

# AMG Europe

Report as of December 31, 2016

## Review December

The temporal extension of the European Central Bank's bond buying programme has given a significant boost to European equities. Financial securities continued their post-Brexit rally with new momentum. Since the UK's leave vote, the sector has gained around 45%. The AMG Europe closed December with +2.5%, while the benchmark index, the STOXX 600, benefited from the recovery of the banking sector and rose by 5.7%. Compared to start of the year, the fund closed some -4.6% lower. The benchmark index declined by -1.2%. Due to its defensive positioning – supported by both, reducing market beta and selection of solidly financed companies – the fund lost less in downtrends during the year 2016 and at the same time reacted languorously during the fast market recoveries. In longer lasting market recuperation phases, the potential of the solidly financed, still reasonably valued portfolio stocks can unfold.

The annual results reported by copper producer **Aurubis** for financial year 2015/16, which ended in September, were within expectations. The year was dominated by lower production volumes due to the scheduled major downtime at the Bulgarian Pridop site, which lasted from April to June, and by the decline in metal prices. Both the abrupt recovery of the copper prices in the last few weeks and the consistently healthy supply of copper concentrates are positive developments for Aurubis. On top of this, the so-called melting and refinery wages, which are of central importance to the company's profitability, are at a relatively high level. The group is also benefiting from the stronger US Dollar. However, Aurubis is still encountering some headwind due to pressure on the price of sulphuric acid, which is a by-product of the copper production process. All in all, following a weaker year, Aurubis is expecting a significant increase in EBIT and a slightly higher operating ROCE for the new financial year 2016/17. The pump manufacturer **KSB** announced the resignation of its CEO Werner Stegmüller after the annual general meeting in May 2017. The restructuring measures initiated by him are supported by the Board of Directors. The news of his resignation is not encouraging. However, around 50% of the measures are already being implemented and will have an impact on profitability in the coming year. At the same time, KSB would benefit from higher investment volumes in oil price-dependent industries. With an estimated 2016 PER of 13.6x, a price-to-book value of 0.8x and a solid balance sheet, the share remain attractive, not least due to the company's restructuring potential. We have a new position in **Bechtle**, an integrated IT service provider for business customers. In the 3rd quarter, Brexit and other political uncertainties led to a postponement of IT investment decisions. The 4th quarter should benefit from such deferred projects. Bechtle concentrates on industrial SMEs which consult external professionals with regard to recent IT issues, such as big data or cloud solutions. In these areas, Bechtle offers its own software solutions and, with 3,000 consultants and business architects, disposes of sufficient staff capacities. At an estimated 2016 PER of 17.3x, the well-established company has a middling valuation. Its highly solid balance sheet showing net liquidity of EUR 247 million also provides leeway for growth through acquisitions.

## 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 30.06.2016:	1.34% Tranche A; 1.83% Tranche B 1.35% Tranche C / CHF hedged
Tax transparency:	Switzerland / Germany / Austria
Licensed for public distribution:	Switzerland / Germany

## Breakdown by Currencies

EUR	79.1%	CHF	17.5%
GBP	0.0%	SEK	0.0%
NOK	0.0%	DKK	3.4%

## Distributions

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

## Key Figures

<b>Net Asset Value per Share (Tranche A):</b>	<b>EUR 124.14</b>
Number of Shares Issued:	291'253
<b>Net Asset Value per Share (Tranche B):</b>	<b>EUR 120.31</b>
Number of Shares Issued:	18'020
<b>Net Asset Value per Share (Tranche C, CHF hedged):</b>	<b>CHF 133.06</b>
Number of Shares Issued:	94'783
Total Net Asset Value:	EUR 49.9 mn

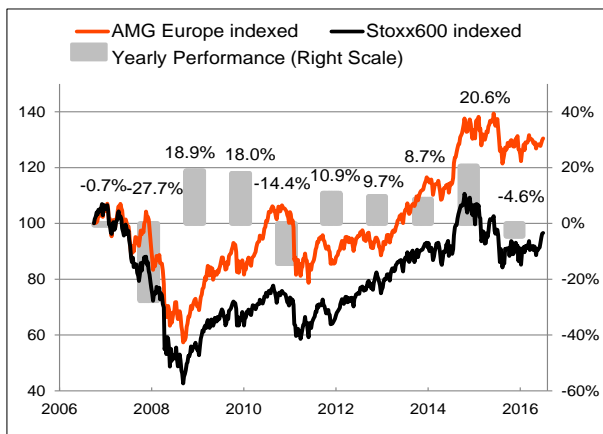
## Performance - Tranche A

### since inception 01.04.2007 (Distributions included)

	1 Mt	3 Mt	12 Mt	3 Years*	5 Years*	since inception
Fund	2.5%	0.8%	-4.6%	7.8%	8.8%	2.8%
Stoxx600	5.7%	5.4%	-1.2%	3.3%	8.1%	-0.4%

\*p.a.

	2016	2015	2014	2013	2012	since inception
Fund	-4.6%	20.6%	8.7%	9.7%	10.9%	31.1%
Stoxx600	-1.2%	6.8%	4.4%	17.4%	14.4%	-3.4%



Please find the detailed performance overview under [www.amg.ch](http://www.amg.ch)

## Risk Ratios (rolling over the last 3 Years)

Volatility (p.a.):	10.63%
Sharpe Ratio (0.08% Risk Free Rate)	0.72
Beta (vs. Stoxx 600)	0.54

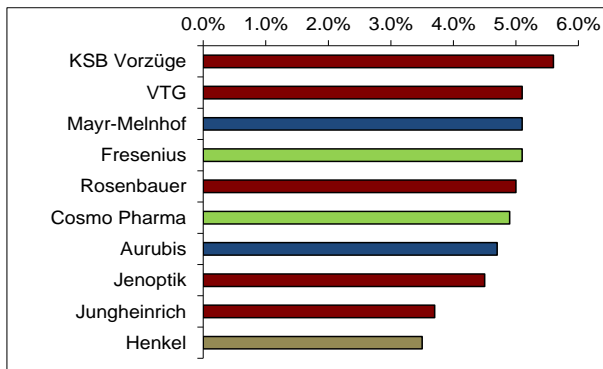
## Breakdown by Sectors

Industrials	28.6%
Consumer Disc.	6.0%
Consumer Staples	8.7%
Financials	8.0%
Telecommunication	2.6%
Health Care	14.9%
Energy	0.0%
Basic Materials	20.8%
Technology	7.1%
Utilities	3.0%
Cash	0.3%

## Exposure

Long Positions:	99.7%
Hedge Positions:	14.9%
Net Position:	84.8%
Absolute Position:	114.6%

## Largest Positions



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