

FACTSHEET

Performance Returns

The Pegasus UCITS Fund returned -0.46% in September (EUR Institutional share class).

Monthly Review

Two weeks of risk unwinds left the UK equity market back in negative territory on the year in a difficult period that tested both year-to-date market highs and lows. Draghi's ABS/CBB programme at month end was a key sentiment driver and, at the margin, it was disappointing (fresh lows in forward inflation estimates & negative reactions from some high profile central bankers attest to this). Much like the initial reaction to the Fed's QE programme, the market will take time to believe in the implementation of central bank action which is understandable given the lack of clarity on the overall size and quality of assets being bought.

The amount of capital employed in the short book has grown meaningfully in the past few weeks. Our negative thesis on margin and market share contraction in traditional food retail is well covered, and our exposure here continued to make a meaningful contribution, helped by profit warnings across the space (some structural, some idiosyncratic). Although like-for-like sales started to slow as early as 2007, the gross margin contraction we're now seeing is merely an unwind of the gains (c200bp ex-fuel) management pushed through over the same period, and has been almost entirely from sales deleverage rather than an industry wide re-base (which we believe must still come).

Elsewhere, we spent considerable time looking at the validity of once favoured 'disruptive structural growth' stories where we felt downside risk to earnings estimates would weigh on inflated valuations. The alpha we've already seen shorting some technology driven retail related names has been particularly pleasing, and in many cases news flow in the period has helped develop our thesis into a much more compelling investment case.

We've also had some success selectively shorting names we used to own where new information on the size of the market opportunity and particularly return on sales has had a profound impact on our assessment of the terminal value. The fact these ideas have come from a combination of successful and unsuccessful longs is pleasing given our focus on remaining objective in generating new ideas.

We gave back some performance in one of our more publicised conviction longs, Next, after management - consistent with their prudent approach to managing expectations - clarified the earnings sensitivity to a recent period of mild weather. This was not entirely unexpected given peer commentary over the prevailing period and we are supportive of management's ability to mitigate the effect on stock turns (and thus margin) relative to peers. We also welcome this level of disclosure in what was effectively 'a warning about a warning'.

Our oil and gas services names were also disappointing this month, despite further improvements in several of the data points we follow. Although this disconnect is frustrating in the short term, we continue to see upside to earnings estimates in many of these situations, and have used the recent weakness as a buying opportunity.

We used the market strength at the beginning of the month to close out some of our more mature holdings where we felt further multiple expansion and/or earnings upgrades were unlikely in the near term. As we have noted in previous investor letters, the relative nature of these sales is important.

They should be viewed in the context of what we perceive to be better risk/reward opportunities elsewhere in what is a focused portfolio, not that the outlook for the business is negative per se. Thus, should price or any other aspect of the thesis change, we will revisit.

Euro Institutional Share Class

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Y-T-D
2010	-	-	-	-	-	-	-	-	-	-0.30%	-2.18%	6.59%	3.95%
2011	-3.55%	3.20%	-1.68%	4.06%	-1.34%	2.46%	-1.39%	-4.69%	-4.76%	4.99%	-0.55%	0.39%	-3.43%
2012	-0.37%	4.34%	-1.76%	2.25%	-2.31%	-1.98%	-0.10%	0.93%	-1.54%	-0.16%	1.37%	-1.11%	-0.65%
2013	7.52%	4.68%	5.43%	0.57%	6.88%	0.51%	5.38%	-3.71%	3.75%	3.57%	1.35%	2.68%	45.49%
2014	-0.80%	5.91%	-2.05%	-10.11%	-2.45%	-4.44%	-1.44%	0.55%	-0.46%				-14.94%

The performance figures quoted above represent the performance of the Pegasus UCITS Fund (EUR Institutional) since its launch on 1st Oct 2010. These performance figures refer to the past and past performance is not a guarantee of future performance or a reliable guide to future performance.

THE MANAGER

CLAREVILLE CAPITAL



David Yarrow is a Partner and Fund Manager at Clareville Capital. Prior to Clareville, David spent 8 years working as an institutional stockbroker

in UK equities, both in London and New York. In 1993 he was appointed a Director of Equities at Natwest Securities where he worked until leaving to launch Clareville.



Angus Donaldson is a Partner and Fund Manager at Clareville Capital, whom he joined in September 2008.

Prior to Clareville, Angus was a founding partner and Fund Manager at Corin Capital - a UK long short equity hedge fund. Previously, he was Managing Director and Head of UK Equity Sales at Dresdner Kleinwort Wasserstein.

FUND FACTS

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
AUM	\$13.7m
Share Class	Institutional
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.75%
Perf. Fee	20%
Min Initial Subsc.	100,000
Date of Inception	01.10.2010
ISIN Codes	EUR: IE00B3QL113 USD: IE00B3QZNH75 CHF: IE00B3MBJQ07 GBP: IE00B68Z1V62 Pooled GBP: IE00B3RTD232
Share Class	Retail
Currency	EUR/GBP/CHF/USD
Mgt. Fee	2%
Perf. Fee	20%
Min Initial Subsc.	1000
ISIN Codes	EUR: IE00B3N9LL24 USD: IE00B3SGTD66 CHF: IE00B3SLGP29 GBP: IE00B3YLLZ14 Pooled GBP: IE00B4M22S36

COMPOSITION OF FUND

Top 10 holdings

	%
1 Weir Group Plc	9.1
2 Next Plc	8.7
3 Dixons Carphone Plc	6.0
4 Whitbread Plc	5.5
5 Wood Group Plc	5.0
6 Ashtead Group Plc	4.8
7 Man Group Plc	4.3
8 Vodafone Group Plc	3.4
9 Redrow Plc	2.3
10 Howden Joinery Group Plc	2.0

Sector Breakdown

	Long (%)	Short (%)
Automobiles and Parts	0.0	0.0
Banks	0.0	-4.6
Basic Resources	0.0	-4.7
Chemicals	0.0	0.0
Construction & Materials	0.0	0.0
Financial Services	4.3	-1.1
Food and Beverage	0.0	0.0
Health Care	0.0	0.0
Industrial Goods & Services	15.9	0.0
Insurance	0.0	0.0
Media	0.0	-1.4
Oil & Gas	5.0	0.0
Personal & Household Goods	0.3	0.0
Real Estate	0.0	0.0
Retail	14.7	-18.9
Technology	0.0	0.0
Telecommunications	3.4	-2.0
Travel & Leisure	8.7	-2.7
Utilities	0.0	0.0

Top positive stock contributors

	Contribution (%)
1 Tesco Plc	0.52
2 Ocado Group Plc	0.48
3 Ashtead Group Plc	0.29
4 Dixons Carephone Plc	0.26
5 Standard Chartered Plc	0.25

Top negative stock contributors

	Contribution (%)
1 Next Plc	-0.62
2 Weir Group Plc	-0.54
3 Whitbread Plc	-0.33
4 Vodafone Group Plc	-0.16
5 Man Group Plc	-0.15

Exposures

Long	54.6%
Short	-37.1%
Net	17.5%
Gross	91.7%
Total number of long positions	13
Total number of short positions	14

Contact Details

Investor Contact

ML Capital Ltd
30 St James's Square
London, SW1Y 4AL
T: +44 20 7925 2748
info@mlcapital.com

Investment Manager

ML Capital Asset Management Ltd
26 Fitzwilliam Street Upper
Dublin 2, Ireland
T: +353 1 535 0912
info@mlcapital.com

Sub Investment Manager

Clareville Capital LLP – Lucas London
121 Sloane Street,
London SW1X 9BW, UK
T: +44 20 7811 3809
lucas.london@clarevillecapital.com

Disclaimer

Risk Warnings: Past performance is not a reliable indicator of future results, prices of investments and the income from them may fall as well as rise. Investments in equities are subject to market risk and, potentially, to currency exchange rate risk. The Pegasus UCITS Fund (the "fund") may use financial derivative instruments as a part of the investment process. The distribution of this report does not constitute an offer or solicitation. Any investment in the Fund should be based on the full details contained in the Fund's Supplement Prospectus and Key Investor Information Documents which together with the Montlake UCITS Platform Prospectus may be downloaded from the MontLake website (www.montlakeucits.com). Information given in this document has been obtained from, or based upon, sources believed by us to be reliable and accurate although ML Capital does not accept liability for the accuracy of the contents. Clareville Capital Partners LLP is authorised and regulated by the U.K. Financial Services Authority. The Pegasus Fund is not a UCITS Fund and the performance may not always be the same as the Pegasus UCITS Fund. ML Capital does not offer investment advice or make recommendations regarding investments. The Investment Manager and Promoter of the Fund is ML Capital Asset Management Ltd, a company regulated by the Central Bank of Ireland. The MontLake UCITS Platform plc. is registered and regulated in Ireland as an open ended investment company with variable share capital and segregated liability between sub funds. This notice shall not be construed as an offer of sale in the Fund.

Issued and approved by ML Capital Asset Management Ltd. Authorised and Regulated by the Central Bank of Ireland