

## 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	104.5				
Period					
Month	3.12%	0.44%	2.23%	2.50%	0.23%
YTD	5.48%	-4.14%	-4.47%	-3.17%	1.91%
Since Inception	4.50%	3.62%	6.22%	10.34%	6.09%

## Statistics

Exposure	
Long Exposure	77.1%
Short Exposure	-55.2%
Net Exposure Beta adj.	19.8%

Risk Metrics	
Annual Volatility	6.3%
Correlation vs Stoxx	0.14
Correlation vs iBoxx € Sovs	0.05

## Fund Structure

Top 5 Holdings						
Company	ISIN	Country	Industry	Market Cap	Weighting	
CORTICEIRA AMO	PTCOR0AE0006	PT	Materials	EURm 946	2.14%	
OSLO BORS VPS	NO0010096845	NO	Financial Services	EURm 393	1.68%	
AMG	NL0000888691	NL	Materials	EURm 357	1.51%	
BNK OF PIRAEUS	GRS014003016	GR	Banks	EURm 2346	1.47%	
TOTAL PRODUCE	IE00B1HDWM43	IE	Food & Beverages	EURm 525	1.44%	
					<b>8.24%</b>	

Valuation Metrics		
	Long Book	Short Book
PE 2016e	10.9	26.9
Dividend Yield 2015e	3.7%	0.7%
EV/EBITDA 2016e	4.8	13.3

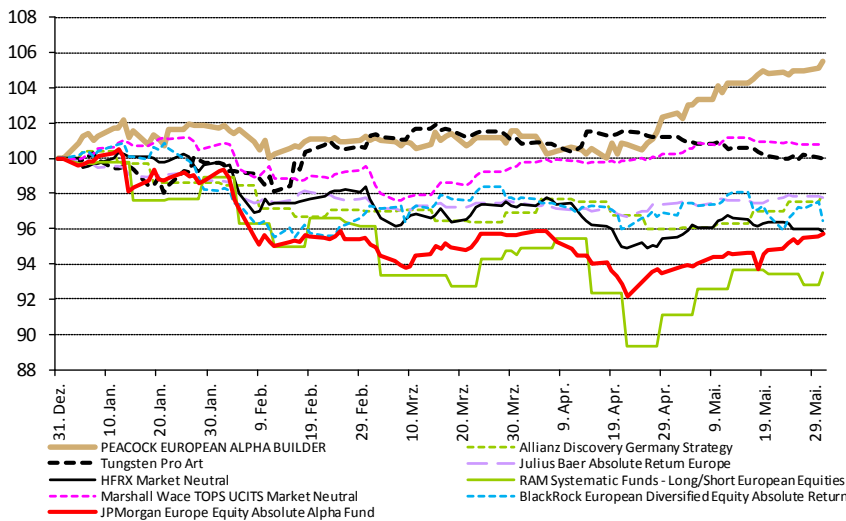
Country Exposure	Long	Short	Net
Germany	13.25%	17.31%	-4.06%
France	11.50%	12.47%	-0.97%
Finland	9.03%	0.49%	8.55%
Italy	6.71%	4.05%	2.67%
Benelux	11.57%	7.54%	4.03%
Spain	5.54%	4.32%	1.22%
Portugal	4.15%	0.10%	4.05%
Austria	2.05%	2.71%	-0.66%
Greece	6.06%	0.07%	5.98%
Switzerland	0.00%	0.00%	0.00%
UK	1.01%	1.41%	-0.40%
Ireland	2.16%	0.14%	2.02%
Norway	4.04%	0.00%	4.04%
Sweden	0.00%	0.00%	0.00%
Denmark	0.00%	1.13%	-1.13%
Others	0.00%	3.51%	-3.51%
<b>SUM</b>	<b>77.06%</b>	<b>55.25%</b>	<b>21.82%</b>

Sector Exposure	Long	Short	Net
Industrial Goods & Services	11.31%	5.70%	5.61%
Technology Hardware & Equipme	7.00%	6.61%	0.39%
Chemicals	1.23%	3.70%	-2.47%
Travel & Leisure	9.50%	0.13%	9.37%
Food & Beverages	1.35%	2.39%	-1.04%
Materials	5.89%	0.04%	5.85%
Automobiles & Components	6.33%	2.89%	3.44%
Insurance	2.30%	1.26%	1.05%
Media	3.21%	0.60%	2.61%
Retail	3.72%	1.66%	2.06%
Utilities	0.00%	0.76%	-0.76%
Financial Services	2.80%	0.28%	2.52%
Oil&Gas	5.86%	6.64%	-0.78%
Healthcare	0.00%	12.93%	-12.93%
Real Estate	1.33%	1.85%	-0.51%
Personal & Household Goods	0.00%	2.45%	-2.45%
Banks	6.53%	3.53%	2.99%
Construction	8.71%	0.38%	8.33%
Telecommunications	0.00%	1.46%	-1.46%
<b>SUM</b>	<b>77.06%</b>	<b>55.25%</b>	<b>21.82%</b>

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 gained 3.12% in April. The peer group of market neutral LS funds (equity quota below 30%) was up by 0.44%. The fund realized the best monthly result since inception and could increase its outperformance since the start of the year compared to the peer group again. The recent development demonstrates how the continued and consistent usage of the investment approach even with a permanently low net equity quota can deliver a positive performance. The main driver of performance is the normalisation of valuations just on a single stock level.

Equity markets started a little bit weaker into the month followed by a more sideways market range. Only towards the end of the month markets improved and ended with a positive monthly performance. Investors were concerned about the state of the global economy. Finally investors gained confidence in the US economy. The next rate hike by the FED was now anticipated over the next two months.

The Long book gained 3.02%. The shorts contributed also positively by 0.04%, so that the fund's NAV in total advanced by 3.06%. The largest single contribution in the Long book came from shares in Saft Groupe S.A. and AMG. Saft Groupe S.A. is a French company which is specialised in the development and production of high-technology batteries for industrial usage. On May 9<sup>th</sup> Total S.A. launched a takeover bid with a premium of roughly 40% compared to the last share price ahead of that offer. The stock of Saft was only detected as undervalued by our **Peacock Opportunity Filter** in March and purchased for the fund subsequently. A contribution of 42 bps in May. The low valuation in March was a result of the previous decline of the shares. Since mid 2015 the operating activities had been deteriorating. Lastly the shopping freeze of oil & gas clients amid the falling oil price has become a more visible drag on the business. The takeover bid now crystallizes the value of the technology in the field of nickel- and lithium-based batteries. The stock of Dutch Advanced Metallurgical Group (AMG) was

recommended by the screen in March as well. The results for the first quarter exceeded analysts' estimates. In the light of falling materials prices over the year 2015 forecasts were too cautious. The combination of a low valuation and an improvement in business activities led to a significant rise in the share price and a contribution of 39 bps to the fund's performance. Within the short positions the fund benefitted from declining shares of OCI. The Dutch manufacturer of nitrogen-based fertilizer and other industrial chemicals is highly indebted and confronted with falling prices for its products. These have beside other reasons led to the withdrawal of a deal with competitor CF Industries. The US based company was planning to acquire several assets from OCI. Due to the failure of that deal OCI will receive a compensation fee of 150 USDm. Still the company has to repay or refinance 1.2 EURbn over the years 2016 and 2017. Considering further deterioration in its end markets the company has little room for manoeuvre. Our fund benefitted from that short position by 36 bps. Our core position Corticeira Amorim, the Portuguese market leader in cork stoppers, continued to perform strongly. A contribution of 35 bps to the fund's performance. We introduced investors to the company already in September last year.

The biggest negative contributions resulted from our short positions in Morphosys and AMBU. Both companies operate in the healthcare segment. The Danish AMBU S/A belongs to the subsector Medtech. The company develops, manufactures and distributes products in the field of intensive care or specific surgical instruments. After a weak development in 2015 with declining profitability shares were considered to be overvalued on the expectation of an improving business development. The shares were trading at an EV/EBITDA multiple for 2016 of 23. Lower profitability in 2015 was among others the result of higher investments in new products and a build up of inventories and marketing & sales. With the latest quarterly results the company was able to show a pickup in profitability. The shares recovered strongly – hence a negative contribution to the fund's performance of 22 bps. Shares of Morphosys recovered in May from the previous decline. The fundamental picture of the company did not change though. Aside from the latest disappointments in its clinical research and the termination of an agreement by a partner we remain sceptical about the company's new strategy. The company is now forced to invest in the in-house development of new therapeutic. That will lead to higher losses than previously expected reducing the cash balance. Risk reduction by partnering projects is not on the cards anymore. The recovery of the stock in May led to a negative contribution to the fund of 22 bps.

**Changes in the Fund:**

After the takeover bid for Saft we halved the position in the stock. With the offered premium and low risk for regulatory objection we see a high probability of success. Chances for an improved offer by Total or for a counterbid are low.

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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