

AMG Europe

Report as of June 30, 2016

Review June

June was dominated by the referendum in Great Britain on its membership of the European Union. Right up to the very last day of campaigning, the outcome of the tug-of-war between supporters and opponents was completely open, but the decision to leave took the markets nevertheless by surprise and caused stockmarkets to plummet. In the downwards slide, the AMG Europe fund performed better than the market as a whole. In overall terms, the fund declined 4.6% in June, while the benchmark index STOXX 600 lost 5.1% over the same month. Since the start of the year, the performance of the AMG Europe fund has been -8.8%, while that of the benchmark index has been -9.8%.

Hornbach Holding saw group sales rise 6.1% during the first quarter of 2016/17 to reach EUR 1.1 billion. This also reflects the opening of two large markets in Innsbruck and Prague as well as the closure of an old site in Mannheim. In addition to opening new sites, Hornbach is also rigorously driving the digitalisation of the business model forward. For example, the complete product range is already available on the internet. Sales growth on the internet side is positive, although still low. The online operations are focusing on raising customer awareness that the entire product range can be ordered over the internet, and that projects can also be settled by this means. The cost of developing the online business is recorded in the income statement as expenditure on research & development. As expected, this means operating earnings (EBIT) reached only EUR 76.5 million, which is the level of the previous year. The impressively clean balance sheet includes a strong real estate portfolio, which is recorded at amortised production cost, and consequently bears hidden reserves. For 2016 Hornbach is expecting sales growth in the mid single digits, and operating earnings at the EBIT level in line with the previous year. The German pump manufacturer **KSB** will this year report earnings per share below the level of the previous year. On the other hand, incoming orders are expected to rise during the second half of the year, driven by strong demand from the energy sector in Asia. At the same time, initial results from the robust restructuring programme that the CEO recently explained to us during a company visit in Frankenthal are set to become visible: savings of EUR 200 million are planned by 2018. In this conjunction, the merger of smaller non-domestic companies is designed to streamline the product portfolio. The ongoing reorganisation programme is supported by the principal shareholder as well as by the board of directors. At **Surteco**, the performance in recent months was burdened by the cost of integrating the Süddekor acquisition. This effect is expected to diminish second half of 2016, and should boost margins substantially for the year as a whole. Anticipated sales growth of marginally above 2% is expected to generate earnings growth of approx. 28%, boosting the EBIT margin from 4.8% to 6.0%. We like the attractive valuation with a P/E 2016e of 12.5x and a P/B ratio of 0.9x, along with the expected earnings growth and the sound balance sheet.

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:	CH0297417534, 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 31.12.2015:	1.35% Tranche A; 1.86% Tranche B 1.38% Tranche C, CHF hedged
Tax transparency:	Switzerland / Germany / Austria
Licensed for public distribution:	Switzerland / Germany

Breakdown by Currencies

EUR	89.0%	CHF	11.0%
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

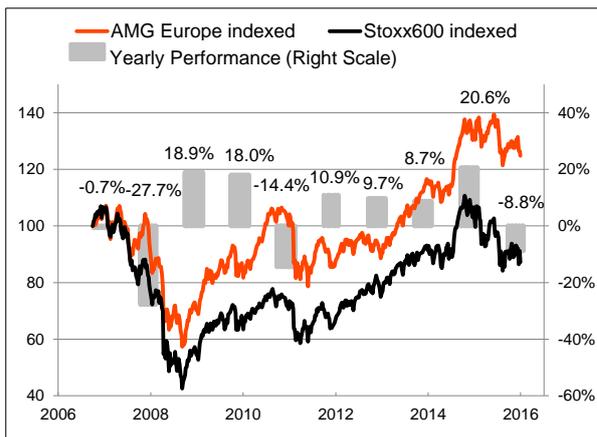
Net Asset Value per Share (Tranche A):	EUR 118.70
Number of Shares Issued:	286'618
Net Asset Value per Share (Tranche B):	EUR 115.31
Number of Shares Issued:	7'220
Net Asset Value per Share (Tranche C, CHF hedged):	CHF 128.01
Number of Shares Issued:	116'587
Total Net Asset Value:	EUR 48.4 mn

Performance - Tranche A

since inception 01.04.2007 (Distributions included)						
	1 Mt	3 Mt	12 Mt	3 Years*	5 Years*	since inception
Fund	-4.6%	-2.5%	-4.3%	11.7%	3.9%	2.5%
Stoxx600	-5.1%	-2.3%	-13.5%	5.0%	3.9%	-1.4%

*p.a.

since inception						
	2016	2015	2014	2013	2012	since inception
Fund	-8.8%	20.6%	8.7%	9.7%	10.9%	25.4%
Stoxx600	-9.8%	6.8%	4.4%	17.4%	14.4%	-11.9%



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

Risk Ratios (rolling over the last 3 Years)

Volatility (p.a.):	11.09%
Sharpe Ratio (0.08% Risk Free Rate)	1.03
Beta (vs. Stoxx 600)	0.59

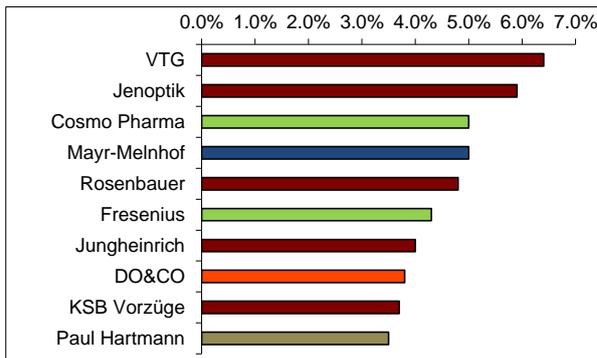
Breakdown by Sectors

Industrials	34.5%
Consumer Disc.	6.9%
Consumer Staples	8.2%
Financials	6.8%
Communication	2.2%
Health Care	14.0%
Energy	0.0%
Basic Materials	17.5%
Technology	6.5%
Utilities	2.7%
Cash	0.7%

Exposure

Long Positions:	99.3%
Hedge Positions:	10.9%
Net Position:	88.4%
Absolute Position:	110.2%

Largest Positions



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