

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**).

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	100.95				
Period					
Monat	1.90%	-0.79%	-8.80%	-6.37%	1.28%
YTD	1.90%	-0.79%	-8.80%	-6.37%	1.28%
Since Inception	0.95%	7.25%	1.41%	6.70%	5.43%

Statistics

Exposure	
Long Exposure	79.9%
Short Exposure	-54.4%
Net Exposure Beta adj.	23.8%

Risk Metrics	
Annual Volatility	6.4%
Correlation vs Stoxx	0.12
Correlation vs iBoxx € Sovs	-0.13

Fund Structure

Top 5 Holdings						
Company	ISIN	Country	Industry	Market Cap	Weighting	
CORTICEIRA AMO	PTCOR0AE0006	PT	Materials	EURm 760	2.20%	
OSLO BORS VPS	NO0010096845	NO	Financial Services	EURm 392	2.18%	
BOOHOO	JE00BG6L7297	GB	Retail	EURm 595	2.05%	
TOTAL PRODUCE	IE00B1HDWM43	IE	Food & Beverages	EURm 442	1.62%	
VIB VERMOEGEN	DE0002457512	D	Real Estate	EURm 417	1.51%	
					9.57%	

Valuation Metrics		
	Long -Titel	Short-Titel
PE 2016e	10.9	29.3
Dividend Yield 2016e	3.5%	0.5%
EV/EBITDA 2016e	5.5	12.1

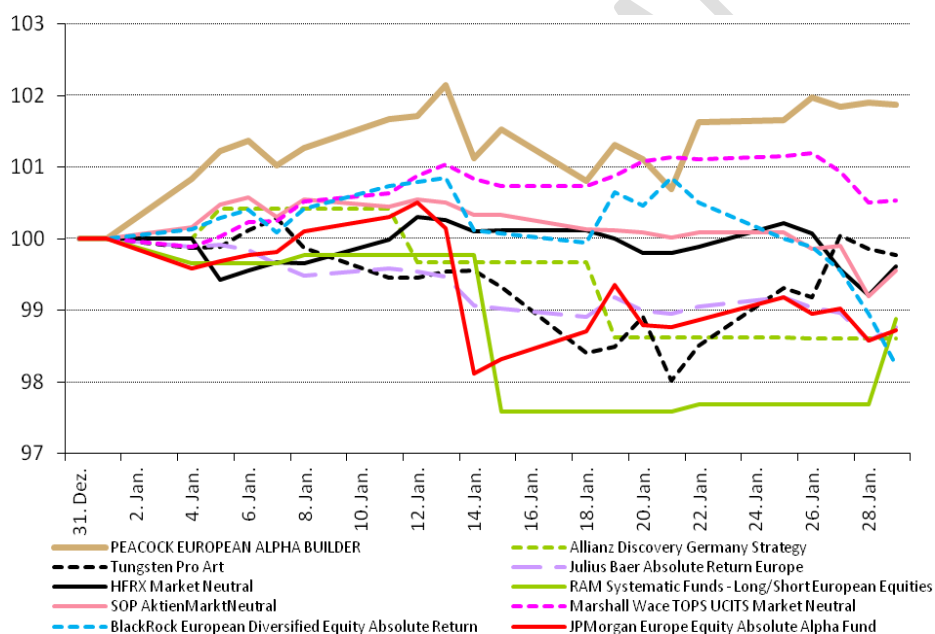
Country Exposure	Long	Short	Net
Germany	14.24%	15.90%	-1.66%
France	9.87%	12.75%	-2.88%
Finland	6.93%	2.02%	4.91%
Italy	6.96%	3.11%	3.85%
Benelux	12.13%	7.93%	4.21%
Spain	2.34%	5.05%	-2.70%
Portugal	5.43%	0.00%	5.43%
Austria	5.71%	1.36%	4.35%
Greece	5.84%	0.00%	5.84%
Switzerland	0.00%	0.00%	0.00%
UK	2.03%	2.19%	-0.15%
Ireland	2.55%	0.00%	2.55%
Norway	4.64%	0.00%	4.64%
Sweden	0.00%	0.00%	0.00%
Denmark	0.00%	1.15%	-1.15%
Others	1.21%	2.99%	-1.78%
SUM	79.90%	54.45%	25.45%

Sector Exposure	Long	Short	Net
Industrial Goods & Services	21.26%	6.56%	14.71%
Technology Hardware & Equipme	1.24%	6.94%	-5.70%
Commercial Services	3.16%	0.00%	3.16%
Travel & Leisure	0.00%	0.00%	0.00%
Food & Beverages	3.48%	1.08%	2.40%
Chemicals & Materials	13.58%	1.92%	11.66%
Automobiles & Components	5.90%	2.69%	3.22%
Insurance	3.37%	1.53%	1.83%
Media	0.94%	1.73%	-0.79%
Retail	3.19%	1.76%	1.43%
Utilities	0.00%	1.05%	-1.05%
Financial Services	5.83%	0.00%	5.83%
Oil&Gas	7.30%	7.53%	-0.23%
Healthcare	2.16%	12.14%	-9.98%
Real Estate	1.51%	0.22%	1.30%
Personal & Household Goods	0.00%	2.79%	-2.79%
Banks	4.69%	3.70%	0.99%
Construction	2.28%	0.51%	1.78%
Telecommunications	0.00%	2.30%	-2.30%
SUM	79.90%	54.45%	25.45%

Fund Manager's Comment

Contributors of the month:

YTD Performance of Peacock European Alpha Builder Fund vs. European Bond and Equity Indices (12/31/15 = Index 100)



The Peacock European Alpha Builder UI Fund was up 1.90% in January. The peer group of market neutral LS funds (equity quota below 30%) trended down 0.79%. The fund could thereby continue the positive development compared to its peer group. The financial markets have been under pressure since the beginning of the year and for equity markets it was one of the worst starts into a new year. Again it were central banks and the renewed collapse in the oil price which have been at the center of investors interest. Concerns over the economic development of China added to the uncertainty. The

German Index DAX lost almost 9% only in January, the Italian equity market saw the sharpest decline with almost 13% due to the weak banking stocks on funding concerns. The least affected market was United Kingdom, which only fell by 2.5%.

The Long book lost 5.42%. On the other hand the shorts gained 7.32%, thus more than compensating for the losses of the long book. The fund could thereby in total advance 1.9%. The biggest winners within the short positions came from various sectors. The fund benefitted by 80 bps from the position in the French company Vallourec, a world leading manufacturer of seamless tubes for the oil & gas, steel and industrial sectors. The company is among the most indebted within its sector. Just a few days ago, the management announced a drastic restructuring plan. As usual the stock had been identified by our Peacock Opportunity Filter as a short candidate.

The personal discussions with the management at the ODDO Mid Cap Conference in Lyon in early January supported our view on the stock. The company confirmed that the sector is still finding its bottom. A significant part of its EBITDA in the

past has been derived from customers within the shale gas and fracking industry, which in the face of the low oil price have cut their order activity almost completely. Around 60% of Vallourec's sales come from the oil business, thereof some 25% stem from "unconventional drilling". Further 25% suffer from the problems in the important market of Brazil. At the end of 2016 the company should reach a total net debt position of 2 billion Euro. This would correspond to a ND/EBITDA of 10 x (!). Although the covenants are solely based on the equity ratio, the situation cannot be solved without fresh capital. Our calculations showed that a capital increase has to be on the cards in the months ahead. We were right. On January 29th it became public that the company will increase its equity by 1 billion Euros. The stock lost 15% and has been suspended thereafter for a while. The stock has lost 50% in January alone.

The stock of Rocket Internet continued its downward trend as well. The cancelled IPO of HelloFresh contributed to that development as well as the fact, that the so called "Proven Winners" couldn't improve their operating results. The stock lost 30 % in January. 59 bps contribution to the fund. Rocket is pushing for a second attempt to float HelloFresh, which in our view is severely overvalued. We think, that apart from a difficult market sentiment, investors by now have understood that the "Last Portfolio Value" of Rocket holdings is not giving a realistic picture of the true intrinsic value of that particular company and the reporting is not as transparent as it should be.

The stock of French Biotech company DBV Technologies has been under pressure as well (we reported on the company in the Monthly Report of June 2015). The bubble in the Biotech Industry has partially bursted (see Nasdaq Biotechnology Index). It will still take some time until relevant data for the clinical studies of the treatment of peanut butter and milk allergies are reliable. In a weak equity market environment the stock, which was shooting up before driven by the US listing, lost around 30%. We stucked to this short position, the fund benefited by 30 bps in January.

Last but not least we may highlight the fact that the core positions of the long book continued to serve as a stable core for the fund. Even in this environment shares of the British online fashion retailer Bohoo.com advanced by 6%. A contribution to the fund of 11bps. The company issued a trading statement on January 12th. In contrast to the high street retailers who suffered from mild weather conditions and pricing pressure Boohoo was able to increase sales by 45%. Growth had been helped by pricing initiatives and a new mobile App. Considering that the gross margin of 55.7% was fine. The company is optimistic for the start of the year 2016. Shares of Italian refining company Saras SpA advanced by almost 8% and was the second highest contributor to the fund's performance: 10 bps. The stock continued to recover since end 2015. The historically high refining margins let to very good Q3 results. Management is convinced that volumes and margins will stay on a high level during 2016. We have seen some broker upgrades thereafter, e.g. from UBS in mid January, which was based on the expectation of higher dividends compared with consensus estimates.

Changes in the Fund:

No significant changes in January. The regular rebalancing in December which resulted in some interesting new positions for the long book as well as for the short book of the fund has been proven right. We will continue to implement this long-standing successful stock picking approach stringently.

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	

We are planning to set up a "Shareholder Class" for core long-term investors appreciating the concept "Value Investing". Feel free to contact us in order to discuss the set-up including an attractive fee structure.

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