

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	98.38				
Period					
Month	-5.86%	-1.00%	-5.68%	-4.83%	1.10%
YTD	-0.70%	-4.94%	-9.89%	-7.85%	3.03%
Since Inception	-1.62%	2.58%	0.19%	5.01%	7.26%

Statistics

Exposure	
Long Exposure	76.5%
Short Exposure	-62.0%
Net Exposure Beta adj.	14.7%

Risk Metrics	
Annual Volatility	6.6%
Correlation vs Stoxx	0.20
Correlation vs iBoxx € Sovs	0.00

Fund Structure

Top 5 Holdings						
Company	ISIN	Country	Industry	Market Cap	Weighting	
CORTICEIRA AMO	PTCOR0AE0006	PT	Materials	EURm 960	2.17%	
OSLO BORS VPS	NO0010096845	NO	Financial Services	EURm 396	1.72%	
VIB VERMOEGEN	DE0002457512	D	Real Estate	EURm 511	1.39%	
AUSTEVOLL SEA	NO0010073489	NO	Food & Beverages	EURm 1516	1.37%	
TOTAL PRODUCE	IE00B1HDWM43	IE	Food & Beverages	EURm 459	1.32%	
					7.97%	

Valuation Metrics		
	Long Book	Short Book
PE 2016e	10.0	24.9
Dividend Yield 2015e	3.7%	0.8%
EV/EBITDA 2016e	4.3	16.1

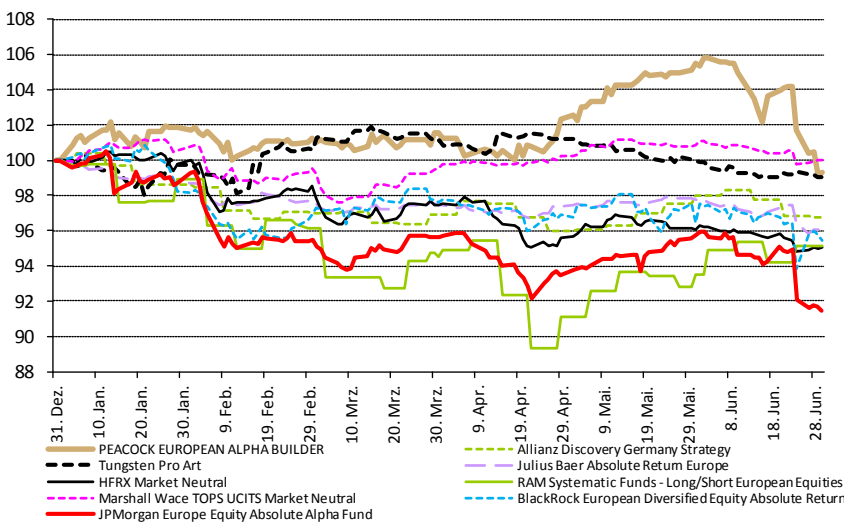
Country Exposure	Long	Short	Net
Germany	17.18%	13.86%	3.32%
France	13.47%	13.19%	0.29%
Finland	4.69%	1.62%	3.08%
Italy	7.44%	4.54%	2.90%
Benelux	8.66%	11.96%	-3.30%
Spain	5.21%	7.89%	-2.69%
Portugal	3.10%	0.31%	2.79%
Austria	4.43%	3.73%	0.69%
Greece	5.17%	0.74%	4.43%
Switzerland	0.00%	0.00%	0.00%
UK	1.03%	1.27%	-0.23%
Ireland	1.98%	1.71%	0.27%
Norway	4.10%	0.00%	4.10%
Sweden	0.00%	0.00%	0.00%
Denmark	0.00%	1.17%	-1.17%
Others	0.00%	0.00%	0.00%
SUM	76.47%	62.00%	14.47%

Sector Exposure	Long	Short	Net
Industrial Goods & Services	11.64%	5.98%	5.66%
Technology Hardware & Equipme	4.55%	8.85%	-4.30%
Chemicals	1.12%	2.62%	-1.50%
Travel & Leisure	4.21%	0.42%	3.79%
Food & Beverages	1.37%	2.25%	-0.88%
Materials	7.78%	0.51%	7.27%
Automobiles & Components	6.23%	0.94%	5.29%
Insurance	3.21%	0.94%	2.27%
Media	2.93%	1.95%	0.98%
Retail	2.54%	0.43%	2.11%
Utilities	1.18%	0.97%	0.22%
Financial Services	2.80%	2.31%	0.49%
Oil&Gas	3.27%	2.44%	0.82%
Healthcare	2.31%	16.48%	-14.17%
Real Estate	2.51%	7.45%	-4.94%
Personal & Household Goods	0.00%	2.62%	-2.62%
Banks	7.11%	2.26%	4.85%
Construction	11.71%	1.14%	10.58%
Telecommunications	0.00%	1.46%	-1.46%
SUM	76.47%	62.00%	14.47%

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 lost 5.86% in April. The peer group of market neutral LS funds (equity quota below 30%) was down by 1.00%. The fund thus gave up a part of the outperformance since the beginning of the year.

Equity markets started weak into the month amid rising risk aversion ahead of the EU referendum in GB. In the week of the decision markets recovered as the latest polls suggest a clear vote to remain in the EU. The final outcome was a surprise and led to significant movements in a "risk on"- mode. The strongest decline was seen in Ireland.

Equities in the so called Eurozone periphery came under pressure as well and even shares that had been cheap already before suffered.

The Long book lost 8.53% (compared with Euro Stoxx TMI Small -8.2% and Euro Stoxx 50 Index -6.2%). The short book contributed positively by 2.67%, so that the fund's NAV in total was down by 5.86%. On a sector basis financials, automobiles and construction were hit the hardest. Thus the largest single negative contribution in the Long book came from shares in Piräus Bank (Greece / -59 bps), Obrascón Huarte Lain (Spain / -28 bps) and Peugeot (France / -26 bps). In the case of Greek banks the fear on solvency is not justified as they are recapitalized and have a high coverage ratio for Non Performing Loans (NPLs). Piräus Bank has a book of NPLs representing 38% of all loans. The coverage ratio for these NPLs stands at 65.9%. During the first quarter of 2016 the company was able to reduce the value of NPLs for the first time since 2008. In the light of a core capital ratio (Basel 3) of 18% and the aim to reduce the NPLs to below 20% until 2018 the shares offer substantial recovery potential. Obrascón Huarte Lain (OHL) is a Spanish construction and concessions company. The group has a strong position in the concessions business via subsidiaries Abertis (Spain) and OHL Mexico. The share has been added to the fund in June and we describe the investment case in this monthly report. Shares of Peugeot have been under pressure during

June overshadowed by a potential share disposal by the French government. On the other hand the fund's performance benefitted from the shorts on some biotech stocks. Once again the sector immanent risk of pipeline failure/disappointment is highlighted by the latest results of German Morphosys (product MOR 202, multiple myeloma). Shares lost another 26% in June, a positive contribution to the fund's performance of 41 bps. Ablynx (Belgium) was down on a surprising capital increase which resulted in a contribution of 25 bps to the fund. Still, the total short book was not able to fully compensate the losses of the long book. For example shares in German flavour and fragrance specialist Symrise rose in June by around 8%, while already trading at lofty multiples (PE of 30, EV/EBITDA 15x). Over short period of times like these not an uncommon characteristic. In times of political/macro shocks characterized by a "risk on" modus, valuations do not matter, a flight to defensives although clearly overvalued occurs. By experience these trends are of short duration and are followed by a reversal trend.

Changes in the Fund:



Deep Value - Buying the dollar at 50 Cent !

Obrascon Huarte Lain (OHL) is a Spanish construction and concessions company. The construction segment is cyclical by nature and requires a decent amount of Capex. Apart from building an infrastructure construction the segment is also focusing on industrial site construction. On the contrary the concession business is characterized by visible and steady cash flow streams. That includes a stake in Abertis, a listed Spanish road concessionaire with valuable assets around the world. The biggest junk of the portfolio is the Mexican concession business, listed OHL Mexico. OHL owns a 56.14% stake. Besides, rather new concessions exist in Chile and other countries in Latin America. OHL is pursuing a 2020 strategy. That included a change in management driven by main shareholder Grupo Villa Mir (GVM). The former co-CEO of GVM became new CEO of OHL whereas the son of Villa Mir now holds the position of chairman of OHL. In construction OHL is putting more focus on North America while keeping the footprint in LatAm on infrastructure (highways, train concessions, airports, ports). Due to historic cost overruns and issues with the collection of receivables OHL is focusing on a more pronounced risk management. As a consequence new projects will shift away from Emerging Markets/Africa to developed countries such as US and Canada. Industrial site construction will emphasize segments like energy and commodities. That would include solar parks as well as fuel storage. Ideally OHL will remain concessionaire in these segments.

In order to finance new projects cash flow generation is key. OHL is quite leveraged partially secured by stakes in Abertis and OHL Mexico. As a consequence share price declines of Abertis and OHL Mexico may trigger margin calls. That is why OHL sold 50% of its stake in Abertis just recently (end of July). The proceeds lowered the outstanding debt and gave leeway to potential future margin calls. The debt structure of the company is as follows:

Group debt breakdown

Gross debt	4734
Gross Cash	-1325
Net debt	3409

Distribution

Net debt OHL Mexico	1394
Net debt concessions	361
Equity linked Abertis/OHL Mexico debt	792
Other core net debt	862

Quelle: OHL, UBS, own calculations

Outstanding bonds are due 2022 and 2023 respectively at the amount of roughly 1 EURbn. Considering an annual EBITDA of 1 EURbn and a focus on free cash flow that is manageable.

Shares in OHL were identified by our Peacock Opportunity Filter after the stock price plunged by more than 20%. In order to assess the value potential of the group a sum of the parts valuation of concessions has to be calculated. At current market cap of 1 EURbn at OHL the stock is trading at a 50% discount to the portfolio NAV:

Sum of the parts

Construction	950 EURm
Industrial & Services	202 EURm
Services	99 EURm
Concessions	3988 EURm
-thereof : Abertis market value	971 EURm
OHL Mexico market value	1050 EURm
Net Debt	-3409 EURm
Provisions and Adjustments	339 EURm
Minorities	-39 EURm
Equity Value	2130 EURm

Source: OHL, BPI, own calculations

In other words: Calculating the equity values of listed Abertis and OHL Mexico by taking current market values and subtracting related debt investors get the core construction business of OHL for free. One other reason for the weak share price of OHL lies in the indebtedness of Grupo Villa Mir. Part of the debt is secured by shares in OHL. Driven by the stock price decline margin calls may have occurred. As a consequence, GVM may have been forced to reduce its stake in OHL. Interesting to note that China HNA Group, according to a Spanish newspaper, is interested in buying a stake of OHL. Talks with Villa Mir in October last year were already confirmed.

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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