Peacock Capital follows a classic "value investing" approach in the management of European small- and mid-cap stocks. This includes a strict focus on company valuation as well as a sound analysis of the business model. We prefer stocks that are trading at a significant discount to the intrinsic value of the share. At the same time, the company should be positioned in an attractive niche that has a strong "economic moat" and is structurally and sustainably characterized by cash flow-strong growth. As a critical investor, the qualitative analysis of the business model also includes an examination of the company for good governance. This aspect of "governance" is represented as "G" within the ESG criteria. In addition, all securities in the portfolio and all potential purchase candidates are analyzed and categorized with regard to the aspects of social responsibility and environmental sustainability.

As a specialized fund for European small- and mid-caps, we have the expertise and the opportunities to identify so-called "pure plays", the selection of which enables us to make a significant contribution to achieving the Sustainable Development Goals (SDGs) in the area of sustainability. For this reason, the portfolio contains various core positions whose business model or products are to be classified exclusively in the area of environmental sustainability (e. g. wind/solar farm operators/suppliers, producers of sustainable raw materials, specialists for electromobility and electricity storage, recycling providers).

1. Objectives

The fund's objective is to filter out those small- and mid-caps from the more than 4,000 European companies that have an above-average attractive valuation and growth profile. At the same time, in terms of sustainability, we want to identify those companies that make a particularly strong contribution to achieving the SDGs. In this respect, we pursue a "best in universe" approach to ESG stock selection. At the same time, there is a "negative screening" of all stocks that lead to exclusion if certain sustainability criteria are not met.

2. Investment process

The quantitative Peacock Opportunity Filter is used as a key tool for generating ideas for attractive buy candidates. It selects the available universe of European companies on the basis of reliable balance sheet and P&L ratios. In the second stage, ESG ratings are added for the individual companies (source: Refinitiv). The methodology of the ratings is based on more than 300 individual factors for the areas of environmental, social, governance and controversies, which ultimately result in an overall score from "A" to "D". This "Combined Score" is the basis for deciding whether to exclude various securities.

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2.1. Exclusion criteria

Companies with a combined score worse than "C" are excluded from the process. The discovery of gross violations of the UNGC principles also leads to the exclusion or disinvestment of a fund position. This includes securities with a negative "Controversies" score.

These exclusion criteria are:

- Gross violations of human or labor rights
- Active in the manufacture or distribution of controversial weapons, anti-personnel mines or cluster bombs
- Involvement in corruption cases
- Serious environmental violations

Furthermore, we make exclusions at industry level according to defined sales limits:

- More than 5% of sales with armaments and weapons
- More than 5% of sales from nuclear power or its components
- More than 5% of sales in coal or uranium mining
- More than 5% of sales from fracking or oil sands operations
- More than 5% of sales from gambling
- More than 5% of sales from tobacco
- More than 30% of sales from coal-fired power generation

2.2. Data quality

As a data provider, we use Refinitiv in the first step. With regard to companies for which data is not provided by Refinitiv or other rating agencies, we use our European network of partner banks. Particularly in the small- and mid-cap segment, our network of locally based analysts usually provides better insights into the companies than the rating agencies themselves. They usually have close and regular contacts with the companies and offer dedicated ESG assessments. Finally, the fund management uses its own contacts with the companies to discuss ESG aspects and work towards achieving the SDGs. The fund management personally meets more than 200 companies per year and uses a proprietary ESG questionnaire as a data basis.

2.3. Other

On a case-by-case basis, there may also be exceptions to the selection system described, which must be substantiated by the fund management (e.g. convincing and rapid exit strategy of a utility company from coal-fired power generation). Companies that violate

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exclusion criteria after the investment date due to changes in business practices are to be sold after three months at the latest in order to safeguard interests. All securities in the portfolio shall be reviewed regularly and investors shall be informed of significant changes as part of regular reporting.

3. Risks

In the process of assessing ESG criteria, misjudgments may occur. The fund manager relies on information and data from third-party providers, which may be incomplete, inaccurate or incorrect. As a result, the fund manager's assessment may lead to incorrect inclusion or exclusion of securities in the fund.

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