

**NEWSLETTER SEPTEMBER 2013**



**MIDGARD**

FIXED INCOME FUND LIMITED

## Performance & NAV

Monthly return **1.14%**

Return year-to-date **9.75%**

NAV per share **226.12**

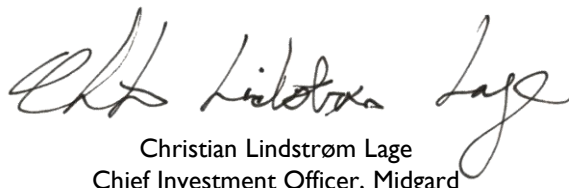
## MARKET UPDATE SEPTEMBER 2013

The Midgard Fixed Income Fund returned 1.14 per cent in September bringing total performance in for 2013 to 9.75 per cent.

Global macro-economic figures continued the patterns from August and failed yet again to confirm stable and broad based global growth prospects. The good story was clearly that US numbers continued to indicate improvements for both labour markets and business sentiment. Whether or not the less-negative, or for some indicators even better sentiment, are going to materialise into stronger GDP prints remains to be seen. A more constructive business sentiment is a prerequisite for stronger GBP at the current stage of the business cycle, i.e. a prerequisite for the timing of the FOMC down-scaling the government bond purchases. Further, tightening of monetary policy in the US through tapering puts into question the durability of the US economy's current role as a key driver for global growth.

September offered a reversal of the bond bear market that characterised August. Though bond markets sold off on the back of a clearly dovish mr. Draghi in August, pricing through September got to the point, where sanity checks of forward rates didn't justify the implied levels. Markets reversed the August moves partially and took a more nuanced stance on the August statements from key central banks.

The Danish covered bond market saw strong bids post the October refinancing auction, despite the fact that the new bonds issuance came at the usual strong levels. The long end of the Swedish ditto suffered slightly as it became more evident that key Swedish covered bond issuers will be required to extend the duration of their funding programmes to obtain their credit rating.



Christian Lindstrøm Lage  
Chief Investment Officer, Midgard

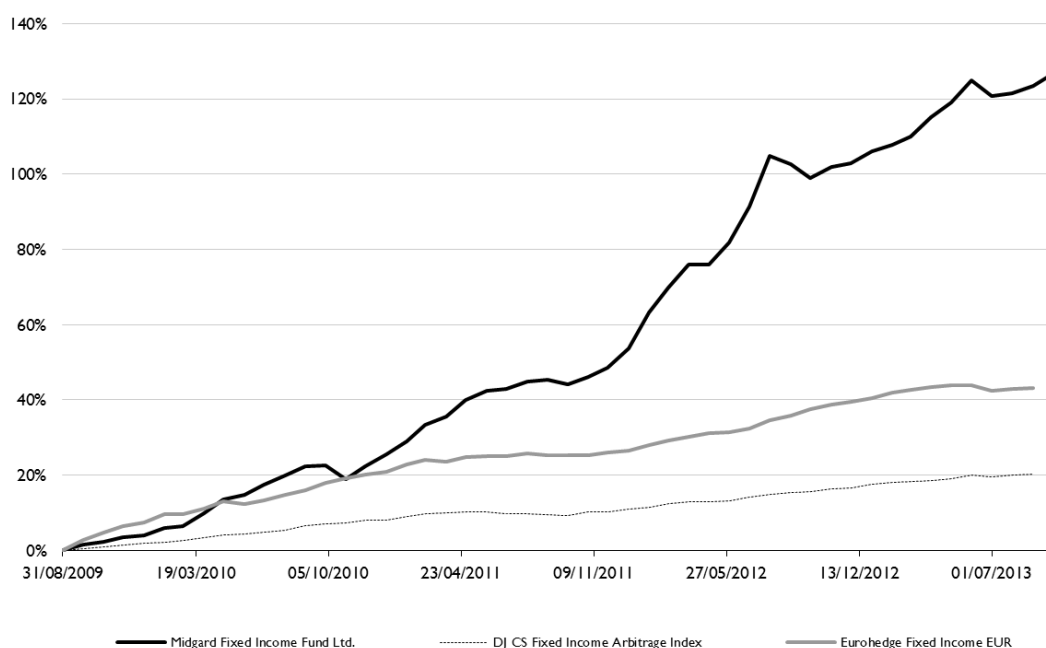
# MIDGARD

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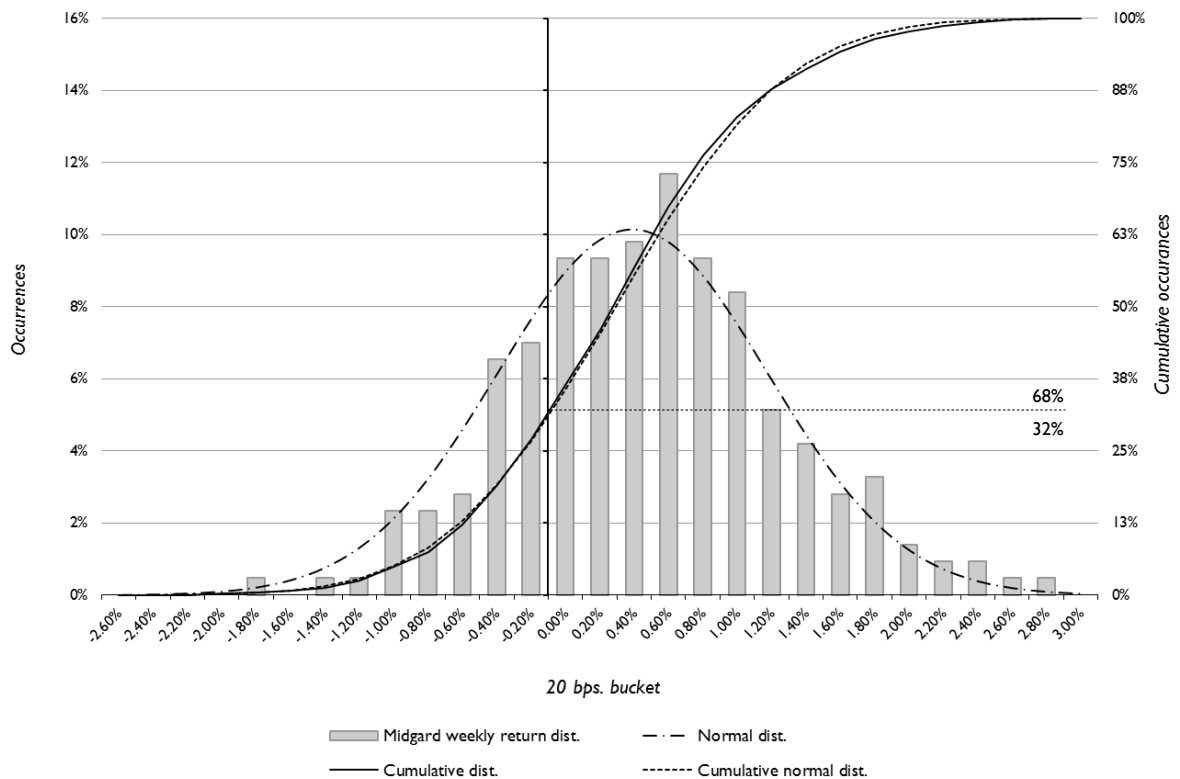
## HISTORICAL PERFORMANCE

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%				9.75%



Return	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJIA Fixed Income Arbitrage Index
Annualized	22.19%	4.71%	9.39%
Last 12 months	13.91%	4.18%	5.34%
Last 3 months	2.64%	0.07%	-0.55%
Since inception	126.64%	20.21%	43.17%
Best month	6.97%	1.02%	2.77%
Worst month	-2.98%	-0.50%	-1.14%
Positive months	87.76%	89.58%	89.58%
Negative months	12.24%	10.42%	10.42%
Volatility	6.55%	1.25%	2.55%
Sharpe Ratio	3.31	3.36	3.48

## RETURN DISTRIBUTION



Moments	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJIA Fixed Income Arbitrage Index
Return	22.19%	4.71%	9.39%
Standard deviation	6.55%	1.25%	2.55%
Kurtosis	1.14	0.08	0.73
Skewness	0.27	-0.45	0.06

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	29.10%	7.97%	30.89%

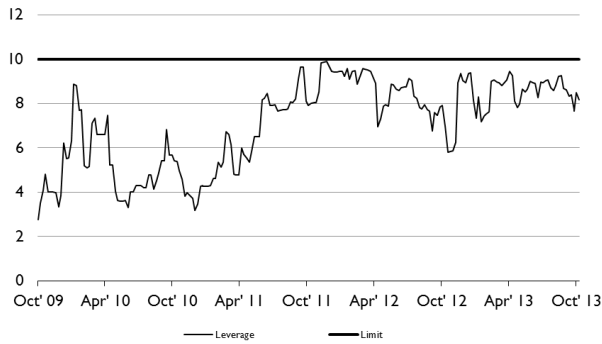
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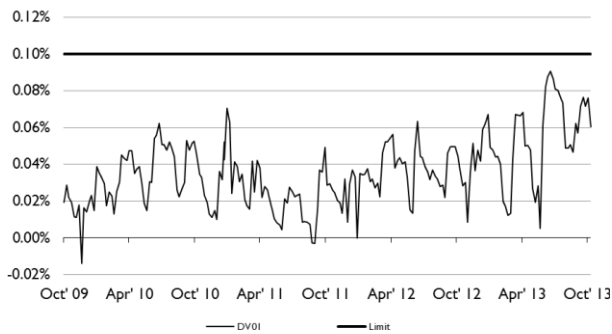
## RISK & LINE LIMITS

### LEVERAGE

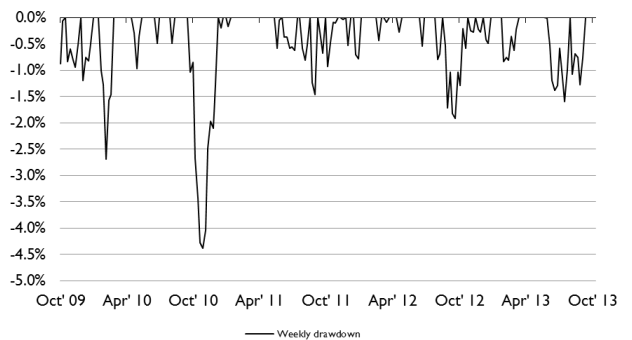


Risk	Midgard	Limit/limit
DV01	0.07%	± 0.10%
Leverage	8.16	Max. 10
VaR	0.34%	Max. 2 %
FX exposure	43.56%	Max. 100 %

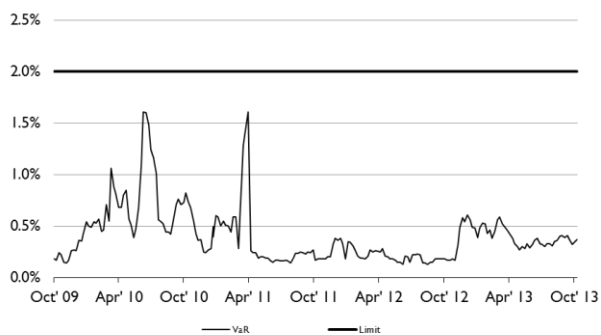
### DV01



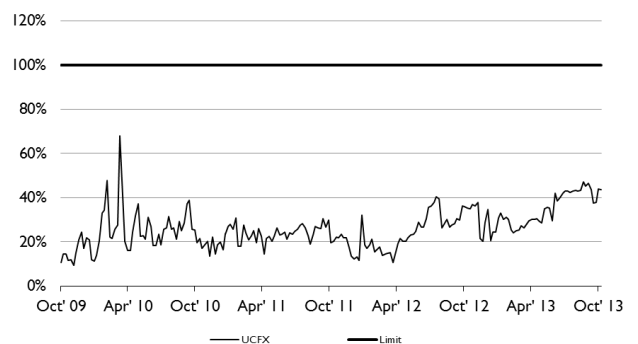
### WEEKLY DRAWDOWN



### VaR



### NON-COVERED FX EXPOSURE



## RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return ( $r_p$ )	22.12%	13.65%	
Excess return ( $r_p - r_f$ )	21.57%	13.55%	
<i>36 month</i>			
Portfolio return ( $r_p$ )	22.60%	-	
Excess return ( $r_p - r_f$ )	22.04%	-	
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	5.03	-	*
MAR Ratio	4.93	8.46	
Sterling ratio	14.36	9.60	
Downside risk	0.91%	1.07%	
Upside risk	1.38%	1.68%	
Loss standard deviation	6.80%	4.65%	
Gain standard deviation	4.97%	3.89%	
Mean absolute moment, downside	-24.44%	-17.94%	
Mean absolute moment, upside	40.62%	30.95%	
Omega ratio	1.51	1.57	
Volatility skewness	0.54	0.70	

\* Not applicable for 1-year returns

# MIDGARD

## FIXED INCOME FUND LIMITED

Strategy AUM	EUR 511.44 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