

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

October was a very negative month for global equity markets. A combination of worries about a global economic slowdown, political apprehensions in Italy and the Brexit process, the US / China trade disputes and higher treasury bond yields in the US supported by a healthy growth outlook / hawkish Fed have severely punished the equity market this month: Stoxx600 (-5.63%), S&P 500 (-6.94%) and Nikkei 225 (-9.12%), all in local currencies.

In Europe, Italy's fiscal budget continued to be a key topic of discussion with Rome targeting a deficit that would prevent convergence with EU requirements. In Germany, Angela Merkel announced she would not seek re-election in 2021. The "flash" manufacturing PMI estimate of 52.7 was the lowest in the last 2 years (prior month 53.2), the Eurozone "flash" services PMI estimate was 53.3 (prior month 54.7), both pointed towards slower economic development. It should be noted these levels continue to indicate economic expansion, albeit below the previous record-setting levels. European markets had a negative month: Germany (-6.53%), Italy (-8.02%), France (-7.28%), Spain (-5.28%), Austria (-5.47%), Portugal (-6.13%) and UK (-5.09%), all in local currencies. To put this in context: in the last 30 years, the DAX has only seen 31 months as bad or worse.

In the US, economic data remains strong as evidenced by an unemployment rate of 3.7%, an almost 50 year low, and Q3 GDP growth at 3.5% quarter-on-quarter. The USD / EUR exchange appreciated 2.59% in October.

Oil prices took a hit on concerns of increased supply in the US, waivers given to buyers from Iran and potentially lower demand due to a global slow-down. Brent fell 8.76% to USD 75.47 / barrel while WTI was down 10.84%.

Portfolio Development

The UI - Petrus Advisers Special Situations Fund UCITS was down 4.47% in October, year-to-date performance is down 1.43%. While the Petrus Advisers SSF was not immune to this negative dynamic, it outperformed major European indices (DAX, MSCI Midcap Europe etc, for further details, please read our Petrus Advisers market update sent on 01/11/2018).

Positive Movers

Our conviction long position in upstream oil and gas had a positive month (+8.31% in the month) after several research houses upgraded their target prices. Our real estate hedges (shorts) both in financial companies and in real estate contributed positively to the performance contributing roughly +36bps.

Negative Movers

The global equities sell-off hit most of our long portfolio without any company specific news to be mentioned. Our conviction/activist long position in a financial institution with exposure to the Czech Republic also suffered. Our activist position in online brokerage, comdirect, had a negative month despite its business model benefitting from increased volatility in markets – management have confirmed October was the best month in company history. Our long conviction position in the retail luxury sector has underperformed in line with market, even though the company reported positive double-digit growth in topline, the market has dragged down its performance due to investors' worries about a slowdown in Chinese consumption.

Outlook / Strategy

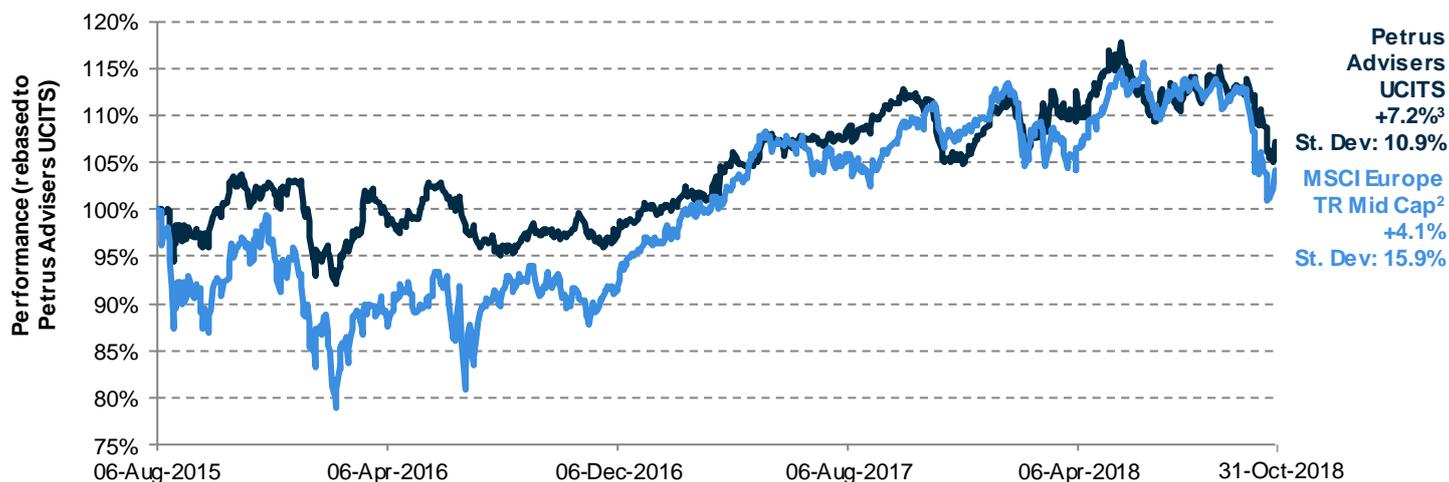
October 2018 has not changed our fundamental outlook for the portfolio. We had expected increased volatility based on a market sentiment turning less bullish with respect to global growth. We see do not expect an imminent global recession, which to some extent is now priced into the share prices of some of our investments. On an investment by investment basis, we are not worried about any of our companies vs. our business case and target share prices. Importantly, we see solid traction across most of our activist positions – many of which have become too cheap to ignore.

We expected elevated levels of volatility to stay for a while and have adjusted our tactical trading accordingly.

Past performance is not indicative of future performance.

Net of fees	UCITS ¹	MSCI Mid Cap ²
1M	(4.5)%	(7.4)%
3M	(5.2)%	(8.3)%
YTD	(1.4)%	(5.0)%
Since inception	7.2%	4.1%
CAGR Since inception	2.2%	1.3%

1) As of 31/10/2018.



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

3) Performance as of 31/10/2018.

Source: Bloomberg, Universal.

PORTFOLIO⁴

Sectors	Portfolio
Real Estate	20.5%
Financials	19.6%
Energy	12.5%
Industrials	10.3%
Consumer Discretionary	9.5%
Materials	8.8%
Others	18.8%

Countries	Portfolio
Austria	34.7%
Germany	18.5%
Netherlands	10.7%
Britain	7.7%
France	6.9%
Czech Republic	4.1%
Others	17.4%

4) As of 31/10/2018.

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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