

Fund Strategy

The fund aims to generate **annual returns of 6-8%** over a medium to long-term investment horizon **independent of general market movements** and **uncorrelated** to any traditional asset class. Unlike in many other funds, no tactical asset allocation decisions are implemented. Rather, by following a **Long/Short-Equity approach**, the focus is on the **systematic exploitation of significantly mispriced European Small & Mid Caps**. We use a long term buy and hold investment philosophy, and avoid overtrading the portfolio. The fund is "**market neutral**", i.e. the net equity exposure is at all times below a 30% threshold. Significant systematic market risks are therefore never taken, and the focus is on harvesting Alpha.

The typical **investor's profile** is characterized by a belief in the merits of a "Value Investing" philosophy, appreciating the long-term benefits of buying European securities trading at significant discounts. The drawdown (the potential for negative returns in shorter periods) is reduced significantly by comparison with Long Only funds, without sacrificing superior Alpha generation over the long-term. The fund is an effective diversifier when combined with traditional portfolios.

About Us

Peacock Capital is an independent, principal-owned and controlled investment boutique with a long-standing background in institutional asset management, building on more than 15 years' experience of its principals in managing segregated accounts and mutual funds for pension funds, banks and corporate clients. The fund management expertise has repeatedly been rated as "superior" by Thomson Reuters. Peacock Capital's investment advisory board is made up of renowned minds from academia, asset management and industry, including Professor Dr Uwe Hack, former CFO of Grenkeleasing AG and Luke Nunneley, former CEO of WestLB Mellon Asset Management ([for more information please see www.peacock-capital.com/investment-advisory-board.html](http://www.peacock-capital.com/investment-advisory-board.html)).

The long-standing investment approach and the excellent track record of Marc Siebel in managing European Small & Mid Cap are particularly notable. They act as the basis for Peacock Capital's investment philosophy and its structured and disciplined investment process.

Performance

	Fund	HFR Long/Short Mkt Neutral	DAX	Stoxx 600	iBoxx € Sovereigns
NAV/share	99.07				
Period					
Month	-1.01%	0.52%	-5.62%	-5.03%	-1.06%
YTD	6.66%	5.54%	9.56%	9.60%	-1.25%
Since Inception	-0.93%	8.10%	11.19%	13.95%	4.10%

Statistics

Exposure	
Long Exposure	87.9%
Short Exposure	-65.0%
Net Exposure Beta adj.	14.9%

Risk Metrics	
Annual Volatility	6.4%
Correlation vs Stoxx	0.06
Correlation vs iBoxx € Sovs	0.09

Fund Structure

Top 5 Holdings						
Company	ISIN	Country	Industry	Market Cap	Weighting	
OSLO BORS	NO0010096845	NO	Financial Serv.	EURm 408	2.38%	
CORTICEIRA AMO	PTCOR0AE0006	PT	Materials	EURm 755	2.17%	
BOOHOO	JE00BG6L7297	GB	Retail	EURm 562	2.06%	
KVAERNER	NO0010605371	NO	Oil & Gas	EURm 245	1.96%	
TOTAL PRODUCE	IE00B1HDWM43	IE	Food & Beverages	EURm 473	1.76%	
					10.33%	

Valuation Metrics		
	Long	Short
PE 2016e	11.3	29.7
Dividend Yield 2015e	3.3%	0.8%
EV/EBITDA 2016e	5.6	15.8

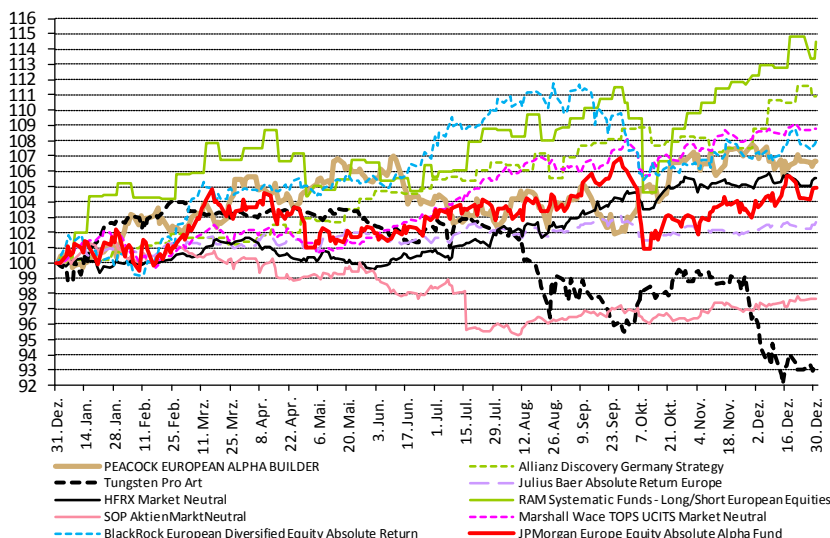
Country Exposure	Long	Short	Net
Germany	15.76%	18.93%	-3.17%
France	10.65%	15.49%	-4.83%
Finland	7.64%	2.24%	5.40%
Italy	7.98%	3.42%	4.56%
Benelux	13.69%	9.16%	4.53%
Spain	2.68%	5.47%	-2.79%
Portugal	5.95%	0.00%	5.95%
Austria	6.40%	1.47%	4.93%
Greece	6.14%	0.00%	6.14%
Switzerland	0.00%	0.00%	0.00%
UK	1.99%	4.20%	-2.21%
Ireland	2.78%	0.00%	2.78%
Norway	4.96%	0.00%	4.96%
Sweden	0.00%	0.00%	0.00%
Denmark	0.00%	1.16%	-1.16%
Others	1.32%	3.48%	-2.16%
SUM	87.94%	65.01%	22.93%

Sector Exposure	Long	Short	Net
Industrial Goods & Services	23.29%	8.98%	14.31%
Technology Hardware & Equipme	1.27%	8.19%	-6.91%
Commercial Services	3.56%	0.00%	3.56%
Travel & Leisure	0.00%	0.00%	0.00%
Food & Beverages	3.62%	1.19%	2.43%
Chemicals & Materials	15.48%	2.12%	13.36%
Automobiles & Components	6.75%	3.25%	3.51%
Insurance	3.63%	1.69%	1.93%
Media	1.05%	1.78%	-0.73%
Retail	3.35%	3.47%	-0.13%
Utilities	0.00%	1.16%	-1.16%
Financial Services	6.20%	0.00%	6.20%
Oil&Gas	7.74%	7.59%	0.15%
Healthcare	2.63%	14.69%	-12.06%
Real Estate	1.60%	0.24%	1.36%
Personal & Household Goods	0.00%	3.07%	-3.07%
Banks	5.20%	4.08%	1.11%
Construction	2.57%	0.56%	2.01%
Telecommunications	0.00%	2.95%	-2.95%
SUM	87.94%	65.01%	22.93%

Fund Manager's Comment

Contributors of the month:

YTD Performance of Peacock European Alpha Builder Fund vs. Peer Group (12/31/14 = Index 100)



The Peacock European Alpha Builder UI fund lost 1.01% in December. The peer group of market-neutral funds (equity exposure permanently below 30%) gained 0.52%. The Peacock European Alpha Fund Builder Fund is up 6.66% for the full year 2015 beating the average Long/Short funds as represented by the HFRX Market Neutral Index. (see left hand chart, black line).

The equity markets trended downwards in the beginning of the month ahead of upcoming central bank meetings. Equities continued their drop after the ECB could not match the expectations of investors. The FED's decision, however, to increase interest rates for the first time in 10

years, led to a strong rebound of the market. The FED's statement highlighted a cautious path of interest rate hikes in the foreseeable future. At the end of the month sentiment worsened again leaving the equity markets performance in negative territory. Most affected sectors were Basic Resources, Oil & Gas as well as banks losing about 7% each.

The long book of the fund lost 1.24%. The shorts added 0,13% to the fund`s performance, i.e. -1.01% on fund level. Several biotechnology stocks recovered from their previous prolonged downward trend. Our short position in Belgian Ablynx, focusing on nanobodies, cost the fund 23bps. The company announced interim results for their product treating a viral disease for children. German RIB software recovered as well, moving up roughly 15% and cost the fund 20bps. Among the top performers was French business service company Derichebourg. While Q3 results in total did not beat official market expectations of the brokers, good results in their main business segment Environmental on EBITDA level led to a strong move in the share price. The stock gained 40% in December, adding 48bps to the fund`s overall performance. The stock was ranked as one of the cheapest European stocks by the Peacock Opportunity Filter. One of our core holdings, Portuguese cork producer Corticeira Amorim, moved up irrespective of the general Equity market downward trend as expected (see our October monthly report for details on the business case). The contribution to the fund was 22bps. Finally, British satellite

spectrum provider, Avanti Communications Plc, underperformed the market driven by worries about their debt level and high level of spare capacity. Our short contributed 27bps to the fund's performance.

Changes in the Fund:

As always at the end of each quarter we adjusted our portfolio driven by the results of our quantitative valuation screening, the **Peacock Opportunity Filter**. One of our new adds was Slovenian pharmaceutical company KRKA listed on the Vienna stock exchange. The stock was ranked 46 out of more than 600 stocks in Europe.



KRKA has a long-standing experience in the development of pharmaceuticals going back more than 50 years. It ranks no 7 based on sales among the generic pharmaceutical companies. So called "generics" are out-of-patent pharmaceutical drugs mainly on a prescription basis but also being offered over-the-counter. On top of that KRKA offers a product range in veterinarian indications. Among others peers are German Stada and Ratiopharm. Although the geographical footprint of KRKA is Western Europe and Russia, 75% of the investors base is made up of local, Slovenian investors. It still lacks the attention of international investors on a broader scale.

The pharmaceutical industry is taking advantage of the global demographic trend. A continuous trend towards cost savings in the health service sector offers structural growth in particular for generic drugs. Patent expiries support this trend. Still, 2015 was a tough year for KRKA. Operating activities performed well, still, the company had to cut its previous guidance. Driven by a severe depreciation of the Russian Ruble and Ukrainian Hrywnja overall results came under pressure. The Eastern European markets make up 28% of total revenues of the company. Meanwhile the company fully hedged the currency exposure. Therefore, looking ahead focus should be on pure operating performance.

The two most relevant indications of KRKA are cardio vascular (45%) and diseases of the central nerve system (23%). Future growth stems from new product launches and international expansion. In the first nine month of 2015 KRKA launched drugs for 18 new indications in conjunction with 43 different dosages/formulas, among others being first mover in Russia with a generic drug for cardiovascular diseases. The pipeline can be considered to be well filled.

Finally we may highlight some financial facts for KRKA:

- Dividend yield 2015 and 2016 of around 5%
- PE 2016 10x
- Debt free (Net Cash of 30 EURm)
- Free Cash Flow generation was 130 Mio. EUR in the 9 month of 2015(!), i.e. a Free Cash Flow Yield of 6.1%
- Price Book 1.3x
- Peer Group discount about 40% (incl. Stada)
- Above average profitability (EBITm 18% vs. Stada 13%)

The decent profitability is based on a cost-conscious management approach (e.g. KRKA operates just one production facility in Slovenia which distributes drugs all over Europe including Germany). Also, management reinforced the expansion into Western European markets (growth rate 9m 2015: 33%). The switch to a direct distribution model in various countries supported margin expansion as well. In Germany, for example, KRKA was able to launch its generic drugs Duloxalta (antidepressiva) and Dulovesic (urology) ahead of the peers.

Management outlined a 2020 business plan which should reinforce the above mentioned growth initiatives. As a consequence, more international investors should become aware of the Slovenian company leading to increased trading flow. We expect the valuation discount to shrink.

Marc Siebel
Fund Manager of Peacock European Alpha Builder Fonds

Fund Facts

	Share Class R (Retail)	Share Class I (Institutional)
Fund Initiator, Advisor	Peacock Capital GmbH, Düsseldorf, BN & Partners Capital AG, Erfstadt	
Managing Company, Custodian	Universal-Investment-Luxembourg S.A., State Street Luxembourg S.A.	
Fund Category	Long/Short, European Small & Mid Caps, UCITS IV, FCP	
Fund Currency, Income, Value Date	Euro, distributing, daily NAV calculation, t+3	
ISIN	LU0967289215	LU0967288084
Benchmark	3M EURIBOR+200 bps	
Management Fee	1.875 % p. a. actual	1.25 % p. a. actual
Upfront Fee	Up to 5 %	-
Minimum Investment	-	250,000 EUR
Performance Fee	15 % of outperformance net of fees of 3M EURIBOR+200 bps, High-Water-Mark	

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