



# NEWSLETTER SEPTEMBER 2017

**PFA**  
INVESTMENT FUND

Performance & NAV	<b>AA</b>	<b>A</b>	<b>B</b>
Monthly return	<b>0.57%</b>	<b>0.57%</b>	<b>0.44%</b>
Return year-to-date	<b>7.00%</b>	<b>7.00%</b>	<b>6.79%</b>
NAV per share	<b>311.92</b>	<b>153.73</b>	<b>141.07</b>

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

## MARKET UPDATE SEPTEMBER 2017

PFA Investment Fund - Midgard Fixed Income Fund returned 0.57 % in September, bringing total YTD return to 7.00 %.

'Return to Innocence' would be a prudent description of the financial markets in September as the geopolitical stage – especially tensions between North Korea and the USA – was very muted. Adding a continued positive stream of economical key figures and You have the perfect cocktail for 'classic' correlated market moves with 10 Year American yields climbing some 22bp, transatlantic spread widening, stocks climbing to new highs and US Dollar strengthening versus other currencies. The only question needed answering was how much risk You dared to add!

The core market for the PFA Investment Fund by no means diverted from the above market movements. As is most often the case, Sweden was at the forefront of repricing risk and spreads to core Euro was left wider. But not before a strong tightening upon another 5 Years as Head of Riksbanken for governor Ingves which came as a surprise to the financial markets. The movement was short lived and, among others, higher inflation figures and sentiment indicators sent spread back out.

In covered bond space Sweden, Denmark and Norway kept very low levels versus interest rate swaps and hereby continued to keep carry junkies shy from adding although market sentiment was for a shift out of Denmark into Sweden. Here especially the 5 Year covered continue to offer a bit of carry and roll.

Longer dated Danish covered callable bonds continued performance to all time tight levels, but in a world where the hunt for pickup continues there seems to be no end to this.

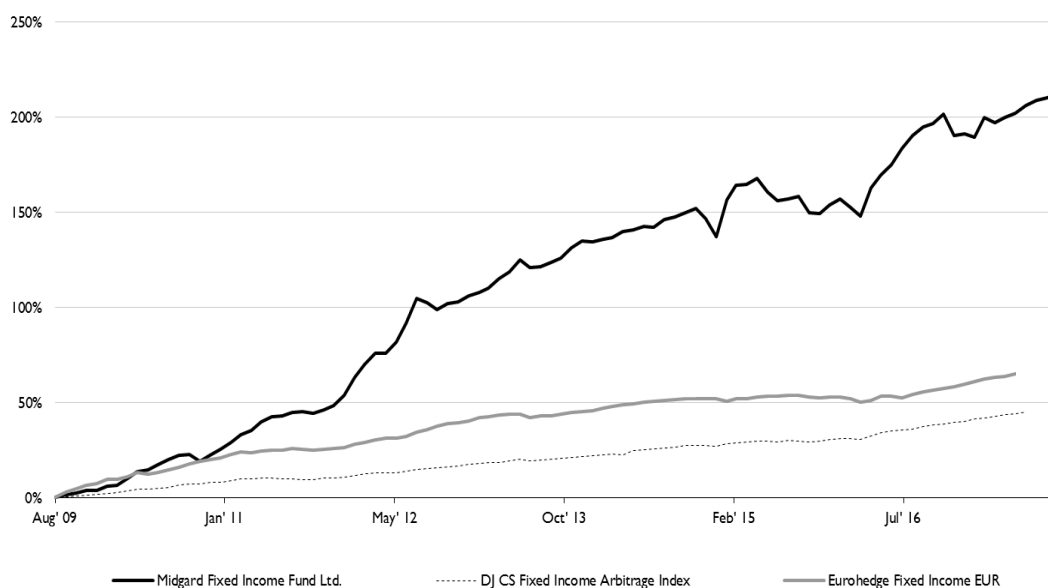
That said – going back some 10 to 11 Years – I recollect having heard this before and continue to take a cautious approach



Jesper Slemming  
Chief Investment Officer, PFA Investment Fund

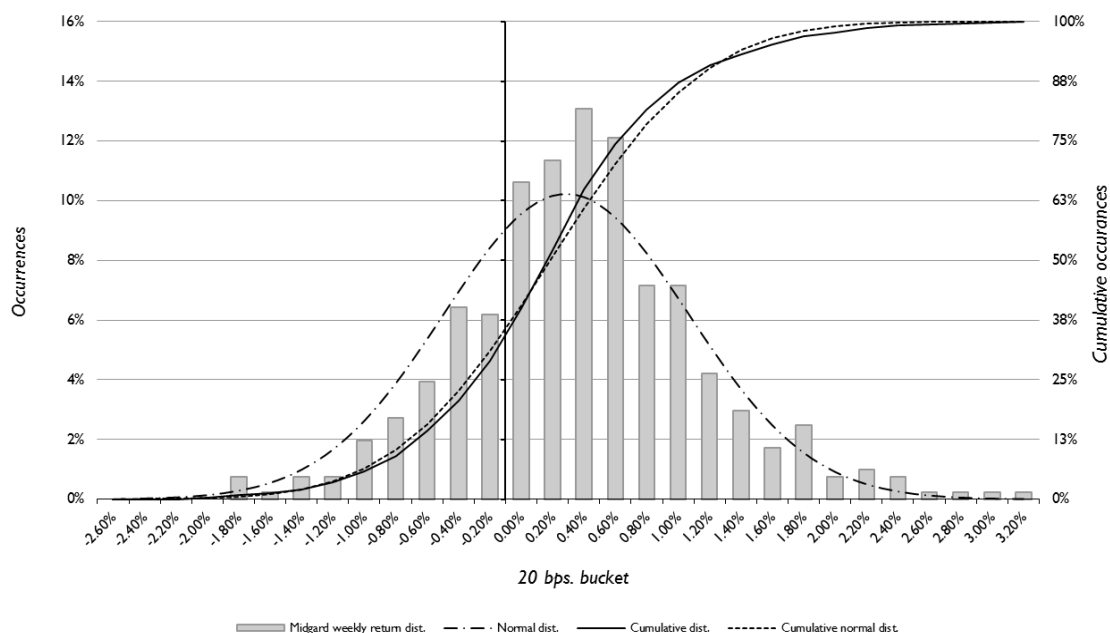
**HISTORICAL PERFORMANCE**

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%	-3.75%	0.41%	13.42%
2017	-0.62%	3.53%	-0.84%	0.82%	0.74%	1.45%	0.87%	0.33%	0.57%				7.00%



Return	Midgard Fixed Income Fund Ltd.	EuroHedge Fixed Income Arbitrage Index	DJIA Fixed Income Arbitrage Index
Annualized	15.11%	4.87%	6.72%
Last 12 months	5.07%	6.95%	8.43%
Last 3 months	1.78%	1.53%	2.12%
Since inception	211.92%	45.09%	67.36%
Best month	8.18%	1.51%	2.77%
Worst month	-3.82%	-0.58%	-1.14%
Positive months	80.41%	86.17%	83.16%
Negative months	19.59%	13.83%	16.84%
Volatility	7.22%	1.43%	2.30%
Sharpe Ratio	2.06	3.24	2.82

RETURN DISTRIBUTION

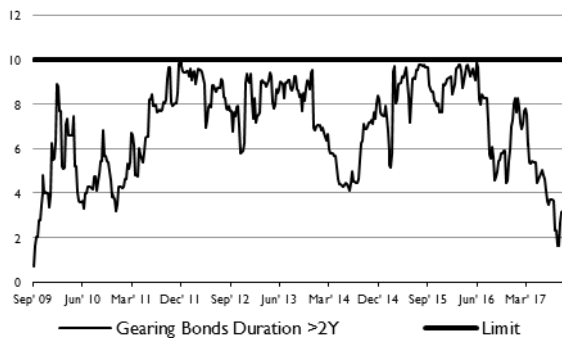


Moments	PFA Investment Fund -	EuroHedge Fixed Income	DJ CS Fixed Income
	Midgard Fixed Income Fund	Arbitrage Index	Arbitrage Index
Return	15.20%	4.83%	6.72%
Standard deviation	7.26%	1.43%	2.30%
Kurtosis	1.57	0.53	1.10
Skewness	0.32	-0.16	0.20

Correlation analysis	PFA Investment Fund -	EuroHedge Fixed Income	DJ CS Fixed Income
	Midgard Fixed Income Fund	Arbitrage Index	Arbitrage Index
Correlation coefficient	-	49.71%	26.78%
Beta	-	253.98%	84.73%
Alpha	-	2.29%	9.05%
R2	-	24.71%	7.17%
Autocorrelation	19.45%	3.95%	36.80%

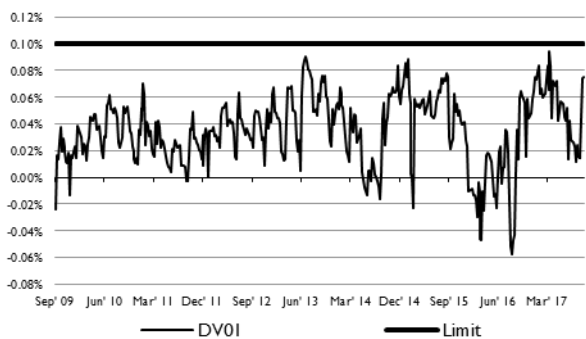
### RISK & LINE LIMITS

#### GEARING BONDS DURATION > 2Y

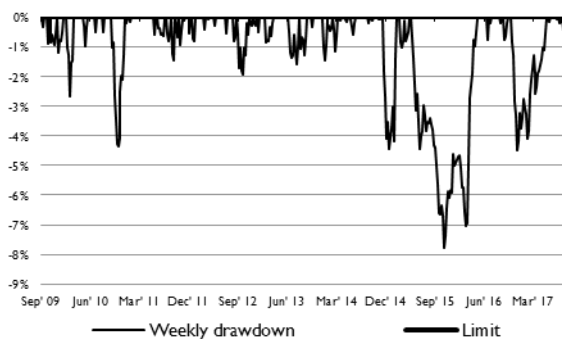


Risk	Midgard	Lime/limit
DV01	0.02%	± 0.10%
Leverage	1.64	Max. 10
VaR	0.35%	Max. 2 %
FX exposure	57.12%	Max. 100 %

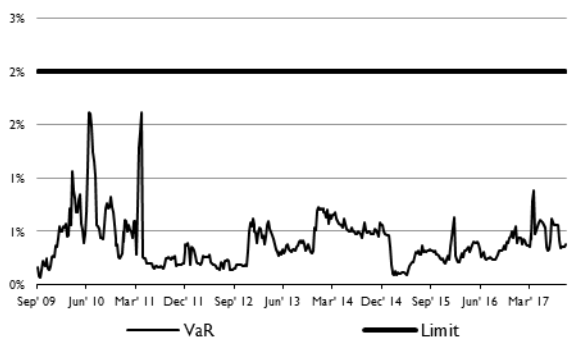
#### DV01



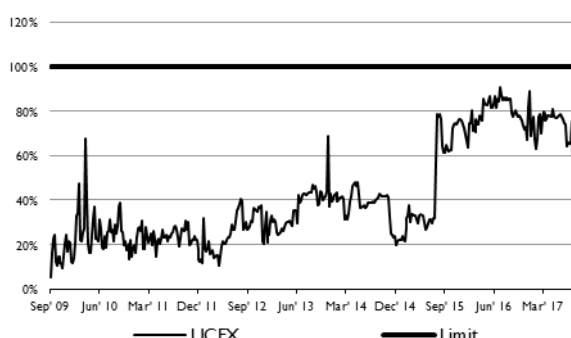
#### WEEKLY DRAWDOWN



#### VaR



#### NON-COVERED FX EXPOSURE



RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return ( $r_p$ )	15.11%	5.07%	
Excess return ( $r_p - r_f$ )	14.94%	5.44%	
<i>36 month</i>			
Portfolio return ( $r_p$ )	7.68%	-	
Excess return ( $r_p - r_f$ )	7.94%	-	
Maximum drawdown since inception	7.78%	4.48%	
Maximum drawdown 36m	7.78%	-	*
Largest individual drawdown			
First	1.86%	1.57%	
Second	1.85%	1.20%	
Third	1.57%	0.87%	
Average	1.76%	1.21%	
Calmar Ratio	1.02	-	*
MAR Ratio	1.92	1.22	
Sterling ratio	8.49	4.19	
Downside risk	0.67%	1.57%	
Upside risk	1.14%	1.54%	
Loss standard deviation	6.22%	5.35%	
Gain standard deviation	5.07%	3.34%	
Mean absolute moment, downside	-25.00%	-27.78%	
Mean absolute moment, upside	35.68%	22.06%	
Omega ratio	1.69	0.98	
Volatility skewness	0.66	0.39	

\* Not applicable for 1-year returns

# PFA

INVESTMENT FUND

Strategy AUM	EUR 505.461 million
Listing	Irish Stock Exchange
ISIN	LU1439934933
Bloomberg ID	MIDGFXI LX 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
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