

INVESTMENT OBJECTIVE AND POLICY

The objective of the Fund is to generate high absolute returns from long/short investing in Core Europe applying an active / entrepreneurial approach. Focus is on undervalued equities with low correlation to overall market, mainly in the mid-cap segment. We prefer companies with stable cash flow and/or restructuring potential. The Fund pursues active engagement with management teams and boards and benefits from strong focus on liquidity, risk and exposure management.

Active hedging techniques will be employed to cushion market volatility and protect the portfolio from adverse external shocks.

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FUND DETAILS

Fund inception date	06-Aug-15
Share classes	Institutional
Base currency	€
Hedging	none
Dealing / Valuation	Every full banking day, which is simultaneously a stock exchange day in Luxembourg, London and Frankfurt
Liquidity	T+3
High watermark	yes
Min. investment	€ 250,000
Subsequent investment	1 share
Appropriation of earnings	distributing
Management company	Universal-Investment-Luxembourg S.A.
Custodian	State Street Bank Luxembourg S.C.A.
Price reporting	Daily
ISIN	LU1214677046
Securities identification number (WKN)	A14Q69
Bloomberg Ticker	UIPASIE LX

COMMENTARY

Macro

January saw the partial return of investors' appetite for risk across markets. Despite the uneventful Brexit stalemate and widespread pessimism surrounding the global economic outlook, markets found some comfort in the Fed's dovish turn, not to mention a functioning US government and hope for a US / China trade deal re-emerged. After a disastrous December, equity markets rebounded strongly: Stoxx600 (+6.32%), S&P 500 (+7.87%) and Nikkei 225 (+3.79%), all in local currencies.

In Europe, the Brexit saga entered the next stage as PM May failed to find support for her proposal and survived a no confidence vote, only to end up back to square one with a mandate to find an alternative arrangement with the EU. Economic indicators within the Eurozone continued to disappoint with the euro area January composite PMI falling to 50.7, just above the contraction threshold and a 66-month low. The German IFO business climate index extended its decline, coming below consensus expectations at 99.1. The French services sector, hit by the 'yellow vests' protests, and the German manufacturing sector, still struggling with trade tensions and the diesel discussion, remained soft. While Italy entered a technical recession in Q4/18, Spain expanded more strongly than expected. Still, European markets enjoyed a rally: Germany (+5.82%), Italy (+7.68%), France (+5.54%), Spain (+6.05%), Austria (+8.73%), Portugal (+8.40%) and UK (+3.58%), all in local currencies.

In the US, the longest-ever partial shutdown of the US government ended (for now), yet Trump threatened another shutdown should he not find support for the wall funding. The Fed issued a dovish statement, removing its reference to a gradual stance and signalling it will remain patient. Incoming US data seemed at odds with the Fed outlook showing robust payrolls and a healthy rebound in the ISM Manufacturing index.

In Asia, the China/US trade deal remained at the forefront and both sides reported meaningful progress as talks continue. In China, the statistics bureau confirmed its 6.5% GDP target as the country boosts fiscal spending in infrastructure projects and rolls out monetary easing measures to counter downward pressures on growth.

Oil prices saw a major uplift helped by a less negative outlook on the global economy combined with Venezuela's chaotic political escalation and Saudi comments on OPEC discipline. Brent was up 15.04% and WTI 18.45%, respectively.

Portfolio Development

The Petrus Advisers Special Situations Fund UCITS ("UCITS") was up 6.8% in January.

Positive Movers

Our activist positions in commercial real estate (CA Immo – CAI.AV, Immofinanz – IIA.AV) saw a double-digit rally after a thoroughly overdone drawdown in late 2018. Real estate names in general benefitted from the Fed's dovish stance with Stoxx Real Estate sub-index up 10.8% for the month. Our activist position in upstream oil&gas (Ophir Energy – OPHR.LN) rose 53% as it received a takeover bid from an Indonesian player. We deem the offer price too low and management's decision to recommend the deal underwhelming. Firstly, we added Adel Chaouch to the Board of directors and launched a public campaign demanding the company monetize some of its assets with a view to negotiating a better deal with the current bidder. Our activist position in oil field services (SBM Offshore, SBMO.NA) benefitted from the oil price rally as well as from the improving sentiment within the FPSO industry. Ahead of the company's full year earnings release, we repeated our demand for the immediate return of capital to shareholders. Lastly, the price of our activist position in construction materials (Wienerberger, WIE.AV) rebounded amid a positive earnings pre-release which included a dividend increase of more than 70%. We expect more positive news at the end of February when the company will provide its 2019 guidance. Our positions in banking (Moneta - MONET.CP, Raiffeisen Bank International – RBI.AV) rallied in line with overall market.

Negative Movers

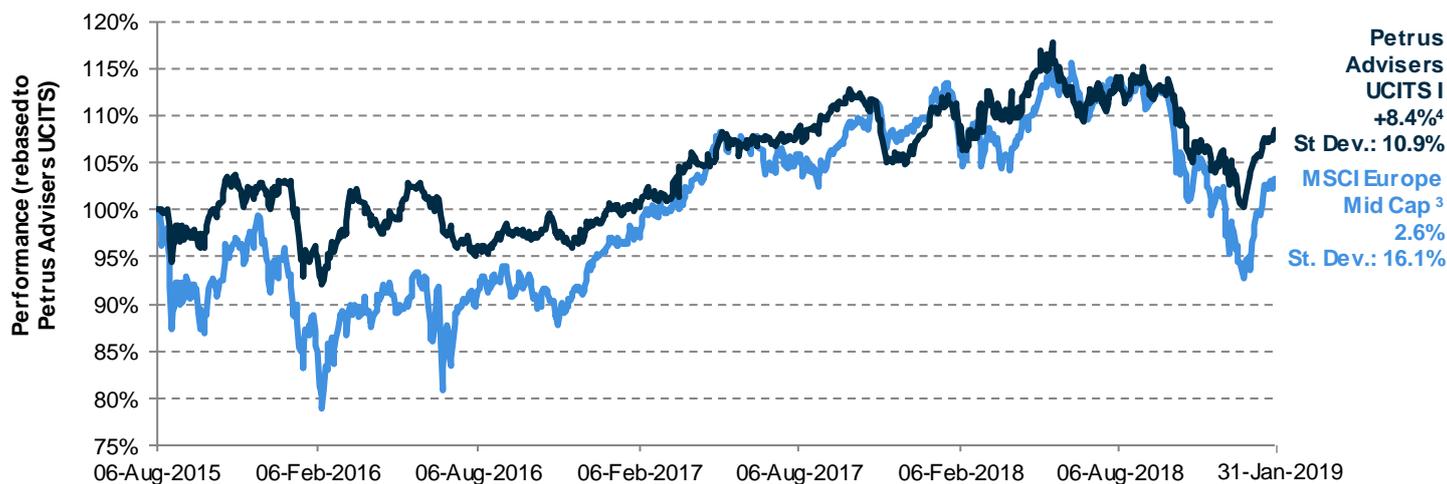
Our conviction shorts underperformed amid the overall market rally and so did our hedges. Our activist position in online brokerage & banking (comdirect, COM.GY) reported unimpressive earnings leading to a relative share price underperformance vis-à-vis the sector (Stoxx Financials +6%). We aim to step up our efforts in light of these developments. Our conviction short position in residential real estate suffered as the rest of the sector rallied. Our trading position in online payments/fintech suffered from a short attack resulting from a well-publicized article about possible criminal misconduct within the company. The company has denied all allegations.

Outlook / Strategy

The heightened political uncertainty (Brexit, trade wars, etc.) is likely to persist in the months to come which leads us to believe market volatility is here to stay. Although the global outlook expects slower growth, we believe fears of a full-blown recession are overdone. Such an environment requires a sharper focus on self-help in our portfolio companies - a theme we are pursuing actively. Also, we stand by our investment cases that we re-underwrote in Q4 of last year and see significant value in our portfolio from strong cash flow generation and operating improvement measures.

Net of fees	UCITS ²	MSCI Mid Cap ²
1M	6.6%	7.8%
3M	1.1%	(1.5)%
YTD	6.6%	7.8%
Since inception	8.4%	2.6%
CAGR Since inception	2.3%	0.7%

2) As of 31/01/2019.



3) MSCI Europe Mid Cap Net Return EUR Index - total return index, includes dividends.

4) Performance as of 31/01/2019.

Source: Bloomberg, Universal.

PORTFOLIO⁵

Sectors	Portfolio	Countries	Portfolio
Financials	23.1%	Austria	33.9%
Real Estate	15.8%	Germany	23.6%
Energy	16.2%	Netherlands	7.0%
Industrials	8.9%	Britain	6.9%
Materials	6.2%	Czech Republic	3.9%
Consumer Discretionary	4.5%	Others	16.7%
Others	4.1%		

5) As of 31/01/2019.

Disclaimer

The information provided is for information purposes only and does not constitute a solicitation to buy or sell shares in the fund. Any investment with the Petrus UCITS fund should form part of a diversified portfolio and be considered a long-term investment. Prospective investors should be aware that returns over the short term may not match potential long term returns and should always seek independent financial advice before making any investment decision. **Investors should be aware that past performance is no guarantee of future performance and returns.** The value of an investment and any income from it can rise or fall with market fluctuations and an investor may lose the amount originally invested.

Prospective investors should base their investment decision upon careful review of all relevant information, including the information contained in the prospectus, prospectus supplement, Key Investor Information Document ("KIID"), annual and semi-annual reports. Sales documents for all investment funds of Universal-Investment are available free of charge in English from your adviser/broker, the responsible depositary/custodian bank or from Universal Investment available at www.universal-investment.com.

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