

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	105.73				
Period					
Month	4.11%	-0.12%	1.47%	-1.03%	-1.30%
YTD	6.72%	-4.02%	-0.73%	-4.80%	2.19%
Since Inception	5.73%	3.57%	10.38%	8.48%	6.39%

Statistics

Exposure	
Long Exposure	84.3%
Short Exposure	-58.8%
Net Exposure Beta adj.	17.8%

Risk Metrics	
Annual Volatility	6.7%
Correlation vs Stoxx	0.22
Correlation vs iBoxx € Sovs	-0.01

Fund Structure

Top 5 Holdings						
Company	ISIN	Country	Industry	Market Cap	Weighting	
SONAE CAPITAL	PTSNPOAE0008	PT	Real Estate	175 Mio. EUR	1.69%	
OSLO BORS VPS	NO0010096845	NO	Financial Services	413 Mio. ER	1.68%	
KVAERNER	NO0010605371	NO	Oil&Gas	303 Mio. EUR	1.68%	
DELTA LLOYD	NL0009294552	NL	Insurance	2,468 Mrd. EUR	1.53%	
TOTAL PRODUCE	IE00B1HDWM43	IE	Food&Beverages	543 Mio. EUR	1.50%	
					8.08%	

Valuation Metrics		
	Long Book	Short Book
PE 2016e	11.7	28.1
Dividend Yield 2016e	3.3	0.6
EV/EBITDA 2016e	6.0	18.0

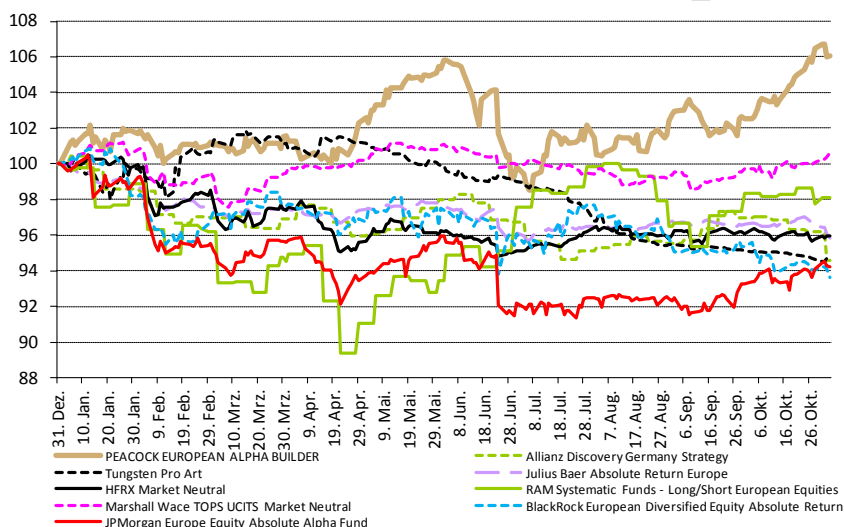
Country Exposure	Long	Short	Net
Germany	13.13%	15.57%	-2.44%
France	14.75%	13.74%	1.01%
Finland	2.49%	1.36%	1.13%
Italy	8.07%	5.74%	2.33%
Benelux	10.89%	11.09%	-0.20%
Spain	7.02%	3.57%	3.45%
Portugal	2.98%	0.36%	2.61%
Austria	6.96%	3.29%	3.68%
Greece	6.81%	0.27%	6.54%
Switzerland	0.00%	0.00%	0.00%
UK	1.12%	0.64%	0.48%
Ireland	2.02%	2.00%	0.02%
Norway	4.76%	0.00%	4.76%
Sweden	0.00%	0.00%	0.00%
Denmark	0.00%	1.21%	-1.21%
Others	0.00%	0.00%	0.00%
SUM	81.00%	58.84%	22.15%

Sector Exposure	Long	Short	Net
Industrial Goods & Services	9.62%	4.99%	4.63%
Technology Hardware & Equipme	0.00%	6.37%	-6.37%
Chemicals	1.14%	1.31%	-0.17%
Travel & Leisure	1.12%	2.04%	-0.92%
Food & Beverages	1.40%	2.32%	-0.92%
Materials	5.97%	0.15%	5.81%
Automobiles & Components	7.93%	0.79%	7.14%
Insurance	6.12%	1.33%	4.80%
Media	4.40%	3.00%	1.40%
Retail	3.85%	0.75%	3.10%
Utilities	1.95%	0.78%	1.17%
Financial Services	5.57%	1.03%	4.54%
Oil&Gas	6.46%	6.12%	0.33%
Healthcare	1.44%	13.44%	-12.00%
Real Estate	4.47%	2.51%	1.95%
Personal & Household Goods	2.15%	6.06%	-3.91%
Banks	6.05%	2.17%	3.88%
Construction	11.36%	0.45%	10.91%
Telecommunications	0.00%	3.21%	-3.21%
SUM	81.00%	58.84%	22.15%

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 4.11% in the month. The peer group of market neutral LS funds (equity quota below 30%) was down by .12%. The fund thus was able to widen its gap to the peer group significantly ranking #1 with more than 6% up YTD according to Morningstar.

Equity markets stabilized in October as the ECB continued with its bond purchasing program. The US earnings season was solid as were the data points of US and European macroeconomic indicators. The US economy accelerated while German IFO Index crossed the level of 110. The strongest performers

were Italian equities up 4.41% helped by a strong recovery of Italian financials. German TecDAX index lost the most, down 4.35%. Biggest losers were SLM Solutions, SMA Solar and Adva Optical each down more than 20%.

We take the opportunity to again highlight the way we manage the fund. Our solid monthly performance is not based on a "lucky shot" or a "sector bet". Rather, our consistent valuation approach based on our Peacock Opportunity Filter on a single stock level pays off. We hold on to each position until a normalization of the substantial mispricings kicks in. Stock selection is then backed by a thorough analysis of the companies' business models which includes management meetings in person. We are convinced that over the long-term only a valuation based stock picking approach generates performance rather than repeatedly doing overlay decisions. This is the case in particular for long short funds. Many competitors spend their time on sector or equity quota decisions hoping to end up with a perfect timing. While this is easy to implement history shows that these undertakings destroy value repeatedly (e.g. pharma, oil&gas, Brexit). Irrational valuation metrics on single stock level are left aside. Our decent performance YTD is based on stock selection both within the long and the short book. We do take advantage of over- and undervaluations in a systematic manner. Please read again our July report of our "Long Only" Value fund, the Peacock European Best Value AMI Fund. We outline the results of a UBS study indicating the tremendous mispricing of particular sectors and styles offering a huge opportunity to investors. (see <http://bit.ly/2aYmDSI>).

The Long book was up 3.87%. The short book added 24bps to the fund`s performance resulting in an overall performance of 4.11%. Positive contributors were shares of Dutch insurer Delta Lloyd (+35%, 41bps contribution) and Greek Mytilineos (+25%, 30bps contribution). Biggest contributor was our short in German LPKF Laser. The company was forced to write off inventories and R&D ending up with a quarterly loss of estimated 9 EURm. On top of that the annual guidance had to be cut. During the last conference call management confirmed that its in-house LDS technology lacks demand while new innovative PCB technology is suffering from production issues. Historic EBIT margins of 20% are far from realistic looking forward. Also, debt levels are elevated, a potential capital increase will dilute shareholders significantly. Dutch insurer Delta Lloyd became a takeover target. Belgian NN Group announced a bid for the company, the formal bid will be handed over to the regulator on December 28 at the latest. Shares in Greek Mytilineos Holdings moved up as well. A pretty good example of irrational exuberance on a single stock level. As a leading aluminium producer and EPC contractor for power plants stock was trading at 5x EV/EBITDA based on depressed EBITDA forecasts. Market participants did not realize that the recovery of aluminium prices underway and the successful cost reductions were ensuring strongly improving results. We met management at the Athens Stock Exchange Conference in London confirming that the firm is on track for a bright 2017.

Changes in the Fund:

In October we sold remaining shares in Aegean Airlines, the leading Greek airline carrier. Although the company is trading at decent discounts to the European peer group earnings estimates had to be revised downwards. We were concerned by the market entry of Ryanair starting at the Thessaloniki hub at the beginning of the year. In order to get a better picture of the situation we met management at the conference in London. Two days earlier the company reported quarterly results shocking the market with a net loss. Management stated that the increase of the Greek VAT from 13 to 23% and higher fleet investments were the reasons behind the weak results which shall be just of temporary nature. We do not subscribe to that view and assume depressed ticket prices for the foreseeable future and expect the company to lose market share to Ryanair.

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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