

## 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	97.99				
Period					
May 2015	0.79%	-0.45%	-0.35%	1.67%	-1.32%
<b>YTD</b>	<b>5.50%</b>	<b>-0.34%</b>	<b>16.40%</b>	<b>18.73%</b>	<b>-0.45%</b>
Since Inception	-2.01%	2.77%	23.85%	21.29%	7.59%

## Statistics

Exposure	
Long Exposure	83.2%
Short Exposure	-65.7%
Net Exposure Beta adj.	13.7%

Risk Metrics	
Annual Volatility	7.1%
Correlation vs Stoxx	0.14
Correlation vs iBoxx € Sovs	-0.10

## Fund Structure

Top 5 Holdings						
Company	ISIN	Country	Industry	Market Cap	Weighting	
Canal Plus SA	FR000125460	FR	Media	969 Mio. EUR	4.70%	
OSLO BORS	NO0010096845	NO	Finanzdienstl.	429 Mio. EUR	2.95%	
Paris Orleans	FR0000031684	FR	Finanzdienstl.	1754 Mio. EUR	2.00%	
Cramo	FI0009900476	FI	Industriegüter	872 Mio. EUR	1.96%	
König & Bauer	DE0007193500	DE	Industriegüter	321 Mio. EUR	1.92%	
					<b>13.53%</b>	

Valuation Metrics		
	Long -Titel	Short-Titel
PE 2016e	11.3	25.4
Dividend Yield 2015e	3.1%	0.5%
EV/EBITDA 2016e	4.9	14.2

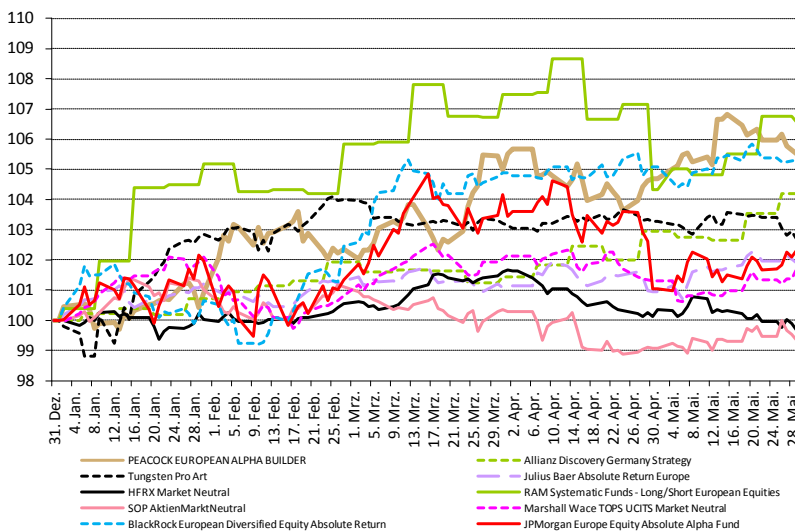
Country Exposure	Long	Short	Net
Germany	6.77%	16.56%	-9.80%
France	21.51%	16.08%	5.43%
Finland	7.90%	1.22%	6.68%
Italy	8.65%	7.45%	1.20%
Benelux	14.77%	8.64%	6.13%
Spain	4.46%	4.97%	-0.51%
Portugal	2.48%	0.00%	2.48%
Austria	3.93%	2.82%	1.11%
Greece	4.73%	0.00%	4.73%
Switzerland	0.00%	0.00%	0.00%
UK	1.20%	4.96%	-3.76%
Ireland	1.53%	0.23%	1.30%
Norway	5.26%	0.99%	4.27%
Sweden	0.00%	1.76%	-1.76%
Denmark	0.00%	0.00%	0.00%
Others	0.00%	0.00%	0.00%
<b>SUMME</b>	<b>83.18%</b>	<b>65.67%</b>	<b>17.51%</b>

Sector Exposure	Long	Short	Net
Industrial Goods & Services	19.55%	10.78%	8.77%
Technology Hardware & Equipm	3.05%	3.58%	-0.53%
Commercial Services	4.60%	0.00%	4.60%
Travel & Leisure	4.09%	0.91%	3.18%
Food & Beverages	1.38%	2.75%	-1.37%
Chemicals & Materials	16.28%	3.24%	13.04%
Automobiles & Components	7.01%	3.00%	4.01%
Insurance	4.13%	1.17%	2.96%
Media	6.27%	6.14%	0.13%
Retail	2.39%	7.18%	-4.79%
Utilities	0.00%	1.26%	-1.26%
Financial Services	4.90%	1.69%	3.21%
Oil&Gas	4.27%	4.70%	-0.42%
Healthcare	2.33%	9.54%	-7.20%
Real Estate	0.00%	2.34%	-2.34%
Personal & Household Goods	0.00%	4.36%	-4.36%
Banks	1.45%	1.89%	-0.44%
Construction	1.48%	1.16%	0.32%
Telecommunications	0.00%	0.00%	0.00%
<b>SUM</b>	<b>83.18%</b>	<b>65.67%</b>	<b>17.51%</b>

Fund Manager's Comment

Contributors of the month:

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



The fund's NAV increased by 0.8% in May. The Long/Short peer group of market neutral funds (net equity quota below 30%) lost .45%. Year-to-date the fund's NAV increased by 5.5% leaving the fund ranked #2 in the peer group as can be seen in the left hand chart.

Over the month European equities trended up by 1.7%. However, German DAX index ended up in the negative territory. Worries about Greece leaving the EMU played a major role in the ups and downs of the market. German Small Caps increased the most. The SDAX index and the TecDax index added 3% and 5% respectively. Losers of the month were Spanish blue chips and the overall Austrian equities

market down roughly 1% each.

The long book increased in value by 1.3% in May. The short positions lost .50%, resulting in a change in the fund's NAV of +0.8%. The biggest gains on a single stock level came from our core holding in French Société d'Édition de Canal Plus. We talked about that core holding in our December report in detail. As expected, the parent company Vivendi, made a public offer for the remaining 50% to all shareholders. With a price tag of 7.60 EUR /share and including dividends the stock increased by more than 25%. We remain invested as we think the probability for an adjusted bid is high. We arrive at a fair value for the company of 9 EUR/share. The share of Finnish construction rental equipment supplier, Cramo, was performing well, simultaneously our short position in French oil explorer Maurel & Prom proved to be right. Both positions added 30 bps to the overall fund's performance. Our short position in TomTom, a well-known supplier of navigational systems cost the fund 40 bps. As several companies became interested in Nokia's electronic mapping product, HERE, brokers increased their fair value for TomTom's mapping segment. The stock went up sharply. On top of that, TomTom announced the prolongation of an important contract with Apple. We will review our position in TomTom.

**Changes in the fund:**

Following the bid for French logistics company, Norbert Dentressangle (as reported in the monthly report of April), we sold our position in the fund. In addition, we opened a short position in the shares of Swedish food and pharmaceutical retailer ICA Gruppen. The majority of revenues is generated in the food retail market in Sweden with more than 1,300 stores. About 10% of profits are derived from the Baltics. While the Norwegian business was sold, management acquired Apotek Hjärtat, increasing its market share in that pharmaceutical business segment. The experience of Germany and most recently from the United Kingdom has shown that hard discounters significantly gain market share and put pressure on the established grocery stores. In addition, more and more households switch to online orders. Discounters such as Lidl price their products one third below the Swedish market average. Although the market share of hard discounters is currently just 4.4%, this is likely to increase significantly in the coming years. Assuming a similar price war like in UK profit margins of ICA would come under pressure noticeably, with corresponding negative effects on earnings and cash flow. Due to the fact that ICA Gruppen is rated with a hefty 22 times earnings, the above mentioned trend would cause a significant share price correction. Although ICA was able to increase the share of private label products to nearly 24% and is pushing for more online presence it is not a growth stock. In this respect, we consider this valuation under these circumstances as too high. A classic short trigger are the historically high margins of the company (4.5% EBIT margin). Rivals such as Tesco, Kesko and Metro are operating at margins of less than 3%. Management has set long-term goals to preserve that margin, but at the same time it is reinforcing the expansion of the online business as well as new store openings. We believe that the share price has the potential to plunge by about 30%.



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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