

AMG Europe

Report as of December 31, 2015

Review December

Equity markets remained very volatile, even as the year drew to a close. Investors were disappointed by the ECB's announcement of quantitative easing measures at the beginning of December. The DAX index lost approx. 12% by the middle of the month. In mid December the US Federal Reserve lifted its base rates for the first time since 2006, while at the same time providing forward guidance for the coming year. This helped to calm the markets, at least temporarily. The AMG Europa Fonds slipped 0.9% in December. The selection of high-quality stocks with low betas once again proved effective, and contributed towards the outperformance against the benchmark index STOXX600 (-5.1%). In the run of the year 2015, the fund gained 20.6%, while the index rose 6.8%.

The Baden-Württemberg-based **Hartmann Group** produces medical and healthcare products, e.g. for wound treatment, disinfection as well as to meet the needs of operating rooms. During the first 9 months of 2015, the group total sales rose 4.5% in year-on-year terms to EUR 1.43 billion. EBIT rose 9.5% over the relevant period to reach EUR 98.7 million. During the past year the Hartmann Group managed to pay off its entire net debt. When a hedge fund made a hostile takeover offer for the business in 2008, the majority of the shareholders, including the founding family, set up a protective association. This protective association was dissolved at the end of November 2015. We used the corresponding dip in the share price to build up our position. **Hornbach Holding**, which is active throughout Europe, has been hit by the weak performance of its German DIY stores. Hornbach responded to the consumer reticence by offering discounts, which squeezed trading margins significantly. The current investment in digitalisation is also temporarily undermining profitability. The company is continuing to pursue its strategy of establishing an integrated online purchase platform. While the board of directors trimmed the earnings target for the financial year ending in February 2016, it is confident that the company's strong finances and innovative vigour will keep its growth potential intact. In addition to sound equity capitalisation, Hornbach's real estate holdings have a book value of EUR 939 million. This provides support, as does the valuation with a P/E ratio 2016/17e of 11.9x. While **Komax** is the clear global market leader for cable processing solutions, its Medtech Division is struggling with a low profile and high project risks, and is barely able to cover its capital costs. The entire profit is generated by the principal division Komax Wire. The extremely sound balance sheet, with an equity ratio of 73%, provides scope for strategic flexibility. The recent minor acquisition of the Romanian Thonauer Group supplements Komax Wire's service and sales network in Central and Eastern Europe. While the solar activities have already been divested, the sale of the Medtech Division is likely to follow, making Komax a high-quality pure play enterprise in the cable processing machinery field, with an outstanding EBIT margin of 19-20%.

To all our investors, we would like to extend our warmest thanks for the trust you have shown in us, and wish you all a successful investment year 2016.

Facts

| | |
|---|---|
| Domicile of Fund: | Switzerland |
| Fund Management Company: | LB(Swiss) Investment AG, Zürich |
| Custodian Bank: | Frankfurter Bankgesellschaft, Zurich |
| Investment Manager: | AMG Fondsverwaltung AG, Zug Birgit Heim, Patrick Hofer |
| Launch date: | 01.04.2007 |
| Tranche A (ISIN, Swiss Sec. No.): | CH0027940730, 2794073 |
| Distributions: | Dividend & Capital Gain distributing |
| Tranche B (ISIN, Swiss Sec. No.): | CH0048476664, 4847666 |
| Distributions: | Dividend distributing only |
| Tranche C (ISIN, Swiss Sec. No.), CHF hedged: | CH00297417534, 27941753 |
| Distributions: | Dividend & Capital Gain distributing |
| Subscription/Redemption: | Daily / no fees |
| Performance Fee: | None |
| Management Fee: | 1.0% Tranche A & C; 1.5% Tranche B |
| TER (Total Expense Ratio) as of 30.06.2015: | 1.34% Tranche A; 1.82% Tranche B |
| Tax transparency: | Switzerland / Germany / Austria |

Breakdown by Currencies

| | | | |
|-----|-------|-----|-------|
| EUR | 90.0% | CHF | 10.0% |
| GBP | 0.0% | SEK | 0.0% |
| NOK | 0.0% | DKK | 0.0% |

Distributions

| | | |
|------------|----------|----------|
| 22.03.2010 | Dividend | EUR 1.97 |
| 12.03.2013 | Dividend | EUR 2.00 |
| 18.03.2015 | Dividend | EUR 1.40 |

Key Figures

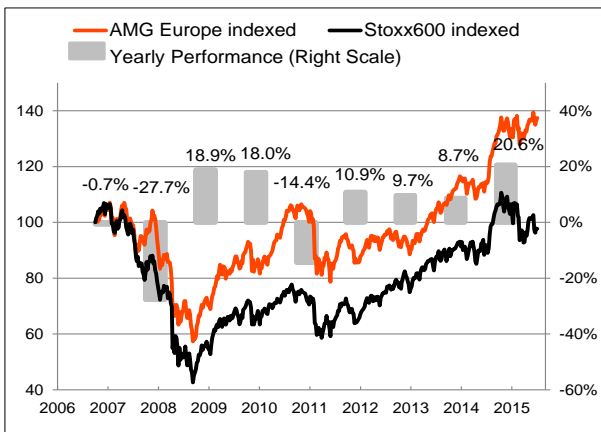
| | |
|---|-------------------|
| Net Asset Value per Share (Tranche A): | EUR 130.12 |
| Number of Shares Issued: | 270'239 |
| Net Asset Value per Share (Tranche B): | EUR 126.74 |
| Number of Shares Issued: | 18'875 |
| Net Asset Value per Share (Tranche C): | CHF 140.96 |
| Number of Shares Issued: | 100'155 |
| Total Net Asset Value: | EUR 50.6 mn |

Performance - since inception 01.04.2007 (Distributions included)

| | 1 Mt | 3 Mt | 12 Mt | 3 Years* | 5 Years* | since inception* |
|----------|-------|------|-------|----------|----------|------------------|
| Fund | -0.9% | 4.6% | 20.6% | 12.9% | 6.4% | 3.7% |
| Stoxx600 | -5.1% | 5.2% | 6.8% | 9.4% | 5.8% | -0.3% |

*p.a.

| | 2015 | 2014 | 2013 | 2012 | 2011 | since inception |
|----------|-------|------|-------|-------|--------|-----------------|
| Fund | 20.6% | 8.7% | 9.7% | 10.9% | -14.4% | 37.5% |
| Stoxx600 | 6.8% | 4.4% | 17.4% | 14.4% | -11.3% | -2.3% |



Please find the detailed performance overview under www.amg.ch

Risk Ratios (rolling over the last 3 Years)

| | |
|-------------------------------------|-------|
| Volatility (p.a.): | 10.8% |
| Sharpe Ratio (0.08% Risk Free Rate) | 1.11 |
| Beta (vs. Stoxx 600) | 0.61 |

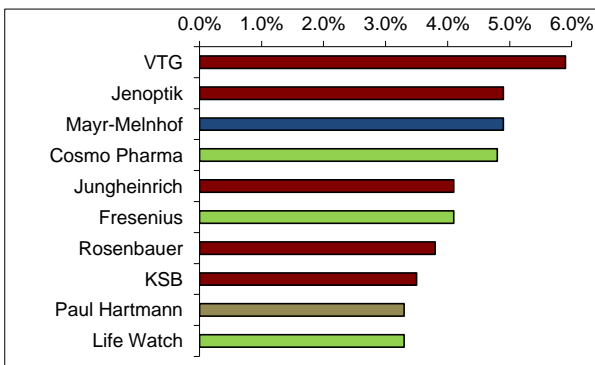
Breakdown by Sectors

| | |
|------------------|-------|
| Industrials | 29.4% |
| Consumer Disc. | 5.3% |
| Consumer Staples | 7.6% |
| Financials | 7.3% |
| Communication | 2.8% |
| Health Care | 13.9% |
| Energy | 0.0% |
| Basic Materials | 20.2% |
| Technology | 7.6% |
| Utilities | 2.5% |
| Cash | 3.4% |

Exposure

| | |
|--------------------|-------|
| Long Positions: | 96.6% |
| Hedge Positions: | 0.0% |
| Net Position: | 96.6% |
| Absolute Position: | 96.6% |

Largest Positions



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