

## 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.

## CONTACT

<b>Lucy Alexander</b> alexander@petrusadvisers.com Tel: +44 (0) 20 7933 8833 Mob.: +44 (0) 7710 762 964	<b>Michelle Tully</b> tully@petrusadvisers.com +44 (0) 20 7933 8834 +44 (0) 7979 593 669
--	---

www.petrusadvisers.com

## FUND DETAILS

<b>Reference portfolio</b>	Eurostoxx Total Return ATX Total Return DAX
<b>Fund inception date</b>	06-Aug-15
<b>Share classes</b>	Institutional
<b>Base currency</b>	€
<b>Hedging</b>	none
<b>Dealing / Valuation</b>	Every full banking day, which is simultaneously a stock exchange day in Luxembourg, London and Frankfurt
<b>Liquidity</b>	T+3
<b>High watermark</b>	yes
<b>Min. investment</b>	€ 250,000
<b>Subsequent investment</b>	€ 10,000
<b>Appropriation of earnings</b>	distributing
<b>Management company</b>	Universal-Investment-Luxembourg S.A.
<b>Custodian</b>	State Street Bank Luxembourg S.C.A.
<b>Price reporting</b>	Daily
<b>ISIN</b>	LU1214677046
<b>Securities identification number (WKN) / Ticker</b>	A14Q69      UIPASIE LX

## COMMENTARY

### Macro

May was another month marked by elevated volatility, especially in European markets. Political uncertainty in Italy and Spain led to a sharp spike in sovereign bonds yields on the periphery and unsettled equity markets. Global trade discussions initiated by the Trump administration continue to be an investor focus globally. Global indices ended the month mixed: Stoxx600 (-0.59%), S&P 500 (+2.16%) and Nikkei 225 (-1.18%), all in local currencies.

In Europe, Italian political uncertainty dominated as the popular parties “Five Star Movement” and the “League” formed a coalition government and jockeyed to elect a Eurosceptic Finance Minister. President Sergio Mattarella blocked this appointment and the two parties opted to elect a mutually agreeable name. In Spain, Prime Minister Rajoy’s Popular Party was involved in a corruption scandal and will face a vote of no confidence on 1<sup>st</sup> June. The EUR depreciated 3.19% to end the month at 1.1693 EUR / USD, which gave some comfort to European exporters. Eurozone Q1 2018 economic growth decelerated to 0.4% from 0.7% in Q4 2017 (preliminary data from Eurostat). Inflation in the Eurozone remains subdued and below the ECB’s target of 1.1%. May “flash” manufacturing PMIs came in at 55.5 vs consensus 56.0 (prior 56.2), while services hit another low of 53.9 vs. consensus of 54.7 (prior 54.7). European markets had a weak month: Germany (-0.06%), Italy (-9.15%), France (-2.21%), Spain (-5.16%), Austria (-3.06%), Portugal (-0.79%) and UK (+2.25%), all in local currencies.

In the US, new trade discussions surfaced at month end with the US announcing the tariffs on steel & aluminium imports from China would be extended to Mexico, the European Union and Canada.

Oil prices started the month on the positive side as the US announced its withdrawal from the Iran nuclear agreement. However, this was short-lived as OPEC members said they intended to raise production quotas. Brent was up 3.22%, ending the month at USD 77.59 / barrel, and WTI was down 2.23%.

### Portfolio Development

The UI-Petrus Advisers Special Situations Fund I was up 1.04% in May.

#### Positive Movers

The main contributor to our performance was our activist position in construction materials, Wienerberger. The stock performed well on the back of a good set of Q1 2018 results and an activist campaign we launched at the end of April. We have been campaigning for operating improvements and have proposed two board members with significant industry experience to support the business. While management have called our campaign friendly, the company has proposed alternative candidates for board elections in June. Our activist position in real estate (CA Immo) continued to perform supported by Starwood Capital’s voluntary partial offer at € 27.5 / share and Immofinanz running a sale process for their 26% stake in CA Immo. Our conviction long position in luxury goods continued the outperformance in May after the strong set of results released in April. Our conviction long position in energy/power generation outperformed during the month after the company published results in line with consensus and an activist shareholder proposed a special audit. Our real estate short position worked in our favour as the European sector became under pressure during the month.

#### Negative Movers

Our largest performance detractor was our activist position in online brokerage. After 4 consecutive months of robust outperformance, the stock was weighed down by negative sentiment towards Financials as a result of renewed political risk in the European periphery. Furthermore, our real estate hedges in financials also suffered from the same negative sentiment in the sector penalizing the performance. Our conviction long position in an Italian Telecom company posted a solid set of Q1 results, yet the share price dropped in line with the general drawdown of Italian stocks. Our conviction long position in upstream had a negative month despite the positive performance of oil and the EUR / USD depreciation.

### Outlook / Strategy

European equity markets have been challenging for the first 5 months of 2018 as volatility keeps increasing. The main drivers of our performance have been our activist campaigns. While we remain fundamentally optimistic on Europe’s economic outlook, we have been expanding our short book focussing on short-term catalysts and strict discipline.

Past performance is not indicative of future performance.

Net of fees	UCITS <sup>1</sup>	EuroStoxx	DAX
1M	1.0%	(0.9)%	1.4%
3M	4.1%	1.8%	2.8%
YTD	6.0%	1.2%	(1.0)%
Since inception	15.3%	8.8%	10.3%
CAGR Since inception	5.2%	3.0%	3.6%

1) As of 30/05/2018.



2) Total return index (includes dividends).

3) Performance as of 30/05/2018.

Source: Bloomberg, Universal.

## PORTFOLIO<sup>4</sup>

Sectors	Portfolio	Countries	Portfolio
Financials	27.1%	Germany	33.1%
Real Estate	21.7%	Austria	31.3%
Consumer Discretionary	15.5%	France	11.2%
Energy	9.5%	Britain	8.0%
Industrials	5.8%	Czech Republic	4.7%
Communications	3.3%	Netherlands	4.7%
Others	17.1%	Others	7.0%

4) As of 30/05/2018.

Past performance is not indicative of future performance. This document does not constitute an offer to sell nor a solicitation to invest.

Petrus Advisers Ltd, Company Number 08288908 is a company incorporated as private limited by shares, having its registered office situated in England and Wales with the registered office address of 8th Floor, 6 New Street Square, London EC4A 3AQ. Petrus Advisers Ltd is authorised and regulated by the Financial Conduct Authority (FRN: 702813).