The market movements, in September, were not large, but enough to more than off-set the natural carry element, embedded in most strategies, and contrary to other months, the SEK and DKK market moved in same direction. On currency level, both SEK and DKK delivered a loss of approximately 80bp, while EUR took the remaining. The DKK loss was, a result of a general underperformance of short dated DKK bonds, as well as underperformance against euro, of which a better part of the DKK portfolio was hedged.

Despite the underperformance, the potential upside for the key strategies remains intact, and there was a partial reversal of the negative development, in early October. It is however, difficult to see, a major performance ahead of the large refinancing auctions of DKK bullet bonds, which will start 19 November. Although, the absolute amount has been reduced, compared to earlier years, the supply is still substantial.

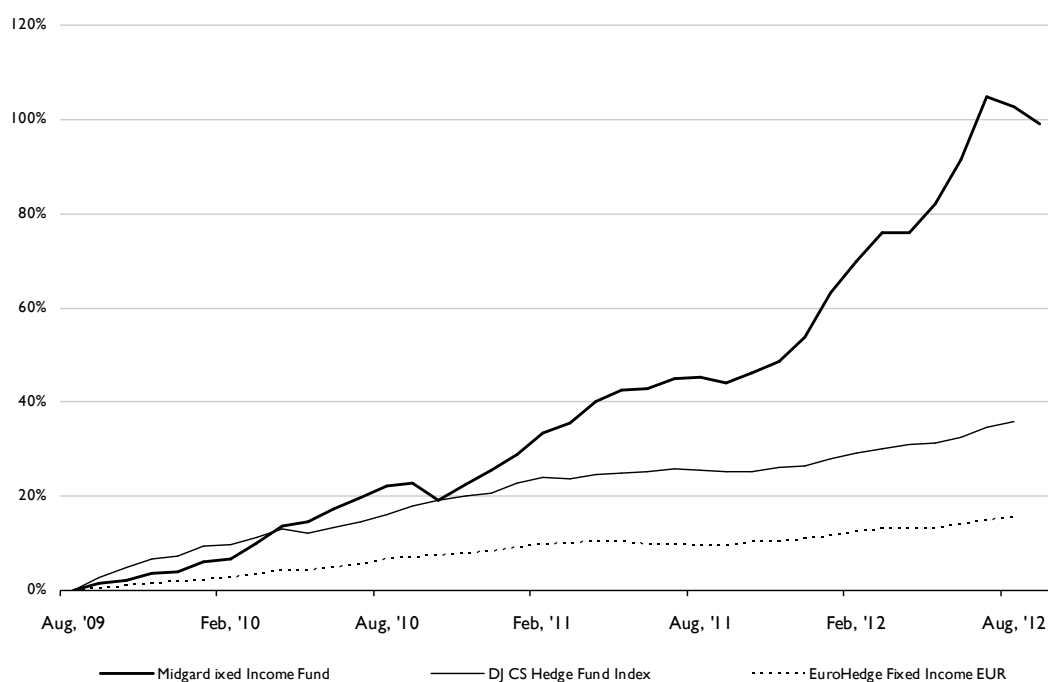
Over the course of the month, risk in terms of duration has been reduced slightly. This has, especially taken place in the SEK market, where the further potential, in longer dated bonds, seems limited in the short term, after a very strong performance in 2012. As the euro covered bond market has performed very strongly in 2012, positions in that segment have also been reduced.



Christian Lindstrøm Lage  
Chief Investment Officer, Midgard

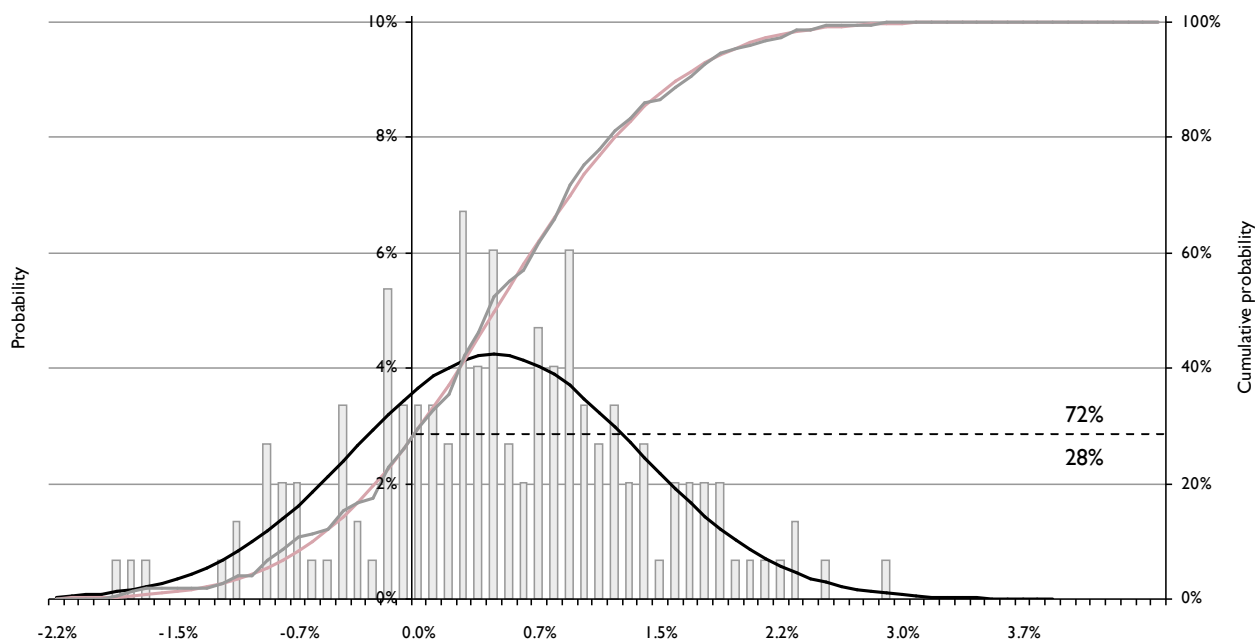
## HISTORICAL PERFORMANCE

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%				29.41%



Return	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Annualized	25.00%	2.34%	9.76%
Last 12 months	38.03%	4.96%	8.37%
Last 3 months	3.91%	2.06%	3.44%
Since inception	98.97%	14.42%	32.25%
Best month	6.97%	1.02%	2.02%
Worst month	-2.98%	-0.47%	-0.79%
Positive months	86.49%	82.86%	88.57%
Negative months	13.51%	17.14%	11.43%
Volatility	7.29%	1.32%	2.39%
Sharpe Ratio	3.35	1.29	3.83

## RETURN DISTRIBUTION

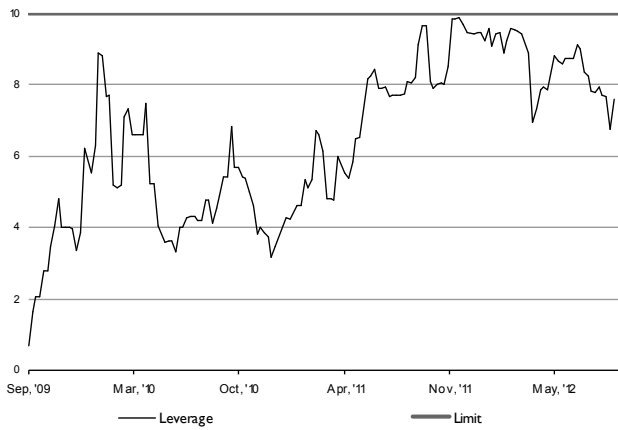


Moments	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Return	25.00%	2.34%	9.76%
Standard deviation	7.29%	1.32%	2.39%
Kurtosis	0.69	-0.58	-0.42
Skewness	0.14	-0.27	-0.22

Correlation analysis	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Correlation coefficient	-	43.96%	27.34%
Beta	-	2.30	0.79
Alpha	-	14.51%	17.97%
R2	-	19.33%	7.47%
Information ratio	-	3.31	2.28
Tracking error	-	6.84%	6.69%
Autocorrelation	30.73%	17.26%	12.58%

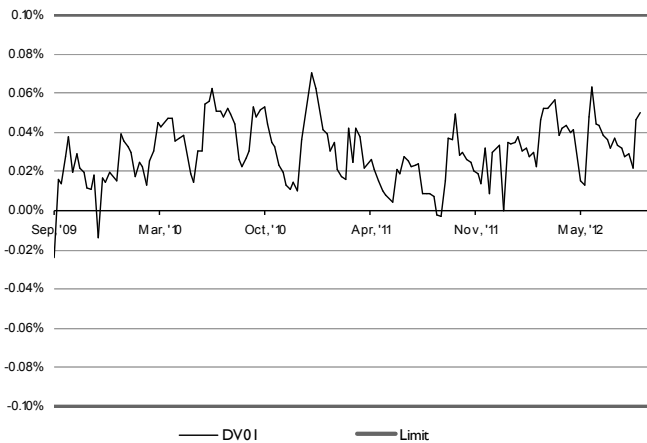
## RISK & LINE LIMITS

### LEVERAGE

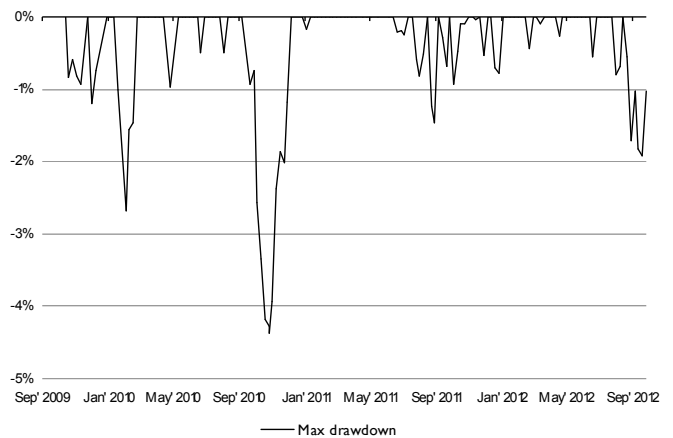


Risk	Midgard	Line/Limit
DV01	0.05%	± 0.10%
Leverage	7.47	Max. 10
VaR	0.18%	Max. 2 %
FX exposure	29.93%	Max. 100 %

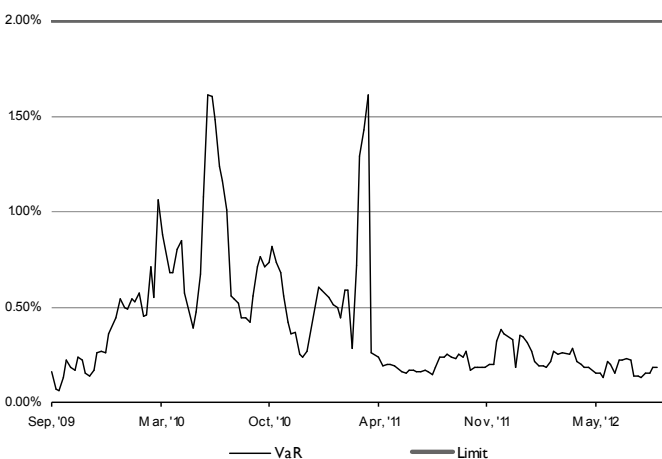
### DV01



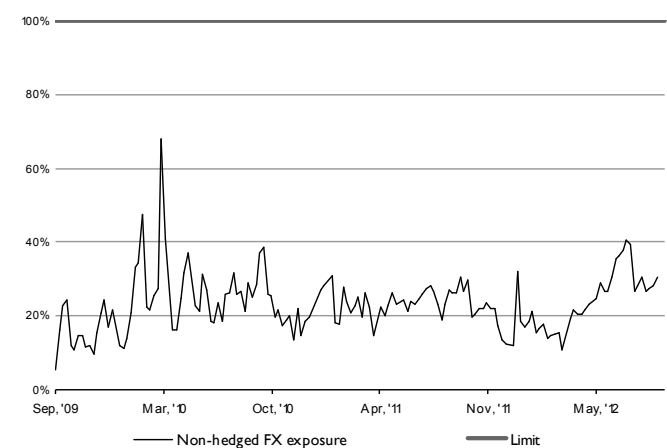
### WEEKLY DRAWDOWN



### VaR



### NON-COVERED FX EXPOSURE



# MIDGARD

## FIXED INCOME FUND LIMITED

Strategy AUM	EUR 382.76 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