

## **AMG Europe**

Investment fund under Swiss law

### **Semi-annual report 2017**

Unaudited semi-annual report as of June 30, 2017

The English version of the semi-annual report is a free translation from the original, which was prepared in German.

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## Facts and figures

### Organization

#### Board of directors of the Fund Management Company

Holger Mai, President  
Hans Stamm, Vice President  
Salomon J. Guggenheim  
Michael Jent  
Herbert Kahlich

#### Management of the Fund Management Company

Marcel Weiss  
Ferdinand Buholzer

#### Fund Management Company

LB(Swiss) Investment AG  
Claridenstrasse 20  
CH-8002 Zurich  
Phone +41 44 225 37 90  
Fax +41 44 225 37 91

#### Custodian Bank

Frankfurter Bankgesellschaft (Schweiz) AG  
Börsenstrasse 16  
CH-8001 Zurich  
Phone +41 44 265 44 44  
Fax +41 44 265 44 11

#### Investment Manager of the Fund

AMG Fondsverwaltung AG  
Bahnhofstrasse 29  
CH-6300 Zug

#### Distribution channels

Investment Manager of the Fund

#### Auditors

PricewaterhouseCoopers AG  
Birchstrasse 160  
CH-8050 Zurich

### Fund characteristics

The investment objective of AMG Europe is principally to attain an increase in value, by means of investments primarily in the European stock markets. The fund invests mainly in equity securities of companies that are domiciled in Europe or which exercise a predominant proportion of their economic activities in this mar-

ket. The long term oriented stock selection forms the basis of the achievement of the investment objective.

Market setbacks are reduced as far as possible by hedging. The fund is denominated in EUR, a currency hedged CHF class is available.

### Key figures

	30.6.2017	31.12.2016	31.12.2015
Net fund assets in million EUR	78.69	50.07	50.58
Number of units Class A	350 998	291 253	270 239
Number of units Class B	24 141	18 020	18 875
Number of units Class C	185 511	94 783	100 155 <sup>1</sup>
Asset value per unit Class A in EUR	141.67	124.14	130.12
Asset value per unit Class B in EUR	136.99	120.31	126.74
Asset value per unit Class C in CHF	151.20	133.06	140.96 <sup>1</sup>
Performance Class A	14.12%	-4.59%	20.64%
Performance Class B	13.86%	-5.07%	20.04%
Performance Class C	13.63%	-5.60%	3.15% <sup>1</sup>
TER Class A	1.31%	1.34%	1.35%
TER Class B	1.81%	1.84%	1.86%
TER Class C	1.31%	1.34%	1.38% <sup>1</sup>
PTR	-0.03	0.59	1.31

1) 14.10.2015 – 31.12.2015

Past performance is no guarantee for future results. The performance data do not take on the issue and redemption of units and costs incurred. No benchmark comparison is available for this fund.

## Report of the Investment Manager

### Review

Trump euphoria and solid market data combined to give the European stock markets a solid start to the year 2017. The positive first quarter reporting season gave a boost to investors and ensured a continued upswing in the second quarter. Pressure on the markets eased off after political events that had kept us in suspense, such as the French elections, ended in favour of pro-European parties. The first half of 2017 saw no major setbacks on a scale of the losses triggered by last year's Brexit vote and US presidential elections.

After moving sideways last year, the European markets picked up significant speed in the first six months of 2017. The Eurostoxx 600 advanced by 5.0%. At 14.1%, the AMG Europe's gain was substantially higher than that of the overall market, resulting in an outperformance of 9.1%. The performance of the fund is presented in chart 1.

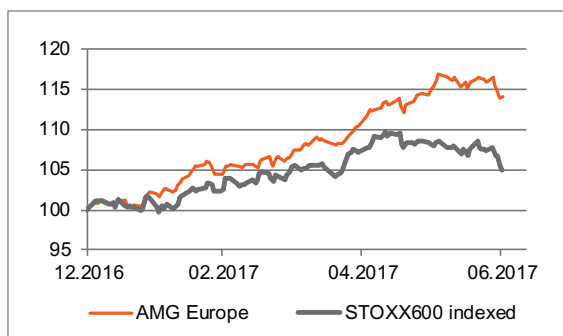


Chart 1: Performance in the 1st half of 2017 (Source: AMG, Bloomberg)

The rise was driven by corporate results which began to reflect the original investment case, among them the results of the pump manufacturer KSB. The copper producer Aurubis also received a significant boost after its new CEO announced substantial savings measures. VTG benefited from German government plans to support rail transport. The technology company Jenoptik reported consistently high incoming order levels and improved key profitability figures. Stocks such as Novo Nordisk and Bakka-

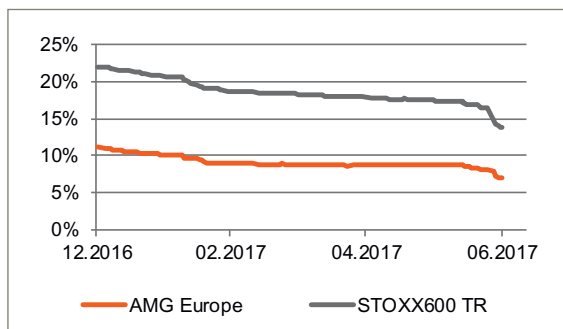


Chart 2: Trends in volatility in the 1st half of 2017 (Source: AMG, Bloomberg)

frost, which we had bought after the strong retreat of prices, also made a solid contribution to the fund's performance.

As presented in chart 2, at 10.5% the fund's volatility is significantly lower than that of the overall market (16.1%). In the past, this has often proved beneficial as the fund's setbacks were considerably smaller than those of the market.

Thanks to its good performance and new subscriptions, the size of the fund also followed a positive trend in the first six months (chart 3).

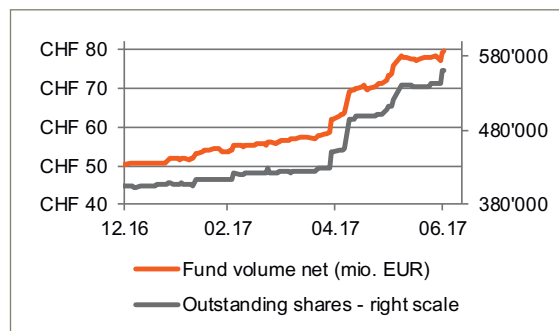


Chart 3: Trend in share certificates (1st half of 2017) (Source: AMG, Bloomberg)

### Portfolio

The strategy pursued by the AMG Europe's portfolio focuses on investments in European value stocks. Key selection criteria include low P/B and P/E ratios, high cash flow generation, clean balance sheets, key shareholders with a long-term perspective, consistency and straight-forward business models.

**Surteco**, a manufacturer of paper and plastic-based surface materials, has successfully absorbed the 2013 takeover of Süddekor. In continuation of its growth-through-acquisition strategy, the company is taking over the Portuguese company Probos, which is a good fit both in terms of geographical orientation and product range. Probos is already expected to contribute to Surteco's margins in the first year. The company has 470 staff members and generates turnover of EUR 66.5mn and EBITDA of EUR 11mn. Corresponding to an EBITDA margin of 16.6%, the figure is significantly higher than Surteco's last reported margin of 11.6%. At the net profit level, the debt-financed acquisition is also expected to have a positive effect in the first full financial year. Since Surteco's organic growth opportunities are limited, this acquisition is a positive move. We are confident that Surteco will continue its excellent track record when it comes to integrating acquired units.

At its capital markets day in Frankfurt, the dialysis specialist **Fresenius Medical Care (FMC)** announced a turnover target of EUR 24bn by 2020, which corresponds to an annual growth rate

## Report of the Investment Manager

of 10%. In the same period, net profit is to expand in the upper one-digit range. The ambitious growth targets are underpinned by a new savings programme under which Fresenius Medical Care aims to further cut its costs through new takeovers and the expansion of the supply management division – the company's newest mainstay. The programme will commence in 2018 and is expected to result in savings of over EUR 100mn a year until 2020. Aside from the positive growth prospects at FME, Fresenius SE, FMC's biggest shareholder at around 30%, will receive a boost to its Helios hospital management division from the acquisition of the Spanish company Quironsalud, including the associated higher margins.

In the first quarter 2017, the Danish insulin manufacturer **Novo Nordisk** raised profits by 5% to DKK 28.5bn. Turn-over growth was predominantly driven by new diabetes and obesity products. Gross profit rose by 7% to DKK 10.2bn, supported by both turnover growth and cost savings. Due to the positive first quarter performance, Novo Nordisk raised its full-year turnover projection to between +1% and +4% after having previously considered a decline. The operating profit forecast was also raised. Aside from the historically attractive valuation at an expected 2017 P/E of 18.5x, the share benefits from a rock solid balance sheet and margins that are still significantly higher than the sector.

In financial year 2016/17, the **Hornbach Group** increased its turnover by 4.9% to EUR 3.9bn. EBIT rose by 14% to EUR 156.8mn, with higher like-for-like sales and improved cost structures more than compensating for the lower gross margin. The network of international branches was expanded in Prague, Innsbruck and Amsterdam. Aside from DIY supplies, profit growth was also driven by the building material and real estate segments. The progressive implementation of the company's digitalisation strategy combines online trade with branch business: customers can 'click and collect', 'order at shop plus delivery' or make online purchases. Hidden real estate reserves and the company's strategic orientation add to the share's attractiveness.

### Outlook

The outlook for the Eurozone remains positive: Politically, the French elections provided some tailwind and there are hopes that solid Franco-German leadership of the Euro-zone may be restored. On top of this, regional elections in Italy ended in a sobering result for the eurosceptic Five Star Movement. Parliamentary elections in Italy may even take place as early as the German Bundestag elections in September 2017. A definitive date has not yet been set, but the elections must take place before May 2018.

Economically, sentiment indicators in Europe are still pointing up and real economic data are increasingly convincing. The Purchasing Managers' Index is at a high 57 points and industrial production is picking up. The situation on the European labour market is also promising. In the first quarter 2017, employment in the Eurozone rose by 1.4% over the previous quarter. Consistent employment growth is expected to ensure robust private consumption and relatively dynamic growth in the Eurozone this year.

The stock markets are set to benefit further from moderate growth and moderate inflation accompanied by expansive monetary policies. However, the European Central Bank is likely to increasingly restrict communications. Given the substantial valuations, this should be sufficient to induce a consolidation phase.

We continue to focus on solidly financed companies and prudent positioning on the market to mitigate any setbacks.

We would like to take this opportunity to thank our current and future investors for the trust they place in us.

AMG Fondsverwaltung AG

## Statement of Assets

	30. 6. 2017 EUR	31. 12. 2016 EUR	
Bank Balances	7 053 292	1 044 194	
Debtors	22 845	42 690	
Securities			
Equities	72 168 631	49 767 431	
Derivatives	-425 558	164 365	
Other assets	66 692	-	
<b>Total Fund Assets</b>	<b>78 885 902</b>	<b>51 018 680</b>	
Bank liabilities	-170 567	-935 648	
Liabilities	-20 831	-12 042	
<b>Net Fund Assets</b>	<b>78 694 505</b>	<b>50 070 991</b>	
<b>Outstanding units</b>	units	units	
Number of units outstanding at the beginning of the reporting period (Class A)	291 253	270 239	
New Issued Units	74 611	91 913	
Redeemed Units	-14 866	-70 899	
<b>Number of units outstanding at the end of the reporting period</b>	<b>350 998</b>	<b>291 253</b>	
Number of units outstanding at the beginning of the reporting period (Class B)	18 020	18 875	
New Issued Units	8 541	11 640	
Redeemed Units	-2 420	-12 495	
<b>Number of units outstanding at the end of the reporting period</b>	<b>24 141</b>	<b>18 020</b>	
Number of units outstanding at the beginning of the reporting period (Class C)	94 783	100 155	
New Issued Units	109 760	25 977	
Redeemed Units	-19 032	-31 349	
<b>Number of units outstanding at the end of the reporting period</b>	<b>185 511</b>	<b>94 783</b>	
<b>Net asset value per unit</b>	Class A EUR in EUR	Class B EUR in EUR	Class C CHF hedged in CHF
30. 6. 2017	141.67	136.99	151.20
<b>Change in net assets</b>			EUR
Net fund assets at the beginning of the reporting period			50 070 991
Distribution			-
Balance from unit trade			21 329 327
Total result of the financial year			7 294 187
<b>Net fund assets at the end of the reporting period</b>			<b>78 694 505</b>

## Statement of Income

	1.1. – 30.6.2017 EUR	1.1. – 31.12.2016 EUR
Income bank deposits	–	–
Income on shares (dividends)	636 130	702 381
Equalisation income on subscriptions	-543	11 027
<b>Total income</b>	<b>635 587</b>	<b>713 408</b>
less:		
Bank charges and debit interest	126	425
Expense from securities lending and borrowing	–	–
Dividends paid on shares sold short	–	–
Auditor fees	5 188	11 978
Management fees (A: 1.15% / B: 1.65% <sup>1</sup> / C: 1.15%)	353 163	605 523
Custodian fees (0.10%)	30 004	50 637
Other expenses	12 024	19 100
Partial transfer of expenses to realized capital gains and losses <sup>2</sup>	–	-5 144
Equalisation income on redemptions	1 034	26 058
<b>Total expenses</b>	<b>401 539</b>	<b>708 577</b>
<b>Net income</b>	<b>234 048</b>	<b>4 830</b>
Realized capital gains and losses	665 467	-262 384
Partial transfer of expenses to realized capital gains and losses <sup>2</sup>	–	-5 144
Total realized capital gains and losses	665 467	-267 528
<b>Net realized gain</b>	<b>899 515</b>	<b>-262 697</b>
Unrealized capital gains and losses	6 394 672	-1 794 779
<b>Total result</b>	<b>7 294 187</b>	<b>-2 057 476</b>

### Transaction costs

The investment fund bears all incidental costs for the purchase and sale of investments. In the reporting period the transaction costs amounted to EUR 40 258

1) Sales commission class B 2016: EUR 6 147; 2017: EUR 4 552

2) According to circular no. 24 of the ESTV from 1.1.2009

## Statement of investments as of June 30, 2017

Description	Currency	Balance at (in 1000 resp. piece) 30. 6. 2017	Purchases	Sales	Price at 30. 6. 2017	Valuation EUR	as % of total assets
<b>Securities</b>							
<b>Equities (traded on an exchange)</b>						<b>69 729 980</b>	<b>88.39</b>
BKW NA	CHF	33 632	1 200		56.300	1 732 371	2.20
Cassiopea	CHF	36 805	10 000		34.750	1 170 150	1.48
COSMO Pharmaceuticals NA	CHF	23 350	7 600		168.300	3 595 430	4.56
Komax NA	CHF	3 890		1 000	280.500	998 303	1.27
Novo Nordisk -B-	DKK	64 500	15 500		278.800	2 418 121	3.07
Agrana	EUR	2 236	2 236		114.250	255 463	0.32
Aurubis AG	EUR	52 450	9 200		68.750	3 605 938	4.57
BayWa vink. NA	EUR	30 304			31.120	943 060	1.20
Bechtle	EUR	13 130	4 300		112.500	1 477 125	1.87
CEWE Stift	EUR	7 000	7 000		73.830	516 810	0.66
Do	EUR	35 765	11 500		61.810	2 210 635	2.80
Ferratum	EUR	75 590	11 000		23.650	1 787 704	2.27
freenet	EUR	57 000	7 500		27.925	1 591 725	2.02
Fresenius SE	EUR	47 300	12 500		75.060	3 550 338	4.50
Henkel -Stimmrechtslos-	EUR	19 900	4 350		120.500	2 397 950	3.04
HORNBACH	EUR	9 539	1 039		75.250	717 810	0.91
Hornbach-Baumarkt	EUR	39 722	3 822		31.600	1 255 215	1.59
Jenoptik	EUR	97 200	3 000	40 000	22.965	2 232 198	2.83
Jungheinrich Vz	EUR	76 344	8 600		32.005	2 443 390	3.10
Koenig & Bauer	EUR	17 600	17 600		59.220	1 042 272	1.32
KSB VZ	EUR	9 163	1 150		439.750	4 029 429	5.11
KWS Saat AG	EUR	5 494	1 190		344.450	1 892 408	2.40
Luxottica Group	EUR	42 300	42 300		50.650	2 142 495	2.72
Mayr-Melnhof Karton	EUR	26 506	1 506		114.500	3 034 937	3.85
Palfinger	EUR	42 459	2 000		40.800	1 732 327	2.20
Paul Hartmann NA	EUR	5 577	1 247		430.000	2 398 110	3.04
RIB Software	EUR	99 537		5 317	14.790	1 472 152	1.87
Rosenbauer	EUR	51 250	5 096		57.700	2 957 125	3.75
SAP	EUR	19 110	3 400		91.450	1 747 610	2.22
Sixt Leasing	EUR	84 298	38 000		18.500	1 559 513	1.98
SURTECO	EUR	67 450	4 000		23.730	1 600 589	2.03
Viscofan	EUR	32 362	10 862		51.800	1 676 352	2.13
VTG	EUR	113 973	23 873		34.145	3 891 608	4.93
Wirecard AG	EUR	35 500	8 000		55.720	1 978 060	2.51
Bakkafrost	NOK	51 000	51 000		314.400	1 675 258	2.12
<b>Equities (not traded on an exchange or on a other regulated market)</b>						<b>2 438 651</b>	<b>3.09</b>
LifeWatch 5. Linie	CHF	175 937	175 937		15.150	2 438 651	3.09
<b>Total securities</b>						<b>72 168 631</b>	<b>91.48</b>
Total derivatives (as per separate list)						-425 558	-0.54
Cash and other assets						7 142 829	9.05
Total fund assets						78 885 902	100.00
Bank liabilities						-20 831	-0.03
Liabilities						-170 567	-0.22
<b>Total net assets</b>						<b>78 694 505</b>	

Divergences in the totals may be attributed to rounding differences.



## Statement of investments as of June 30, 2017

### Exchange rates:

CHF 1.093 = EUR 1.0000	DKK 100 = EUR 13.447
GBP 1.000 = EUR 1.13723	NOK 100 = EUR 10.448
USD 1.000 = EUR 0.87627	SEK 100 = EUR 10.374

### Breakdown

Equities by country (net)	Valuation in EUR	as % of total assets
Denmark	2 418 121	3.07
Germany	42 343 310	53.68
Faroe	1 675 258	2.12
Finland	1 787 704	2.27
Italy	3 312 645	4.20
Netherlands	3 595 430	4.56
Austria	10 190 487	12.92
Switzerland	5 169 325	6.55
Spain	1 676 352	2.13
<b>Total</b>	<b>72 168 631</b>	<b>91.48</b>

### Fair value hierarchy

The following table shows the fair value hierarchy of the investments. Fair value is the price, that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Investment type	Total amount	Valuation		
		Valuated at prices quoted on an active market	Valuation based on observable market parameters	Valuation method not based on market data (valuation models)
Equities	72 168 631	69 729 980	2 438 651 <sup>1</sup>	-
Bonds	-	-	-	-
Investments in other collective investment schemes				
Derivatives	-425 558	-	-425 558	-
Futures <sup>2</sup>	0.00	0.00	-	-
<b>Total</b>	<b>71 743 074</b>	<b>69 729 980</b>	<b>2 013 093</b>	<b>-</b>

1) The following investment belongs to this category: Lifewatch 5. Line.

2) The amount of market profit or loss of the futures is compensated daily on the margin account. For this reason futures are not valued and shown as null.

Divergences in the totals may be attributed to rounding differences.

## Transactions during the reporting period

(If they no longer appear in the statement of net assets)

Currency	Description	Purchases	Sales
<b>Securities</b>			
<b>Equities</b>			
CHF	LifeWatch 4. Linie	175 937	175 937
CHF	LifeWatch NA		175 937
CHF	Swiss Life NA		3 429
EUR	AT & S Austria Technologie		5 162
<b>Derivatives</b>			
Contracts:			
EUR	FUTURE DAX 03.17		26
EUR	FUTURE DAX 06.17	16	16

Incl. merger, split, reorganisation, redemption etc. Bonds in thousand.

## Derivatives using the commitment approach II

### Total derivative financial instruments

	in amount in EUR	as % of net assets
gross	4 004 000	5.09
net	–	0.00

### Futures

Number	Title
-13	DAX Futures September 2017

The derivatives stated hereafter refer to class AMG Europe CHF hedged and serve for the hedging of the currency risk.

### Total derivative financial instruments, which are booked in the CHF hedged class

	in amount in CHF	as % of net assets Class CHF hedged
gross	28 154 329	98.73
net	–	0.00

### Forward exchange transactions (Safeguarding Class CHF hedged)

Currency	Expiry	Amount of foreign currency	Equivalent value purchase CHF	Value at 30. 6. 2017 CHF	Income CHF	Income EUR
EUR/CHF	18. 10. 2017	-25 787 372	27 689 193	-28 154 329	-465 136	-425 558
<b>Result on forward exchange contracts</b>						<b>-425 558</b>

Identity of contract partners in OTC transactions:

Forward exchange transactions: Frankfurter Bankgesellschaft (Schweiz) AG, Zurich (Custodian Bank).

## Supplementary information to the semi-annual report as of June 30, 2017

### 1. Fund Performance

No benchmark comparison is available for this fund. Past performance is no indicator for current or future results. Performance figures do not take into account any commissions charged on issue or redemption of units.

### 2. Soft commission agreements

For the period from January 1 to June 30, 2017 no "soft commission agreements" in the name of LB(Swiss) Investment AG were applied and no soft commissions were received.

### 3. Principles for the valuation and the calculation of the net asset value

The valuation is effected as per §16 of the fund contract  
**§ 16 Calculation of the Net Asset Value**

1. The net asset value of the investment fund and the share of assets attributable to the individual classes [prorated shares] are calculated in CHF at their market value as of the end of the financial year and for each day on which units are issued or redeemed. The fund assets will not be calculated on days when the stock exchanges / markets in the investment fund's main investment countries are closed (e.g., bank and stock exchange holidays).
2. Securities traded on a stock exchange or another regulated market open to the public shall be valued at the current prices paid on the main market. Other investments or investments for which no current market value is available shall be valued at the price which would probably be obtained upon a diligent sale at the time of the valuation. In such cases, the fund management company shall use appropriate and recognized valuation models and principles to determine the market value.
3. Open-ended collective investment schemes are valued at their redemption price / net asset value. If they are regularly traded on a stock exchange or another regulated market open to the public, the fund management company may value such funds in accordance with sec. 2.
4. The value of money market instruments that are not traded on a stock exchange or another regulated market open to the public is determined as follows: the valuation price of such investments is successively adjusted in line with the redemption price, taking the net purchase price as the basis and ensuring that the investment returns calculated in this manner are kept constant. If there are significant changes in the market conditions, the valuation principles for the individual investments will be adjusted in line with the new market returns. If there is no current market price in such instances, the calculations are as a rule based on the valuation of money market instruments with the same characteristics (quality and domicile of the issuer, issuing currency, term to maturity).
5. Bank credit balances are valued on the basis of the amount due plus accrued interest. If there are significant changes in the market conditions, the valuation principles for time deposits will be adjusted in line with the new circumstances.
6. The net asset value of units of a given class is determined by the proportion of the fund's assets as valued at the market value attributable to the given unit class, minus any of the investment fund's liabilities that are attributed to the given unit class, divided by the number of units of the given class in circulation. It will be rounded to one centime.
7. The percentages of the market value of the Fund's net assets (fund assets less liabilities) attributable to the individual unit classes is determined for the first time at the initial issue of more than one class of units (if this occurs simultaneously) or the initial issue of a further unit class. The calculation is made on the basis of the assets accruing to the Fund for each unit class. The percentage is recalculated when one of the following events occurs:
  - a) when units are issued and redeemed;
  - b) on the relevant date for distributions, provided that (i) such distributions are only made for individual unit classes (distribution classes); (ii) the distributions of the various unit classes differ when expressed as a percentage of the respective net asset values; or (iii) different commission or expenses are charged on the distributions of the various unit classes when expressed as a percentage of the distribution;
  - c) when the net asset value is calculated, as part of the allocation of liabilities (including due or accrued expenses and commissions) to the various unit classes, provided that the liabilities of the various unit classes are different when expressed as a percentage of the respective net asset value, especially if (i) different commission rates are applied for the various unit classes or (ii) class-specific expenses are charged;
  - d) when the net asset value is calculated, as part of the allocation of income or capital gains to the various unit classes, provided the income or capital gains stem from transactions made solely in the interests of one unit class or several unit classes but disproportionately to their share of the net fund assets.

## Additional information for the distribution of Shares in Germany

The following information is directed at potential buyers in the Federal Republic of Germany, in that it more precisely lays out and expands the prospectus with regard to sales in the Federal Republic of Germany:

### Information Office

The information office in the Federal Republic of Germany is the BHF-BANK Aktiengesellschaft  
Bockenheimer Landstraße 10  
D-60323 Frankfurt am Main

### Redemption and Exchange Orders, Payments

Investors in Germany can submit their redemption and exchange orders at their institution maintaining the custody account in Germany. This institution will forward the orders to be handled at the custodian bank of the fund or request the redemption in its own name to be credited to the account of the investor.

Fund distributions, redemption revenues and other payments to the investor in Germany also go through the institution maintaining the custody account in Germany. It will credit the payments to the account of the investor.

### Information

Copies of the sales prospectus, key investor information document (KIID), fund contract, annual and semi-annual report, issuing and redemption prices (as well as possible exchange prices) are available at not charge from the information office.

### Price Publications and Other Notifications

The issuing and redemption prices as well as all other legally required notifications to the investor are published in the Internet at [www.swissfunddata.ch](http://www.swissfunddata.ch).