

AMG Europe

Report as of January 31, 2017

Review January

Thanks to Trump euphoria and solid macro data, both in the USA and increasingly in Europe, the European markets got off to a solid start in the new year. The AMG Europe gained +1.7% in January, and outperformed the STOXX 600 by +2.0%, the index closed the month with -0.3%.

SAP has opened the reporting season. Its annual turnover of EUR 22.1bn and EBIT of EUR 6.6bn came up to market expectations. The outlook for 2017 was raised slightly and should be well within the company's reach. The management's new outlook for 2020 – turnover of EUR 28 to 29bn, i.e. 7% annual growth – is more ambitious. The target (non-IFRS) EBIT is to grow by 8% annually to EUR 8.5-9.0bn, implying a margin of 30.4 to 31.0%. SAP is known for publishing results that match its targets. Given the company's recurrent solid results and consistent growth, its valuation at an estimated 2017 PER of 19.4x remains attractive. **Jenoptik** has taken over the UK company **Essa Technology** which specialises in software applications, among them vehicle license plate recognition. This acquisition further bolsters Jenoptik's leading position in the field of traffic safety solutions. The market reacted to the announcement with a substantial mark-up, especially since the takeover is associated with a strategic boost of the high-margin segment **Mobility**. Further value-raising acquisitions are expected after the new CEO will take over in Q2 2017. Jenoptik's balance sheet is well-prepared for a sustained acquisition strategy, and the estimated 2017 PER of 17.4x provides further leeway. The spectacles manufacturer **Luxottica**, which produces the **Ray-Ban** brand as well as frames for luxury brands such as **Armani**, **Chanel** and **Prada**, plans to merge with the French spectacle and contact lens specialist **Essilor**. **Luxottica** founder **Leonardo Del Vecchio**, who owns nearly 62% of the company's shares, will contribute his entire holding and become CEO of the new group. The new enterprise will generate annual turnover in excess of EUR 15bn. The two companies' combined recent EBIT figure is approx. EUR 3.5bn. The merger is expected to boost the result by EUR 400 to 600mn in the medium-term and have an even greater effect in the long-term. The share rewarded the news of the merger with a significant rise that more or less reflected the synergy effects. In the past few days, the **Luxottica** shares have returned to their original price. Given the company's strong market position and the synergy effects of the merger, we consider this as an attractive opportunity and have opened a position. **LifeWatch** has received a takeover bid from **Aevis Victoria**, the clinic and hotel group which is controlled by **Antoine Hubert**, member of the Board of Directors of **LifeWatch**. The **Aevis Group** is offering 0.1818 of an **Aevis** share for 1 **LifeWatch** share, or CHF 10.00 in cash. The bid puts the value of the **LifeWatch** share at CHF 11.45 and the market capitalization of **LifeWatch** at approx. CHF 210mn. We expect that **LifeWatch** is able to realise a turnover of CHF 150mn by 2018. In 2015 **LifeWatch** has reported a turnover of CHF 87mn and an EBITDA of CHF 15mn. This translates into a 2018e EBITDA of more than CHF 25mn. With this in mind and the implied price potential of the **LifeWatch** stock, we consider the stock a clear buy and the takeover bid of **Aevis** as massively too low.

Facts

Domicile of Fund:	Switzerland
Fund Management Company:	LB(Swiss) Investment AG, Zürich
Custodian Bank:	Frankfurter Bankgesellschaft, Zürich
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 31.12.2016:	1.34% Tranche A; 1.84% Tranche B 1.34% Tranche C / CHF hedged
Tax transparency:	Switzerland / Germany / Austria
Licensed for public distribution:	Switzerland / Germany

Breakdown by Currencies

EUR	79.0%	CHF	17.8%
GBP	0.0%	SEK	0.0%
NOK	0.0%	DKK	3.2%

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 126.24
Number of Shares Issued:	294'673
Net Asset Value per Share (Tranche B):	EUR 122.31
Number of Shares Issued:	17'185
Net Asset Value per Share (Tranche C, CHF hedged):	CHF 135.16
Number of Shares Issued:	96'338
Total Net Asset Value:	EUR 51.3 mn

Performance - Tranche A

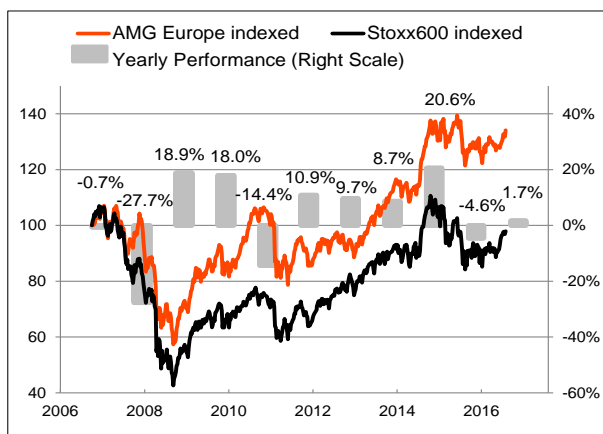
since inception 01.04.2007 (Distributions included)

	1 Mt	3 Mt	12 Mt	3 Years*	5 Years*	since inception
Fund	1.7%	3.9%	4.9%	8.9%	7.9%	3.0%
Stoxx600	-0.4%	6.2%	5.2%	3.7%	7.2%	-0.4%

*p.a.

since inception

	2017	2016	2015	2014	2013	since inception
Fund	1.7%	-4.6%	20.6%	8.7%	9.7%	33.4%
Stoxx600	-0.4%	-1.2%	6.8%	4.4%	17.4%	-3.8%



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

Risk Ratios (rolling over the last 3 Years)

Volatility (p.a.):	10.54%
Sharpe Ratio (0.08% Risk Free Rate)	0.85
Beta (vs. Stoxx 600)	0.53

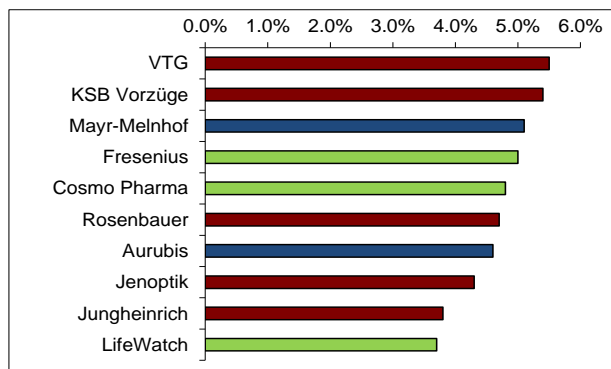
Breakdown by Sectors

Industrials	28.1%
Consumer Disc.	7.7%
Consumer Staples	8.8%
Financials	8.1%
Telecommunication	2.7%
Health Care	15.0%
Energy	0.0%
Basic Materials	20.2%
Technology	7.0%
Utilities	3.0%
Cash	-0.6%

Exposure

Long Positions:	100.6%
Hedge Positions:	7.4%
Net Position:	93.2%
Absolute Position:	108.0%

Largest Positions



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