

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

Maria Maager

maager@petrusadvisers.com / ir@petrusadvisers.com

Tel: +44 207 933 8831

Mobile: +43 676 627 6050

www.petrusadvisers.com

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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

28 June 2019 – Month in Review

June was a positive month for global equity markets driven by the dovish tone of Central Banks on both sides: the Federal Reserve (Fed) signalled willingness to lower interest rates on downward economic risks while the ECB suggested additional easing in case inflation remains subdued. Furthermore, signs of rapprochement between the US and China emerged post the G20 meeting. Consequently, most global equity markets saw strong performance: Stoxx600 (+4.28%), S&P 500 (+6.89%) and Nikkei 225 (+3.28%), all in local currencies.

In Europe, UK politics continued to take centre stage with a no-deal Brexit scenario hitting the headlines again. Data-wise, June Eurozone data points continued to show subdued economic growth: June's flash Manufacturing PMI 48.8 vs. May's 48.9, whereas services were at a 7-month high, flash Services PMI 53.4 vs. May's 52.9. It is worth noting that the Eurozone's softer manufacturing print was due to weaker export demand and weakness in the auto industry whereas stronger Services prints point to relative strength of domestic consumer demand. Most European markets advanced during the month: Germany (+5.73%), Italy (+7.23%), France (+6.36%), Spain (+2.16%), Austria (+2.77%), Portugal (+1.85%) and UK (+3.69%), all in local currencies.

In the US, the optimism surrounding a potential trade deal post the G20 meeting in Japan set the tone for equity markets with S&P 500 hitting all-time highs and closer to hitting USD 3,000. In fact, the index had the best first half in over 20 years advancing 17.35%.

Oil was up in June mainly due to ongoing tensions between the US and Iran, despite data pointing to higher US inventories and slowing demand. Brent ended the month up 3.19% at USD 65.55 and -2.69% in the second quarter, while WTI was up 9.29% in the month and down 2.78% in the quarter.

In June, the UI-Petrus Advisers Special Situations Fund Class I was up 2.15% and Class R was up 2.10%, respectively.

Portfolio Review – Quarter in Review

In the second quarter of 2019, the UI-Petrus Advisers Special Situations Fund Class I returned +4.87% and Class R returned +4.68%, bringing it to a YTD performance of +11.66% and +11.24%, respectively. The Fund volatility in the quarter was 6.5%.

The Petrus Advisers UCITS Fund's positive performance in the second quarter of the year was driven by our activist long positions and short picks performing in line with our expectations. In net terms, longs contributed +4.31% while shorts contributed +0.57%. Analysing the individual stock contributions in more detail, we note that there were 20 securities that contributed more than +0.10% during the quarter – comprising 14 longs, 1 Short Put option and 5 shorts. In total, these positions contributed +6.91% to the Fund's performance in net terms. On the other hand, there were 10 securities that detracted more than -0.10% - comprising 4 longs and 6 shorts for a total performance contribution of -2.01% in net terms.

At the end of the quarter our net exposure was around 47% and gross exposure was at 130%. We have reduced net exposure in the quarter quite significantly by way of increasing shorts as we remain cautious about equity markets' performance in the second half of the year.

Q2 2019 Contributors: Top Three

- (i) **Wienerberger (“WIE”, Activist, Long)** – Our activist long position in construction materials was the main contributor to our performance during Q2, the stock appreciated by 14.63%. This was the result of very solid Q1 results, good progress on cost savings and management confirming the outlook for the year, which appears conservative in light of strong operating momentum.
- (ii) **Immofinanz (“IIA”, Activist, Long)** – Our activist position in Real Estate outperformed its European peers (STOXX 600 Real Estate Index -6.32% in Q2 2019) after the company presented a good set of Q1 results and re-confirmed the FFO guidance for the year. Additionally, the company acquired an office tower in a premier location of Warsaw, Poland, with a solid yield.

- (iii) **Leoni ("LEO", Conviction, Short)** – Our short position in automotive suppliers was one of the main contributors to our performance. The company published a weak set of numbers with very high Q1 cash burn, followed by several broker downgrades. We believe a major restructuring of the company has to be completed by Q1 2020 and hence expect more negative news in the coming months.

Q2 2019 Underperformers: Top Three

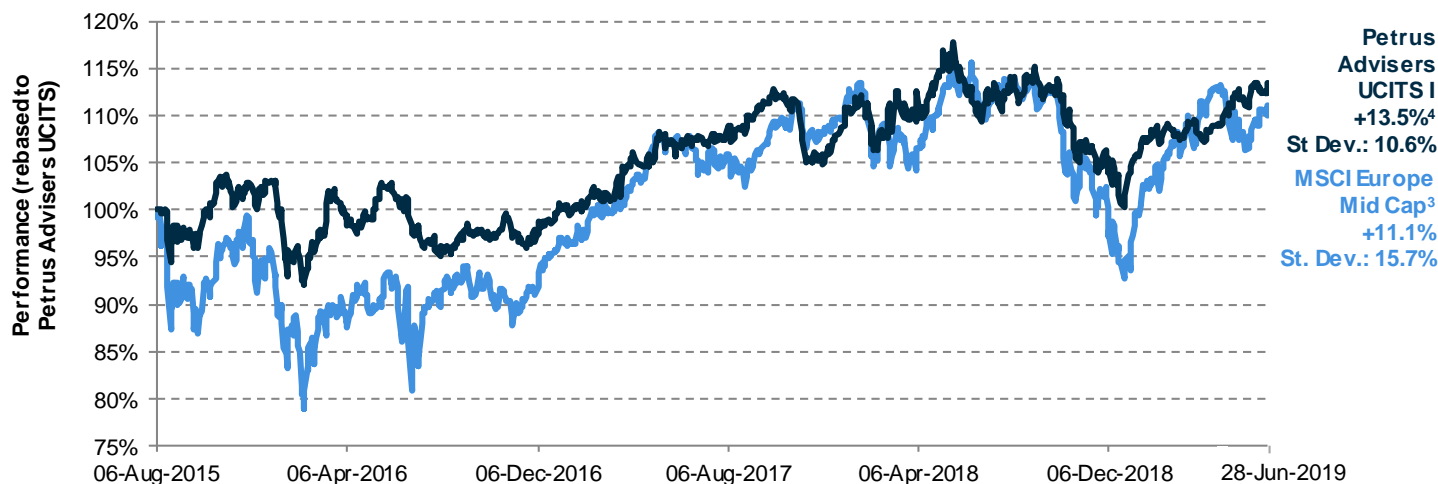
- (i) **Oil & Gas Services (Trading, Long)** – The shares fell on the failed refinancing attempt which was postponed due to adverse market conditions. We believe the company will be able to execute the refinancing in the coming months as extending the existing bank debt is an option. The underlying business is seeing a large uptick in activity, with solid order book visibility for the coming 12 months as well as double digit price increases YoY – all benefiting the strong free cash flow profile of the company.
- (ii) **Financial Institution (Conviction, Long)** – Our conviction position in Financials with exposure to Austria and CEE was one of our worst performers after the bank reported worse than expected Q1 results. The financial sector was also very soft (STOXX 600 Banks -3.42% in Q2 2019) on the back of continued accommodative monetary policy.
- (iii) **Market Hedges (Short)** – Our market hedges worked against us as the market continued to rebound. We have added to our hedges as we expect softer markets ahead.

Outlook / Strategy

We remain cautious about the second half of the year on moderate earnings growth outlook, despite a more accommodative monetary policy stance by central banks. Our focus continues to be on delivering a stable risk / reward profile and we will continue to hedge out market risks and add shorts opportunistically. We continue to see opportunities on the short side due to market asymmetries. We continue to believe self-help is the key theme for our long portfolio and see significant value from strong cash flow generation and operating improvement measures across our portfolio. In terms of new activist positions, we are focussed on identifying hard catalysts with a moderate duration in order to avoid beta exposure.

Net of fees	UCITS ²	MSCI Mid Cap Europe ²
1M	2.2%	4.4%
3M	4.9%	2.9%
YTD	11.7%	16.7%
Since inception	13.5%	11.1%
CAGR Since inception	3.3%	2.7%

2) As of 28/06/2019.



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

4) Performance as of 28/06/2019.

Source: Bloomberg, Universal.

PORTFOLIO⁵

Sectors	Portfolio	Countries	Portfolio
Banks	20.3%	Austria	51.3%
Real Estate	18.7%	Netherlands	19.8%
Materials	17.0%	Germany	19.1%
Energy	11.5%	Czech Republic	6.3%
Transportation	7.1%	Portugal	2.5%
Utilities	5.7%	Estonia	1.1%
Insurance	5.5%		

5) As of 28/06/2019. Portfolio weights rebased to 100%. Excludes short derivatives.

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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