

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	97,52				
Period					
March 2015	2,56%	0,76%	4,95%	1,67%	0,36%
YTD	4,99%	2,25%	22,03%	16,66%	2,06%
Since Inception	-2,48%	2,77%	23,85%	21,29%	7,59%

Statistics

Exposure	
Long Exposure	81.0%
Short Exposure	-67.3%
Net Exposure Beta adj.	9.6%

Risk Metrics	
Annual Volatility	7,3%
Correlation vs Stoxx	0,22
Correlation vs iBoxx € Sovs	-0,01

Fund Structure

Top 5 Holdings						
Company	ISIN	Country	Industry	Market Cap	Weighting	
Canal Plus SA	FR0000125460	FR	Media	828 Mio. EUR	4.29%	
OSLO BORS	NO0010096845	NO	Financial Services	447 Mio. EUR	3.33%	
SARAS SpA	IT0000433307	IT	Oil & Gas	1552 Mio. EUR	1.79%	
KOENIG & BAUER	DE0007193500	DE	Industrial Goods	285 Mio. EUR	1.62%	
MUNKSJO	FI4000048418	FI	Industrial Goods	610 Mio. EUR	1.61%	
					12.64%	

Valuation Metrics

	Long Book	Short Book
PE 2016e	11.1	26.6
Dividend Yield 2015e	3.0%	1.7%
EV/EBITDA 2016e	4.9	15.2

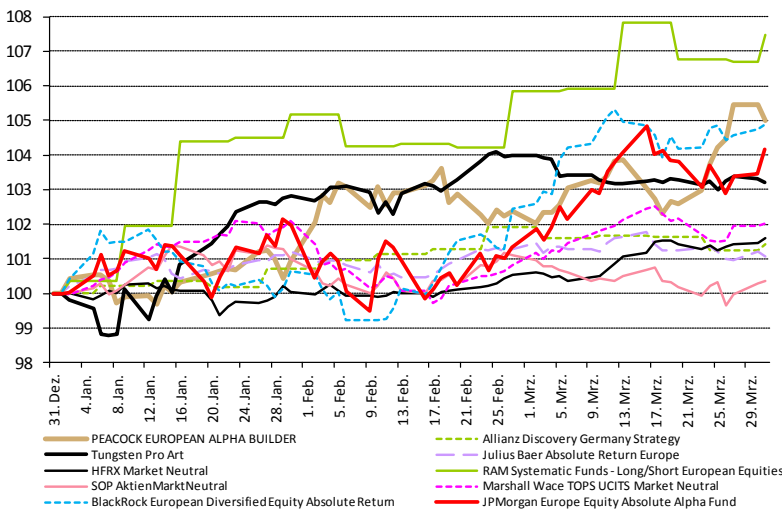
Country Exposure	Long	Short	Net
Germany	6.14%	18.61%	-12.46%
France	20.79%	17.52%	3.27%
Finland	7.40%	1.04%	6.37%
Italy	8.91%	7.13%	1.78%
Benelux	14.47%	8.38%	6.10%
Spain	4.22%	5.28%	-1.06%
Portugal	2.69%	0.00%	2.69%
Austria	4.01%	2.81%	1.20%
Greece	4.16%	0.00%	4.16%
Switzerland	0.00%	0.00%	0.00%
UK	1.16%	4.62%	-3.46%
Ireland	1.39%	0.25%	1.14%
Norway	5.66%	1.71%	3.95%
Sweden	0.00%	0.00%	0.00%
Denmark	0.00%	0.00%	0.00%
Others	0.00%	0.00%	0.00%
SUM	81.01%	67.35%	13.67%

Sector Exposure	Long	Short	Net
Industrial Goods & Services	21,34%	11,06%	10,27%
Technology Hardware & Equipme	2,99%	3,55%	-0,56%
Commercial Services	5,64%	0,00%	5,64%
Travel & Leisure	3,89%	0,97%	2,91%
Food & Beverages	1,28%	2,89%	-1,60%
Chemicals & Materials	7,17%	3,50%	3,67%
Automobiles & Components	6,78%	3,22%	3,56%
Insurance	4,40%	1,26%	3,14%
Media	5,58%	7,17%	-1,59%
Retail	3,87%	6,82%	-2,95%
Utilities	0,00%	1,36%	-1,36%
Financial Services	4,82%	1,56%	3,26%
Oil&Gas	4,19%	4,36%	-0,17%
Healthcare	2,08%	10,52%	-8,44%
Real Estate	0,00%	2,51%	-2,51%
Personal & Household Goods	0,00%	3,57%	-3,57%
Banks	1,39%	1,80%	-0,41%
Construction	5,58%	1,24%	4,34%
Telecommunications	0,00%	0,00%	0,00%
SUM	81,01%	67,37%	13,64%

Fund Manager's Comment

Contributors of the month:

YTD Performance of Long/Short Funds (12/31/14 = Index 100)



The fund's NAV increased by 2.56% in March. The Long /Short peer group of market neutral funds (HFR Index) generated 0.76%. Year-to-date the fund's NAV increased by 5% leaving the fund in the upper range of the peer group as can be seen in the left hand chart.

The value of the long book increased by 3.5%. European stocks measured by the Stoxx600 index moved up 1.7%. German stocks (DAX index) were the best performers in March up 5%. Greek stocks came under severe pressure triggered by the never ending debt repayment negotiations between the EURO Group and the Greek government. Greek stocks retreated almost 12%. UK stocks ended the month with a negative performance of 2.5%. The short

positions cost the fund 0,94%, leaving the fund with an overall performance of 2.56%.

Finnish specialty paper company Munksjö focusing on decor and release liner products published satisfying 2014 full year earnings. While the share repurchase program continues we appreciate the ongoing integration process with the labelling activities of Ahlstrom. Synergies are running ahead of plan (initially forecasted cost savings of 20 to 25 EURm). The share moved up quite strongly in March contributing 0,38% to the fund's overall performance. The share price of Ordina, the Dutch IT service provider, continued its recovery and climbed by 25%. Investor's focus is again on the operational business development. The decision taken in the fourth quarter of last year not to sell the position proved to be right. The stock came under severe pressure after irregularities in tender procedures in the public sector became public.


The best performer within the short book was our position in French biotech company Genfit. It added 40 bps to the fund's overall performance. The "one product"-company focusing on non-alcoholic steatohepatitis (NASH), a liver disorder, was not able to meet the final end points in Phase IIb of its drug GFT505. The share price dropped by more than 35%.

Negative contributors with more than 20 bps were our long position in the Norwegian EPC company Kvaerner. It did not win one of the topside rig tenders from Statoil. Our base case is that Kvaerner will win the second tender for the "living quarters"

installations which is part of the same oil field project called Johan Sverdrup. That would mitigate the concerns of a decreasing order intake. Italian online apparel company Yoox moved up strongly after a potential merger with Net-a-Porter, a subsidiary of luxury group Richemont, became public. We stick to our short position since the potential synergies are more than reflected in the current share price.

Changes in the fund:

As usual we adjusted our long and short book on a quarterly basis based on the results of the **Peacock Opportunity Filter**. Our core holdings (see table above) remain untouched whereas the remaining fund holdings have been rebalanced in order to achieve a net equity exposure below 10% of NAV as well as equally weighted holdings. The valuation dispersion between our long and short book has therefore widened again irrespective of the European equity market rally. It confirms our view that at any time significant under- and overvalued securities can be found as long as a structured bottom up approach is used. Thus we continue to put emphasis on our "Value Investing" philosophy. Using the EV/EBITDA metric our long holdings trade on average below 5x. The short book trades at a lofty 15x.

PKC GROUP  We added a long position in Finnish automotive supplier PKC Group. In its business unit "Wiring Systems" the company specializes in electronic distributions systems for the commercial vehicle industry. Less relevant, the business unit "Electronics" provides customers in the telecommunications and energy industry with testing and power supply solutions. The key market for PKC is North America with a revenue share of approx. 60% followed by Europe with a share of 23%. Matti Hyttiäinen, since 2012 CEO of the company, sticks to his "Strategy 2018" plan. Revenue should move up strongly to 1.4 EURbn while bringing profitability levels up to 10% on EBITDA. Taking into consideration that this target might be too pushy we rather assume 8% (margin level of German Leoni AG operating in the more standardized car segment). Based on these more conservative assumptions PKC would still trade at less than 3.5x EV/EBITDA. If these targets are met the EPS bottom line would more than double by then. Currently, the company is debt free, still, we see this investment as a kind of turnaround story. The reason behind that is that PKC is pursuing a transformational expansion strategy into new markets (regional: Asia; sectoral: entering the aerospace and rolling stock industries). At the same time the US truck market is performing well. By pursuing that strategy the addressable market of PKC would more than double to a level of 9 EURbn. Currently PKC is dominating the truck markets where it is present with an estimated market share of around 40%. This should enable PKC to expand faster into the APAC region since its European clients (like Volvo, MAN or Daimler) are present in Asia as well. Just recently PKC signed a joint venture in China with Jiangsu Huakai Wire Harness, a leading supplier for commercial vehicle OEMs in China. China is the largest truck market in the world producing almost 1m trucks annually. Its twice the size of the US market. PKC is aiming to increase its market share in China by 8%. The Chinese market is growing double digit fuelled by the introduction of the EURO 4 emission standard as well as by the increasing usage of ABS truck braking systems. This will trigger demand for even more sophisticated electronic distribution systems.

PKC has been operating at margin levels well below its 2018 targets. This is, among others, due to inflationary cost overruns in Brazil affecting 2014 results in particular. This seems to be fixed. Also in Europe plant closures and centralizations are underway and should result in double digit cost savings annually. We like the more cautious stance of management regarding the European commercial vehicle market forecast while research institutes would already forecast growth rates of around 5%. In 2015 the US market should grow double digit while the situation in Brazil remains subdued.

PKC should pursue its growth strategy with caution emphasizing the importance of a tight working capital management as well as a moderate acquisition path. 2015 might end up being a transitional year until all measures take effect. For the time being PKC pays a decent dividend resulting in a yield of roughly 4%. Based on the announced business plan 2018 including a safety margin of 2% the stock offers an upside of more than 50% over the next 12 to 18 months.

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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NUR ZUR INTERNEN VERWENDUNG