For professional investors only

Petrus Advisers UCITS Fund – I Class

September 28, 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

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

Month in Review

September was another month marked by volatility in European and US equity markets. While European markets fell on investor concerns around Italy, US stocks were under pressure due to trade war talks. Still, both markets managed to end the quarter in the green: Stoxx600 (+0.24%), S&P 500 (+0.43%) and Nikkei 225 (+5.49%), all in local currencies.

In Europe, the month was marked by headlines involving Italy. The fiscal budget for 2019 was approved with a target deficit of 2.4%, above the target considered acceptable by analysts and above the 2% which would have allowed convergence with European Union targets. The Brexit process continued to make headlines with less than 6 months to go all options still seem to be on the table. September Eurozone "flash" manufacturing PMI of 53.2 was the lowest since September 2016 vs. preliminary reading of 53.3 and 54.6 in August. The services Eurozone PMI was 54.7 vs. preliminary of 54.7 (prior 54.4). European markets had a mixed month: Germany (-0.95%), Italy (+2.18%), France (+1.60%), Spain (-0.11%), Austria (+1.34%), Portugal (-1.17%) and UK (+1.05%), all in local currencies.

In the US, trade wars took one of two paths: war or peace. On the peace side, President Trump secured a trade deal with South Korea and re-negotiated the North America Free Trade Agreement with Canada. On the war side, more taxes were imposed on China/US trade. The Federal Reserve has again raised interest rates by a further 0.25% taking them to the 2-2.25% range; another rate increase is expected later this year.

Oil prices had a stellar performance with Brent up 6.85% at USD 87.72 / barrel; and WTI was up 4.94%.

In September, the UI-Petrus Advisers Special Situations Fund Class I was down 1.18% and Class R was down 1.34%.

Portfolio Review – Quarter in Review

In the third quarter of 2018, the UI-Petrus Advisers Special Situations Fund Class I returned +1.00% and Class R returned +0.90%. The Fund volatility in the quarter was 9.7%.

The Petrus Advisers UCITS Fund positive performance in the third quarter was driven by alpha in the long investments. In net terms, longs contributed +1.54% while shorts detracted (0.54)%. Analyzing the individual stock contributions in more detail, we note that there were 10 stocks that contributed more than +0.10% during the quarter – comprising 8 longs and 2 shorts – that in total made +3.63% for the Fund in net terms. On the other hand, there were 7 stocks that detracted more than (0.10)% - comprising 6 long and 1 short – that totaled (2.32)% in net terms.

At the end of the quarter our net exposure was around 70% and gross exposure 113%. We expect higher volatility of capital markets and hence intend to decrease net exposure by continuing to build up our short book with a focus on fundamental-driven positions with tangible catalysts.

Q3 Contributors: Top Three

(i) CA-Immo ("CAI", Activist Long) – CAI shares rose in the quarter and continued to be our top performer for the year. Starwood Capital announced the acquisition of Immofinanz's 26% stake in CA Immo at €29.50 / share which led to a positive reaction in both stocks. We continue to believe in the upside value of CA-Immo's commercial development pipeline and the significant German residential landbank.

(ii) SBM Offshore ("SBM", Activist Long) – SBM shares gained 17% in the quarter. The company's settlement of the pending litigation with the Brazilian authorities was a major positive catalyst for the stock and has cleared out the investment case. In light of this we have added to the position. We remain engaged with Management and the Board about improved transparency and higher cash distributions.

(iii) Immofinanz ("IIA", Activist, Long) – IIA shares rose 10% as the merger with CA-Immo is off the table - which clarifies the investment case - and management announced a sizeable share buyback. Both these developments are in line with our public demands to IIA.

COMMENTARY (cont.)

Q3 Underperformers: Top Three

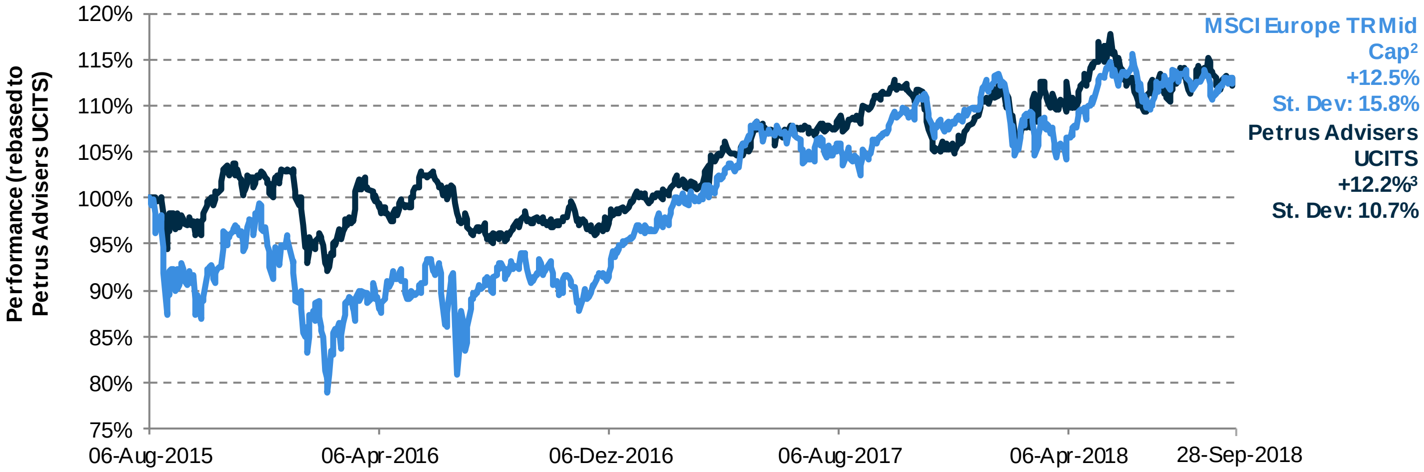
(i) Airline Catering (Conviction, Short) – Shares rerated on the back of a contract win and some rumors that the company might regain a lost contract. Additionally, the stock has entered the main stock index which has translated into substantial inflows and share appreciation. We have trimmed the position in light of this, nevertheless we continue to believe the business is fundamentally challenged and keep our short position.

(ii) Comdirect (Activist, Long) – Shares fell when the largest shareholder, Commerzbank, announced the potential entry of its Polish subsidiary (MBank) into the German market which would compete directly with comdirect. This project was eventually called off by Commerzbank, although the share price has not reversed its losses. Additionally, the negative sentiment surrounding financials stemming from political concerns in Italy weighed on the share price. The stock has been a solid source of alpha during the first 6 months of 2018 and we continue to like the fundamentals.

(iii) Upstream Oil (Conviction, Long) – Our long position in upstream oil & gas exploration had a difficult quarter. The market remains concerned about the company's ability to retain a significant LNG project and is still reeling from the surprise departure of the CEO. Additionally, one of the main shareholders reported it has exited its position leading to selling pressure during the month of September. This pressure was exacerbated by the low-trading volume of the stock. We believe the company is one of the least understood stocks in the industry, which explains its underperformance in the face of rising oil prices. We believe our thesis remains intact and we see sizable upside.

Net of fees	UCITS[1]	MSCI Mid Cap[2]
1M	(1.2)%	(0.7)%
3M	1.0%	1.7%
YTD	3.2%	2.6%
Since inception	12.2%	12.5%
CAGR Since inception	3.7%	3.8%

1) *As of 28/09/2018.*



2) *MSCI Europe Mid Cap Net Return EUR Index - total return index, includes dividends.*
3) *Performance as of 28/09/2018.*
Source: Bloomberg, Universal.

PORTFOLIO[4]

Sectors	Portfolio
Real Estate	27.0%
Financials	22.9%
Energy	11.7%
Consumer discretionary	11.5%
Materials	9.9%
Industrials	7.9%
Others	9.1%

Countries	Portfolio
Austria	48.1%
Germany	13.0%
Netherlands	9.7%
France	7.0%
Britain	6.8%
Czech Republic	4.1%
Others	11.3%

4) *As of 28/09/2018.*

DESCRIPTION OF SQUEEZE-OUT LOGIC AND EXISTING INVESTMENTS

This quarter, we would like to provide you an overview of the three squeeze-out investments we have been making over the past 24 months. Those include conwert, a real estate company formerly listed in Austria, where the squeeze-out was completed last year and Unipetrol, an oil & gas downstream and petrochemicals business formerly listed in the Czech Republic. In both of these situations, the delisting has happened and we are now working towards achieving an improved purchase price. In addition, we are building a position in another squeeze-out that is currently under way.

In most European countries, capital markets law enables a very large shareholder to buy the remaining 5% to 10% in a company in a legal process where the minority shareholders is 'squeezed out' of their ownership. In return, minority shareholders enjoy legal protection rights to ensure they are compensated for losing their right to participating in the future value creation of the business. In certain countries – especially those where the right to ownership is constitutionally protected – such legal protection is very powerful resulting in a fair chance to receiving an improved purchase price as a result of an appeal process. Amongst those countries, we rate Germany, Austria and Czech Republic as particularly attractive. Other countries, e.g. in Southern Europe but also in Scandinavia, have protection that is more basic with very limited chance of being awarded an ex post share price increase. We have hence focused on Ger / Aut / Cz in our Squeeze-out investment strategy.

Technically, the process differs somewhat in those countries.

(1**) Germany**

In Germany, the threshold from which an acquirer can squeeze is 95%. When such buyer decides to squeeze and makes a corresponding announcement, an EGM is held where the decision for the squeeze-out is formally taken. The Squeeze-out Price to be proposed has to be in cash and has to be substantiated by means of an appraiser report that is based on a management provided business plan. There are clearly defined valuation rules to be applied by such appraiser and which are primarily driven by a DCF calculation based on clearly defined parameters such as how the WACC is to be calculated and how the respective cash flows are to be derived. This approach has a significant 'accountant touch' to it and is not necessarily always intuitive from an investor perspective. Given the 95% stake the buyer will have accumulated, there is limited to no room for the minority shareholders to block a squeeze-out unless there are material process issues, which is extremely rare and easy to manage for a buyer. Upon the EGM, the buyer has to buy the shares against the cash compensation proposed without undue delay following the registration of the transfer resolution and the company will be delisted. Instead of accepting the Squeeze-out Price, minority shareholders can choose to appeal, in which case they keep their shares and receive a right to argue for a higher price through a court driven process where a judge reviews the fairness and adequacy of the proposed Squeeze-out Price. Usually, this is done by means of the judge mandating one or several further appraiser reports before taking a decision. The full cost of this process has to be borne by the acquirer. Importantly, there is a guaranteed interest for the minority shareholder of 5% above of the face value of the respective shareholding (calculated based on the Squeeze-out Price). Historically, there has been a higher price granted to the hold-out minorities in most cases (>70%) in Germany. In a number of cases, the acquirers settled with large appealing minority investors on a bilateral basis to expedite the process.

Investors have understood the attractiveness of the German Squeeze-out regime for a while. It has become common place to re-finance the position early using the guaranteed interest rate to afford very high LTVs of up to 95-100%. Unfortunately, the strategy is now quite crowded resulting in a typical up-front premium over the Squeeze-out Price of 5-20% investors have to pay in order to buy shares once a Squeeze-out has been announced.

(2) Austria / conwert

While the Austrian regime is fundamentally similar to Germany, it has some key differences: Firstly, the threshold is only 90%, which makes it easier to squeeze. In return, the protection for minority shareholders is somewhat stronger and share price improvements granted have historically been higher. Once a Squeeze-out has been announced and the EGM is held, the acquirer has ca. 1 month to delist the shares and additional 2 months to pay the minorities. Prior to the squeeze-out resolution being passed, the respective cash needs to be funded into an escrow controlled by a notary or a equivalent bank guarantee needs to be presented. Different to and more attractive than in Germany, appealing shareholders 'lose' their shares and receive cash and a separate improvement right. The appeal process is run by a group of judges ("Gremium") who similar to Germany use additional appraiser report(s) to form a view. Importantly, Austrian law foresees a commercial interest accruing from the date of the delisting on any improvement to be eventually granted by the Gremium. This sets an incentive for the parties involved to come to an early settlement which is what has happened in pretty much all Squeeze-out cases so far.

In the conwert case, we have used the high certainty of the Squeeze-out process to 'sell' the face value exposure of the underlying shares (based on the Squeeze-out Price) early to only retain economic exposure to the improvement upside. As we represent some 85% of the shareholders who have appealed, we feel in a good position to drive the negotiations with the acquirer (Vonovia) and judges towards a settlement. We have hence mandated a report by a highly renowned appraiser to substantiate our view that the proposed Squeeze-out Price of €17.08 is substantially below the fair price of conwert at the time. The preliminary findings of the report point to material upside of in the range of 70-120%. While we are not yet in a position to comment on the exact amount and timing of any upside to be realized, we are hence very hopeful that there will be a substantial additional return in the coming months or years for investors who were invested with us at the time of the completion of the Squeeze-out in December 2017.

(3) Czech Republic / Unipetrol

The squeeze-out law in Czech Republic is very similar to Austria. Key differences are that once an acquirer exceeds the 90% threshold, the minority shareholders have the right to demand a Squeeze-out, as well. Different from Germany or Austria, the appraiser report mandated by the acquirer does not have to be made public. Also, historically, there have been fewer early settlements with most Squeeze-out processes running for a number of years until the improvement is to be paid out.

We have identified the Czech squeeze-out process as a highly attractive investment theme. The fact that minority shareholders can demand a squeeze-out makes it possible to invest fairly early with no risk of no squeeze-out materialising. Also, there is few investors familiar with the process which has resulted in shares often trading below the Squeeze-out Price for quite some time.

Unipetrol is such example as despite the announced intention by PKN Orlen to squeeze-out the minorities at CZK 380 / share, the stock continued to trade at a 2-3% discount to such price. We seized the opportunity to lock in a guaranteed minimum return and – similar to conwert – sold the face value exposure early to a financial institution. In terms of upside and timing, our internal estimates are more conservative than in the conwert case.

(4) New Squeeze-out

We are in the process of building a position in another squeeze-out in our core target region. While we do not yet want to talk about the situation this month, we can already say that the upside exposure will represent at least 30% of NAV with material upside to be expected.

Conclusion on Squeeze-Out Strategy

Against the backdrop of challenging valuation environments in most asset classes, we have identified Squeeze-outs as one route to creating value for our investors while offering low exposure to a potential broader correction of stock markets. In line with our strategy to focus on investments where we can make a difference, we actively engage in those Squeeze-outs including by mandating appraiser reports ourselves, leading the negotiations with the acquirers and/or judges and representing other minority shareholders (for free). The resulting improvement option has no downside to it as no money can be lost. While the timing of such upside materializing cannot be predicted, our active engagement ensures that we can drive towards a fair outcome in an as swift as possible way.

Disclaimer