

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	100.62				
Period					
Month	0.51%	-0.84%	4.95%	1.40%	0.14%
YTD	1.56%	-2.76%	-7.24%	-7.15%	1.86%
Since Inception	1.56%	-2.76%	-7.24%	-7.15%	1.86%

Statistics

Exposure	
Long Exposure	81.3%
Short Exposure	-59.7%
Net Exposure Beta adj.	18.5%

Risk Metrics	
Annual Volatility	6.5%
Correlation vs Stoxx	0.12
Correlation vs iBoxx € Sovs	-0.53

Fund Structure

Top 5 Holdings						
Company	ISIN	Country	Industry	Market Cap	Weighting	
CORTICEIRA AMO	PTCOR0AE0006	PT	Basic Resources	EURm 920	2.17%	
OSLO BORS VPS	NO0010096845	NO	Financial Services	EURm 383	1.82%	
BNK OF PIRAEUS	GRS014003016	GR	Banks	EURm 1789	1.57%	
TOTAL PRODUCE	IE00B1HDWM43	IE	Food & Beverages	EURm 505	1.57%	
AUSTEVOLL SEA	NO0010073489	NO	Food & Beverages	EURm 1459	1.41%	
					8.55%	

Valuation Metrics		
	Long Book	Short Book
PE 2016e	9.9	26.4
Dividend Yield 2015e	3.6%	1.0%
EV/EBITDA 2016e	4.8	11.9

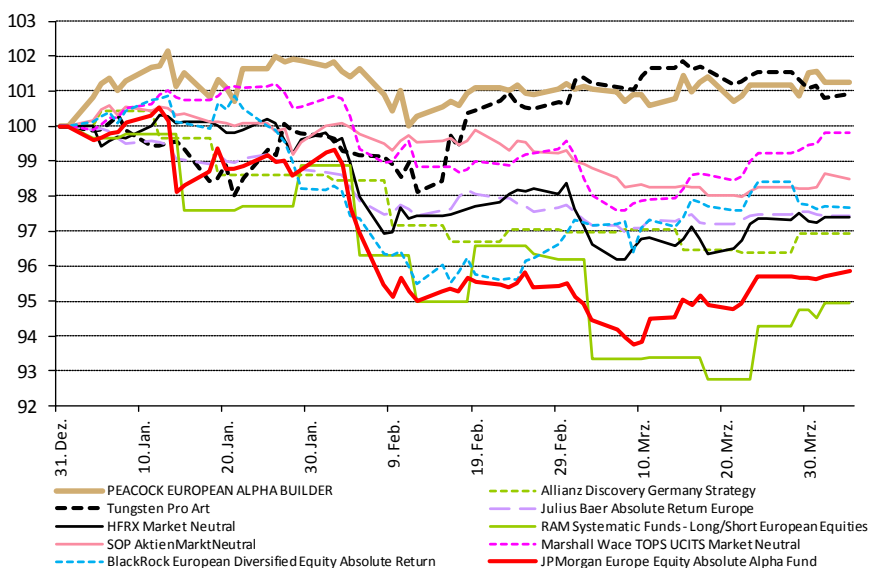
Country Exposure	Long	Short	Net
Germany	14.10%	19.22%	-5.12%
France	12.20%	14.28%	-2.08%
Finland	9.35%	0.54%	8.81%
Italy	7.08%	4.54%	2.54%
Benelux	11.73%	8.53%	3.20%
Spain	5.83%	5.12%	0.71%
Portugal	4.54%	0.10%	4.44%
Austria	2.30%	2.78%	-0.48%
Greece	6.31%	0.08%	6.23%
Switzerland	0.00%	0.00%	0.00%
UK	1.24%	1.83%	-0.59%
Ireland	2.40%	0.15%	2.26%
Norway	4.23%	0.00%	4.23%
Sweden	0.00%	0.00%	0.00%
Denmark	0.00%	1.06%	-1.06%
Others	0.00%	1.42%	-1.42%
SUM	81.32%	59.66%	21.66%

Sector Exposure	Long	Short	Net
Industrial Goods & Services	11.82%	6.63%	5.19%
Technology Hardware & Equipme	7.25%	7.40%	-0.15%
Chemicals	1.21%	4.68%	-3.47%
Travel & Leisure	10.86%	0.13%	10.73%
Food & Beverages	1.41%	2.73%	-1.31%
Materials	5.90%	0.04%	5.86%
Automobiles & Components	7.12%	1.10%	6.02%
Insurance	2.37%	1.55%	0.82%
Media	3.01%	0.67%	2.35%
Retail	4.13%	2.00%	2.13%
Utilities	0.00%	0.94%	-0.94%
Financial Services	3.01%	0.29%	2.72%
Oil&Gas	5.68%	6.88%	-1.21%
Healthcare	0.00%	13.34%	-13.34%
Real Estate	1.33%	1.89%	-0.56%
Personal & Household Goods	0.00%	2.74%	-2.74%
Banks	7.00%	4.28%	2.72%
Construction	9.21%	0.47%	8.75%
Telecommunications	0.00%	1.90%	-1.90%
SUM	81.32%	59.66%	21.66%

Fund Manager's Comment

Contributors of the month:

YTD Performance of Peacock European Alpha Builder Fund vs. European Bond and Equity Indices (12/31/16 = Index 100)



The Peacock European Alpha Builder UI Fund gained 0.51% in March. The peer group of market neutral LS funds (equity quota below 30%) on the contrary was down by 0.84%. Therefore the fund could increase its outperformance since the start of the year compared to the peer group. Equity markets started friendly into the month. Following the press conference of the ECB on March 10, markets started a range bound trading period. Overall most European equity markets advanced during the month, with the German indices taking the lead. On the other end the Greek market showed losses of 1.7%. Small caps outperformed in

comparison to large caps.

The Long book gained 3.58%. On the other hand the shorts lost 3.07%, so that the fund's NAV in total advanced by 0.51%. Among the best contributors are three of our core positions: Corticeira Amorim, Austevoll Seafoods and Total Produce. The single biggest negative contribution came from our short position in shares of Vallourec (more details have been discussed in the monthly report January 2016). Since the announcement of the capital increase the oil price has recovered substantially. As the companies' main business activities depend on the oil industry the stock rebounded as well. A positive side effect of the higher share price is the fact that the dilution effect will be lower than initially expected.

Changes in the Fund:



This month we added a position within the long book, shares of automobile supplier Hella KGaA. The company is based in the German region of Westfalia. The stock got ranked as no 56 out of more than 600 European stocks as part of the latest **Peacock Opportunity Filter** screening. The company may be known for its strong position in the field of lighting systems for automobiles. Some readers may also be aware of the fact that the company went through difficult times, when it missed out on the innovation trend of Xenon light systems. Still the positioning is rather weak. Nevertheless these difficulties have been overcome not only since

the company was IPOed in 2014. The segment lighting systems represents approximately 40% of the companies' sales and is the most important business line. The products range from light bulbs to lighting systems including electronic components. With a market share of about 60% Hella is the market leader in Europe for LED front lights which have taken the lead over Xenon lighting systems as of today. Additionally the company develops and distributes various electronic components for the automobile industry. One good example is a control device for the electric steering assistance, which helps to reduce the fuel consumption and thereby carbon emission (fuel savings of up to .8 litres per 100 kilometers). The third and final business line is a distribution network which is open for other producers. The company offers customers like spare part vendors and independent garages a broad range of spare parts. It regards itself as a one stop-shop while customers benefit from better pricing due to scale effects.

Finally we express our conviction by stating some financial figures:

- PE of 9.9 for the business year 2016/2017 (May)
- Rising dividends expected in the coming years
- EV/EBITDA 4.8x Net debt/EBITDA 0.3 as of Nov 2015
- ROIC 17.3%

Hella continues to invest in R&D with regards to innovative products which will improve the energy efficiency of automobiles. Holding a strong position in the growing area of LED-lighting systems Hella KGaA should be able to keep profitability at current levels not least by an ongoing focus on costs. Thanks to a de facto debt free balance sheet and positive cash flows into the future higher payouts are on the cards. Over the past two years free cash flow has been negatively affected by new product ramp ups which resulted in increased R&D and Capex. These effects will not impact the cashflow any more. Assuming no significant build up of working capital in 2016/2017 by forecasting just maintenance capex the stock is trading at a free cash flow yield of 11%.

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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