

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	99.22				
Period					
October 2015	4.67%	1.07%	12.32%	8.08%	0.62%
YTD	6.83%	5.56%	10.65%	12.25%	-0.54%
Since Inception	-0.78%	8.12%	12.30%	16.70%	4.85%

Statistics

Exposure	
Long Exposure	86.4%
Short Exposure	-57.1%
Net Exposure Beta adj.	25.3%

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	
BOOHOO	JE00BG6L7297	GB	Einzelhandel	589 Mio. EUR	2.67%	
OSLO BORS	NO0010096845	NO	Finanzdienstl.	404 Mio. EUR	2.66%	
CORTICEIRA AMORIM	PTCOR0AE0006	PT	Grundstoffe	662 Mio. EUR	2.22%	
AUSTEVOLL SEAFOOD	NO0010073489	NO	Nahrungsmittel	1134 Mio. EUR	1.78%	
TOTAL PRODUCE	IE00B1HDWM43	IE	Nahrungsmittel	462 Mio. EUR	1.68%	
					11.01%	

Valuation Metrics		
	Long -Titel	Short-Titel
PE 2016e	11.1	34.7
Dividend Yield 2015e	3.2%	0.7%
EV/EBITDA 2016e	7.1	14.5

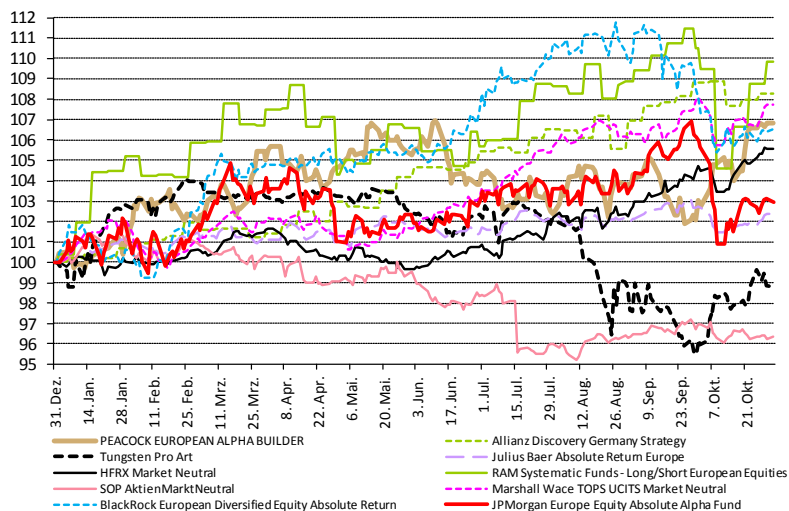
Country Exposure	Long	Short	Net
Germany	14.89%	14.91%	-0.02%
France	13.28%	15.11%	-1.83%
Finland	8.16%	0.00%	8.16%
Italy	8.92%	4.70%	4.22%
Benelux	10.81%	5.15%	5.66%
Spain	1.53%	5.39%	-3.87%
Portugal	5.32%	0.00%	5.32%
Austria	5.70%	1.76%	3.94%
Greece	6.55%	0.00%	6.55%
Switzerland	0.00%	0.00%	0.00%
UK	2.67%	3.74%	-1.07%
Ireland	2.72%	0.14%	2.59%
Norway	5.83%	0.00%	5.83%
Sweden	0.00%	1.83%	-1.83%
Denmark	0.00%	1.03%	-1.03%
Others	0.00%	3.35%	-3.35%
SUMME	86.38%	57.11%	29.27%

Sector Exposure	Long	Short	Net
Industrial Goods & Services	24.50%	7.38%	17.13%
Technology Hardware & Equipme	1.38%	5.44%	-4.06%
Commercial Services	3.23%	0.00%	3.23%
Travel & Leisure	0.00%	0.53%	-0.53%
Food & Beverages	3.47%	2.67%	0.80%
Chemicals & Materials	16.06%	1.19%	14.87%
Automobiles & Components	8.58%	3.37%	5.21%
Insurance	2.51%	0.69%	1.81%
Media	1.04%	5.81%	-4.77%
Retail	3.77%	1.33%	2.43%
Utilities	1.32%	0.00%	1.32%
Financial Services	3.89%	0.00%	3.89%
Oil&Gas	6.41%	4.45%	1.96%
Healthcare	1.11%	18.17%	-17.05%
Real Estate	1.65%	1.38%	0.27%
Personal & Household Goods	0.00%	1.64%	-1.64%
Banks	6.17%	0.19%	5.98%
Construction	1.30%	0.68%	0.62%
Telecommunications	0.00%	2.19%	-2.19%
SUM	86.38%	57.11%	29.27%

Fund Manager's Comment

Contributors of the month:

YTD Performance of Peacock European Alpha Builder Fund vs. European Bond and Equity Indices (12/31/14 = Index 100)



The Peacock European Alpha Builder UI Fund was up 4.67% in October. The peer group of market neutral LS funds (equity quota below 30%) added 1.07%. YTD our fund is ahead of the peer group (see chart).

European equities rebounded in October. Earnings reports were mixed as were leading economic indicators. End of the month central banks again ensured that market participants regained trust and equity markets moved up. At first, ECB president Mario Draghi, hinted to a possible extension of the quantitative easing program from December onwards. Just one day later the Chinese central bank also increased its

monetary policy stimulus. In the wake of this liquidity-driven rally large caps outperformed small caps. While the Euro Stoxx 50 index moved up by 10.3% European small caps went up "only" 6.9%. The weakest performance came from Greek stocks up just 2.4% while Dutch small caps jumped by 12%.

The Long book gained 7.28%. Our short book cost the fund 2.61%, thus a total fund performance of +4.67%. One of our core holdings, shares in British online fashion retailer, boohoo.com plc, rose by about 20% adding 43bps to the fund's performance. The company reported solid H1 results still trading at a large discount to peer ASOS Plc. Shares of Norwegian oil service company, Kvaerner ASA, which are part of our fund for a long time, jumped by more than 30%. We expected additional positive news, finally, the arbitration ruling related to the Longview settlement resulted in a one-off payment of 74 USDm. On a per share basis that amount equals to 2.4 NOK. The company already sat on a huge cash pile. At year end the company's cash pile will make up 80% of its market cap. Our short in blood plasma producer Biotest AG proved to be right. Trading at high multiples it surprised the market with a profit warning. The stock plunged, adding 39bps to the fund. Price pressure in the industry has been a known fact before, high inventory write-downs hit the p&l on top of that.

Again Rocket Internet made it to the news. End of October the company announced its plans to float HelloFresh, a major holding of the company. Mid-September, investment firm Baillie Gifford subscribed to a capital increase in Hello Fresh

paying 75 EURm valuing the company at lofty 2.6 EURbn. Just 6 months earlier the price tag was a modest 0.6 EURbn according to the press release. The value of Rocket Internet's stake supposedly increased from 0.4 billion Euros to 1.5 billion Euros. Funnily enough, the press report did not mention that Baillie Gifford holds a 6.8% stake in Rocket Internet itself and therefore benefits directly from its own investment and the planned IPO. We think that a transparent and fair valuation in the context of the so-called "last portfolio values" is not given. In our view, these are purely arbitrary valuations set by Rocket Internet-affiliated investor groups. Remember: Hello Fresh should be worth pre-IPO EUR 2.6 billion. Sure, we concede strong growth ahead at business models like these. However, revenues for 2015 (forecast!) are supposed to end up at 250 EURm. In addition, one has to question whether revenues of such companies are generated at any price and as a result would leave the company with huge losses for many years. Losses at Hello Fresh in the first 9 months of 2015 sum-up to 58.3 EURm.

Changes in the Fund:

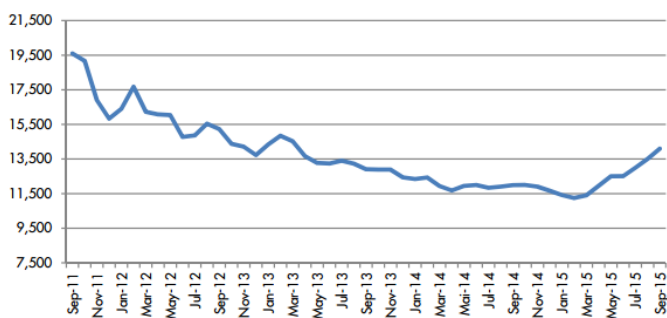


Already end of September we added shares in Austrian Lenzing AG to our fund. The stock was positively ranked by our **Peacock Opportunity Filter**. We met management several times this year personally. The firm is market leader in man-made cellulose fibres (MMC) being an alternative to the common cotton product. MMC is used primarily in the textile industry, but also in the field of hygiene products. The raw material for Lenzing's fibers is wood pulp. This is then processed into cellulose fibers. With around 960,000 tonnes produced annually the global market share of Lenzing stands at 21% (they operate the world's largest production plant in Indonesia).

Lenzing has changed management recently with the appointment of Stefan Doboczky as CEO in June. Main shareholder B & C supposedly was pursuing a different expansion strategy than the former CEO. At the same time the company reinforced its focus on MMC by selling two German businesses, Dolan and European Carbon Fiber. A key role plays the TENCEL® fiber brand.

Lenzing operates in a still difficult market environment. World market prices for cotton and textile fibers, among other things due to overcapacity in China, remain at low levels although a recovery could be seen just recently. The synthetic fiber polyester is correlated to the oil price and therefore is a cheap substitute product from the view of Lenzing`s clients.

Viscose fiber prices (in RMB)



Source: ccfgroup.com, Raiffeisen Centrobank

However, the reduction of acreage of cotton plantations in China should have a positive effect on prices looking forward. Overall, Lenzing should succeed in increasing profitability in the coming quarters. The price recovery is going on as we speak as can be seen in the left hand spot price chart. Lenzing was able to implement some price increases during the summer months. The combination of cost savings from the program "ExcelLENZ" (started in 2014 and to be finished in 2015 with annual savings of 160 EURm), price increases and positive currency effects led to positive earnings revisions by analysts in the past months. In November the company will publish results and hold a Capital Markets Day. We

think that visibility will therefore increase and more investors will pay attention to the company's business model.

Some facts with regards to man-made cellulose (MMC):

- ✓ MMC is just 7% of the total fiber market, with a total volume of 89.4 m t
- ✓ Core-Viscose is 60% of Lenzing's revenue which ranks the company #2 with a market share of 16%
- ✓ High-quality niche product TENCEL® with superior characteristics to cotton, like higher absorbency. Closed production cycle processes are an innovative feature, solvents are recovered almost fully. TENCEL® areas of application: mattresses, bedding, home textiles, sports clothing, hygiene articles such as cleenex tissues or baby diapers
- ✓ Lenzing Modal® used as a particularly soft fabric in the clothing industry

Finally, some financial facts:

- Free Cash Flow Yield (to the firm) at 6%
- Turnaround year 2015, further profitability improvements in the years to come
 - cost reduction program „excellENZ“ will be completed in 2015
 - Focus is on MMC, establish brand "Tencel" at retailers network
 - Reduction of global cotton inventories will induce a price recovery
- Dividend upside in the coming years
- 2016 EV/EBITDA 7x
- Debt reduction ongoing (1.8x EBITDA in 2014, below 1.0x EBITDA in 2016)
- In 2015 the EBIT margin shall arrive at around 8%. Considering a price recovery of cotton the company should be able to increase margins to a double digit level. A strong US dollar surely favors the achievement of these targets

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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