

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	101.56				
Period					
Month	0.12%	0.36%	-0.77%	-0.11%	0.11%
YTD	2.51%	-3.90%	-2.16%	-3.81%	3.54%
Since Inception	2.51%	-3.90%	-2.16%	-3.81%	3.54%

Statistics

Exposure	
Long Exposure	83.9%
Short Exposure	-64.9%
Net Exposure Beta adj.	10.1%
Risk Metrics	
Annual Volatility	6.6%
Correlation vs Stoxx	0.18
Correlation vs iBoxx € Sovs	-0.06

Fund Structure

Top 5 Holdings						
Company	ISIN	Country	Industry	Market Cap	Weighting	
OSLO BORS VPS	NO0010096845	NO	Financial Services	405 Mio. EUR	1.78%	
SONAE CAPITAL	PTSNP0AE0008	PT	Real Estate	170 Mio. EUR	1.68%	
KVAERNER	NO0010605371	NO	Oil & Gas	267 Mio. EUR	1.60%	
TOTAL PRODUCE	IE00B1HDWM43	IE	Food & Beverages	540 Mio. EUR	1.50%	
TOKMANNI GROUP	FI4000197934	FI	Retail	557 Mio. EUR	1.39%	
					7.95%	

Valuation Metrics		
	Long Book	Short Book
PE 2016e	11.5	28.2
Dividend Yield 2016e	3.5	0.6
EV/EBITDA 2016e	4.6	16.8

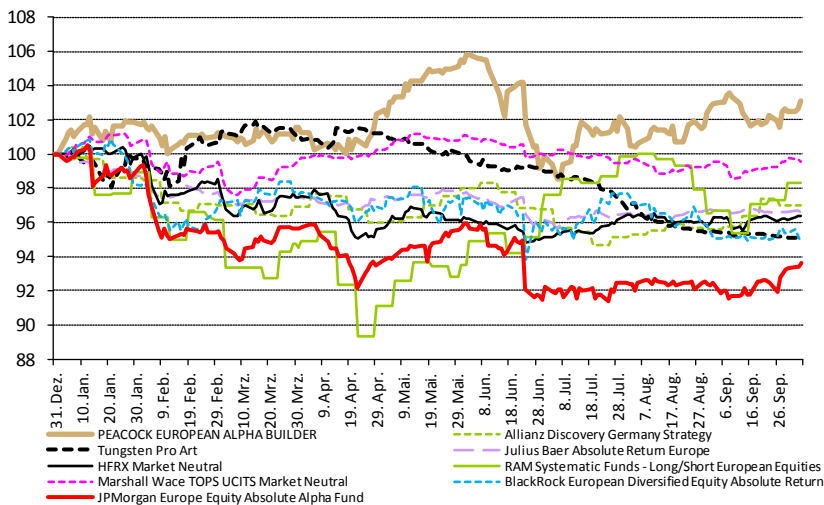
Country Exposure	Long	Short	Net
Germany	13.45%	17.48%	-4.04%
France	14.47%	15.17%	-0.70%
Finland	2.62%	1.46%	1.16%
Italy	7.98%	6.16%	1.82%
Benelux	10.72%	12.23%	-1.51%
Spain	6.99%	4.08%	2.91%
Portugal	3.01%	0.39%	2.62%
Austria	7.06%	3.43%	3.63%
Greece	7.47%	0.29%	7.18%
Switzerland	0.00%	0.00%	0.00%
UK	1.20%	0.71%	0.49%
Ireland	2.08%	1.96%	0.12%
Norway	4.73%	0.00%	4.73%
Sweden	0.00%	0.00%	0.00%
Denmark	0.00%	1.50%	-1.50%
Others	2.12%	0.00%	2.12%
SUM	83.90%	64.86%	19.04%

Sector Exposure	Long	Short	Net
Industrial Goods & Services	9.10%	5.43%	3.67%
Technology Hardware & Equipme	0.00%	7.51%	-7.51%
Chemicals	1.27%	1.40%	-0.13%
Travel & Leisure	3.29%	2.24%	1.04%
Food & Beverages	1.35%	2.62%	-1.27%
Materials	6.07%	0.16%	5.91%
Automobiles & Components	8.11%	0.84%	7.27%
Insurance	5.74%	1.41%	4.33%
Media	4.37%	3.40%	0.96%
Retail	4.06%	0.80%	3.25%
Utilities	1.90%	0.83%	1.07%
Financial Services	5.95%	1.10%	4.84%
Oil&Gas	6.29%	6.25%	0.03%
Healthcare	0.00%	15.53%	-15.53%
Real Estate	4.34%	2.77%	1.57%
Personal & Household Goods	2.54%	6.18%	-3.65%
Banks	5.55%	3.32%	3.23%
Construction	11.87%	0.48%	11.39%
Telecommunications	0.00%	3.56%	-3.56%
SUM	83.90%	64.86%	19.04%

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 NAV of the Peacock European Alpha Builder UI Fund rose 0.12% in the month. The peer group of market neutral LS funds (equity quota below 30%) was up by .45%. YTD the fund returned 2.51%. In contradiction to that, all competitors according to Morningstar Peergroup are in negative territory (see left hand chart).

Small Caps were able to post positive returns in almost any country in Europe while Blue Chips suffered. On a sector level banks and real estate dropped the most by 4%. Shares in German Morphosys and Adva Optical lifted up German TecDAX ending the month with 4.3%. Austrian

equities moved up almost the same amount. Higher losses of about 2 to 3% percent occurred in Italian and Irish equity markets.

The Long book was up 2.2%. The short book lost 2.08% so the fund's NAV was up 0.12%. One positive contributor again was our core holding, Norwegian Kvaerner ASA. The oil & gas platform EPC firm received new orders. A resumption of significant dividend payments is on the cards, net cash stands at 9.7 NOK/share. Shares moved up by 25%, a contribution to the fund of 32bps. Shares of Spanish construction company OHL (see our June report) continued to recover. The fact that owner Villa Mir is not forced to collateralize his credit lines by shares in OHL any more is a clear positive. Shares were up 20%, a contribution to the fund of 20bps. We decided to close our short in German software company RIB Software with a profit. The company is not ranked among the 50 most unattractive shares in Europe any more according to our Peacock Opportunity Filter. Shares recovered strongly after management announced a Joint Venture (however an odd set up) and increased its 2016 guidance.

Changes in the Fund:



CHARGEURS

In September we bought shares in French Small Cap Chargeurs SA. Our **Peacock Opportunity Filter** top-rated the company in our quarterly screening (ranked 21 amongst more than 800 European Small & Mid Caps). The following balance sheet and P&L ratios give a sound picture: PE of 11, double-digit EPS growth, no debt, dividend yield of close to 4%.

Many years Chargeurs SA had been headed by CEO Eduardo Malone backed by major shareholder Mr. Seydoux (28% stake). End of 2015, surprisingly, the stake was sold to Colombos Holding SAS. The company was set-up solely for the purpose of acquiring Chargeurs SA. Behind the scenes is current CEO, Michael Fribourg, who jointly with French banks and family offices, is managing the company. Chargeurs has been going through difficult years, too focused in an inefficient manner on the textile and wool business. Just by tremendous restructuring efforts including optimizing working capital and refinancing the firm did not go bust. Nowadays, Chargeurs SA is a debt free company as a result of a refocus on innovative and less capital intensive business segments like the "protective film" segment.

Mr. Fribourg is considered to be a financial investor, many years he worked in different French ministerial departments like ministry of trade and SME. One can expect that Fribourg will continue to manage the company by strict financial targets. Since the company covers a portfolio of business segments more portfolio adjustments may be on the cards. Just recently the company acquired a US company focusing on "protective films". Therefore Chargeurs SA continues to move away from its roots in the classical textile and wool business towards a more profitable segment with superior growth rates.

Its growth strategy is key. "Value Investing" always has to look for sustainable and structural growth. We believe that Fribourg's decision to further strengthen the "protective film" segment is the right way, dependence on the wool segment will diminish further.

So, what are the main 4 business segments of Chargeurs:

1) Protective Films - 43% of Sales

Self-adhesive films for sensible items in the construction, automotive and electronic industry, which have to be protected during transportation or during the manufacturing process. Market leading position with a market share of 25%.

2) Interlining Clothing - 32% of Sales

Interlinings with special adhesive and structural characteristics put between the inner and outer layer of apparel textiles. Tough segment, slightly shrinking in Europe. That is why focus is more on premium segment e.g. with Italian fashion brands.

3) Technical Substrates - 3 % of Sales

Spun-off from the interlining clothing segment in 2015 with the aim to focus on textile products for the non-fashion industry like outdoor advertising space, decoration, security etc. Examples are curtains absorbing sound reverberation, sunlight or items with are fire resistant. In advertising, large and coloured transparent displays for Open Air festivals are good examples. The latest innovation is a fabric with protects areas against electromagnetic radiation. Called "EstoMpe" the product basically is a textile layer with a specific outer imprint printed with silver ink. The fabric would shield clients from WiFi, GSM or radio waves. This segment is characterized by high margins and strong growth.

4) Wool - 22% of Sales

Chargeurs is acting as a trader sourcing wool from New Zealand, Uruguay, Argentina and Australia and selling it to spinning mills. World market share of 6%. It is a niche, wool is mainly used in the premium fashion segment.

The wool business might be for sale in the mid-term, returns on capital are low as are margins. A restructuring plan called "Performance Plan" is implemented as we speak. The target for 2016 is cost savings of 4.5 EURm. In H1 Chargeurs already achieved 3 EURm. Up till 2013 Chargeurs was not able to earn its cost of capital. It hovered around 6%. The optimization measures implemented improved RoCEs, currently standing at around 14%. There is more room to go. Based on expected EBITDA of 55 EURm in 2017 the company trades at only 5.8x EV/EBITDA. Though shares performed well already we see a potential return of 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	

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