

AMG Europe

Report as of September 30, 2017

Review September

Neither the elections in Germany nor the disastrous hurricanes in the USA had much of an effect on the European stock markets in September. On the contrary, in a consistently expansive monetary environment, the markets continued their unbroken upward trend. While the stock market index, the STOXX 600, closed September with a gain of 3.8%, the AMG Europe advanced 1.2%. Given its 17.7% gain since the beginning of the year, the fund generated an outperformance of the index at around 10.3%. The index, in turn, has generated a 7.4% gain this year. We are retaining our cautious approach in the fund.

The pump manufacturer **KSB** generated disproportionate profit growth in the first half of 2017, thereby confirming its current profitable growth strategy. Drawing on the restructuring and refinancing experience he gained at Linde Material Handling, the new CEO Matthias Schmitz believes there is further room for improvement at KSB based on the restructuring programme initiated by his predecessor Werner Stegmüller. We are convinced that the reorganisation launched by the previous CEO will be pursued further. Following first signs of restructuring effects since the beginning of the year, turnover growth is now also picking up. In structural terms, the new head of the company expects further growth dynamics in the fields of water/wastewater and construction (urbanisation, desalination plants) as well as pumps with lower energy requirements. Pressure exerted by the European Union in eastern European member states to improve energy efficiency of the infrastructure, is expected to result in replacement investments of up to EUR 1.3bn until 2020. The estimated 2018 P/E of 11.5x combined with an estimated 2018 P/B valuation of 1.1x, which is supported by a solid balance sheet, is very attractive – not just in the current market situation. **Wirecard's** management saw its first change in 12 years when CFO Burkhard Ley, who had been with the company since 2005, was succeeded by Alexander von Knoop. As the biggest real-time payment processing company worldwide, Wirecard is one of the winners of progressive online commerce penetration. As yet, as much as 85% of all transactions worldwide are processed in cash and even the remaining 15% are not fully digitalised. However, online commerce has an annual growth rate of 13-15%. To expand its business, Wirecard also aims to take over areas that other market players do not view as their core business. The company thus operates as a strategic outsourcing partner and takes over entire business lines, for instance Citigroup's card business. Strong structural growth drivers with impressive EBITDA margins of over 30% support the company's cash flows and facilitate the financing of growth through acquisitions. As one of the most attractive value shares in Europe, **BKW** still has a very low P/B ratio of 1.0x even after its price gains. Turnover and income are expected to rise further in the 2nd half of the year, while the gross profit figure for the full year 2017 is likely to be slightly lower due to a non-recurrent sales profit in the preceding year. Thanks to the company's solid balance sheet, a higher dividend (return currently just under 3%) is not entirely unlikely.

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 30.06.2017:	1.31% Tranche A; 1.81% Tranche B 1.31% Tranche C / CHF hedged
Tax transparency:	Switzerland, Germany, Austria
Licensed for public distribution:	Switzerland, Germany

Breakdown by Currencies

EUR	84.1%	CHF	9.3%
GBP	0.0%	USD	0.9%
NOK	2.3%	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

Net Asset Value per Share (Tranche A):	EUR 146.11
Number of Shares Issued:	409'506
Net Asset Value per Share (Tranche B):	EUR 141.11
Number of Shares Issued:	27'433
Net Asset Value per Share (Tranche C, CHF hedged):	CHF 156.24
Number of Shares Issued:	201'319
Total Net Asset Value:	EUR 92.8 mn

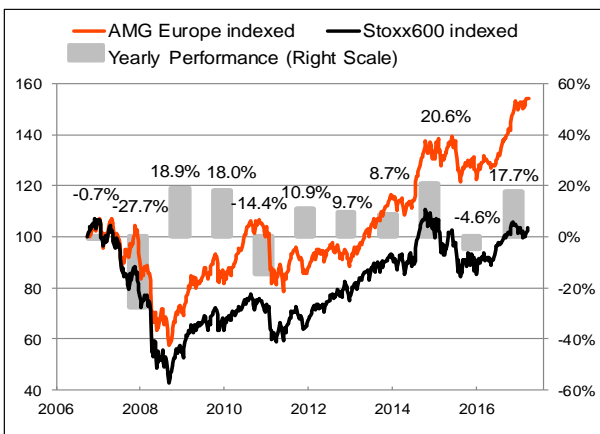
Performance - Tranche A

since inception 01.04.2007 (Distributions included)

	1 Mt	3 Mt	12 Mt	3 Years*	5 Years*	since inception
Fund	1.2%	3.1%	18.6%	10.8%	10.5%	4.2%
Stoxx600	3.8%	2.3%	13.2%	4.2%	7.7%	0.4%

*p.a.

	2017	2016	2015	2014	2013	since inception
Fund	17.7%	-4.6%	20.6%	8.7%	9.7%	54.4%
Stoxx600	7.4%	-1.2%	6.8%	4.4%	17.4%	3.7%



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

Risk Ratios (rolling over the last 3 Years)

Volatility (p.a.):	10.19%
Sharpe Ratio (-0.20% Risk Free Rate)	1.25
Beta (vs. Stoxx 600)	0.65

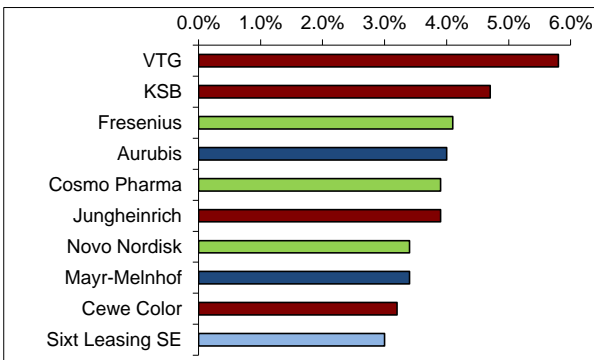
Breakdown by Sectors

Industrials	26.3%
Consumer Disc.	6.5%
Consumer Staples	5.8%
Financials	8.3%
Telecommunication	2.3%
Health Care	13.3%
Energy	0.0%
Basic Materials	16.4%
Technology	5.4%
Utilities	2.3%
Cash	13.4%

Exposure

Long Positions:	86.6%
Hedge Positions:	8.0%
Net Position:	78.6%
Absolute Position:	94.6%

Largest Positions



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