PETRUSADVISERS

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Petrus Advisers UCITS Fund

January 31, 2018

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

Reference portfolio	Eurostoxx Total Return ATX Total Return DAX
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	€ 10,000
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

COMMENTARY

Macro

January was a positive month for global equities. This was mostly driven by the IMF's upward revision of global growth in 2018 and 2019 (to 3.9% for both years vs. 3.7% previously) on the back of stronger economical growth for the US, from a positive effect of lower taxes, and accelerated growth rates for European economies and Japan: Stoxx600 (+1.61%), S&P 500 (+5.62%) and Nikkei 225 (+1.46%), all in local currencies.

In Europe, Angela Merkel's CDU / CSU moved close to finalizing a grand coalition with the SPD. In the UK, Brexit appears to undermine growth with preliminary data showing GDP increasing only 1.8% in 2017, the slowest pace since 2012 according to the Office for National Statistics. In the Czech Republic, Milos Zeman a Eurosceptic was re-elected president, increasing the possibility of a referendum on the country's membership of the EU. Eurozone economic data continues to show improvement: GDP has grown 2.5% in 2017, the fastest rate since 2007, and inflation is at 1.3% (still below the 2% ECB target). December "flash" manufacturing PMIs continued to show expansion at 59.6 vs. consensus 60.6 (prior month 60.6), while services hit 57.6 vs. consensus of 56.5 (prior 56.6). European markets had a robust start of the year, except for the UK: Germany (+2.10%), Italy (+7.57%), France (+3.19%), Spain (+4.06%), Austria (+5.09%), Portugal (+5.11%) and UK (-2.01%), all in local currencies.

In the US, there was no specific news but the market was strong overall, and economic growth positive.

Oil prices started the year in the green with Brent up 3.26% and WTI up 7.13% continuing the strong rebound seen since September 2017. The strong rebound in the EUR (+3.41% in January) to 1.2414 EUR / USD also contributed.

Portfolio Development

The UI-Petrus Advisers Special Situations Fund I was up 1.76% in January.

Positive Movers

The main contributor to our performance was our long position in building materials which continued to recover after an overdone drawdown in November. It was also supported by the share buyback programme announced at the end of November.

January was also a very strong month for our core European financial positions, accounting for 4 out of the top 5 contributors to performance.

Negative Movers

The main negative contributor to our January performance was our long conviction pick in energy which continued to underperform due to delays in a large FLNG development project.

Our long positions in real estate with exposure to Germany/Austria and CEE also lagged during January as the market priced in expected rises in interest rates.

Our short position in the catering industry rebounded in line with the market.

Our long position in oil & gas refining in the Czech Republic de-rated at the end of the month as the end of the takeover offer period approached and little stock remained in the market.

Outlook / Strategy

While we remain very optimistic on Europe's economic outlook, we increasingly see the risk of temporary market adjustments and ensuing volatility, mainly as a result of changes to interest outlook / QE as well as overall nervous market reactions following a period of strong share price performance globally. In light of this, we (i) continue to focus on value creation in our activist cases, (ii) will continue to rotate from yielding assets to more cyclicals and (iii) target adding further special situations positions with a certain downside protection element to the portfolio.

Past performance is not indicative of future performance.

Net of fees	UCITS[1]	EuroStoxx	DAX
1M	1.8%	3.3%	2.1%
3M	(0.9)%	0.5%	(0.3)%
YTD	1.8%	3.3%	2.1%
Since inception	10.7%	11.0%	13.8%
CAGR Since inception	4.1%	4.3%	5.3%

1) *As of 31/01/2018.*

2) *Total return index (includes dividends).*
3) *Performance as of 31/01/2018.*
Source: Bloomberg, Universal.

PORTFOLIO[4]

Sectors	Portfolio
Financials	24.0%
Real Estate	21.4%
Energy	13.9%
Materials	12.4%
Consumer Discretionary	8.1%
Industrials	6.8%
Others	13.4%

Countries	Portfolio
Austria	43.0%
Germany	25.4%
Czech Republic	8.0%
France	6.2%
Netherlands	5.7%
Britain	4.6%
Others	7.1%

4) *As of 31/01/2018.*