

AMG Europe

Investment fund under Swiss law

Annual report 2017

Audited annual report as of December 31, 2017

The English version of the 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

	31.12.2017	31.12.2016	31.12.2015
Net fund assets in million EUR	100.01	50.07	50.58
Number of units Class A	422 819	291 253	270 239
Number of units Class B	45 433	18 020	18 875
Number of units Class C	222 130	94 783	100 155 ¹
Asset value per unit Class A in EUR	149.35	124.14	130.12
Asset value per unit Class B in EUR	144.07	120.31	126.74
Asset value per unit Class C in CHF	159.73	133.06	140.96 ¹
Performance Class A	20.31%	-4.59%	20.64%
Performance Class B	19.75%	-5.07%	20.04%
Performance Class C	20.04%	-5.60%	3.15% ¹
TER Class A	1.31%	1.34%	1.35%
TER Class B	1.83%	1.84%	1.86%
TER Class C	1.33%	1.34%	1.38% ¹
PTR	0.07	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

Buoyed up by euphoric reactions to the new US President Donald Trump as well as by solid macro data, the stock market year 2017 was off to a flying start. The global stock markets advanced until May, when the rise of the EUR against the USD began to slow down the European markets, a trend that lasted until autumn. By contrast, the unwavering US markets continued their steady upswing until the end of the year. In Europe, the markets received fresh momentum in the third quarter, according to the motto *“sell in May and go away, but remember to come back in September”*. However, at the end of the year, consistently solid macro data were overshadowed by insecurity regarding the forthcoming end of the ECB’s bond buying programme as well as political disputes. In November and December, market movements were on the moderate side. Nevertheless, the trend in economic growth and the associated labour market situation was surprisingly solid, not only in the Eurozone. As yet, even the British economy has suffered few deceleration effects due to the ongoing Brexit negotiations. Accordingly, European listed companies reported positive corporate results and stock prices were rising.

The AMG Europe retained its strategic focus on small to mid-cap value stocks. Large-cap defensive stocks with solid balance sheets and good track records were added to cover any liquidity requirements. Given the sustained risks caused by the expected rise in interest rates and key elections in several European countries, we also pursued an active hedging strategy during most of the year.

In the full year, the number of outstanding units rose from 404,056 to approx. 690,000. The AuM reached EUR 100mn for the first time at the end of 2017 (Chart 1).

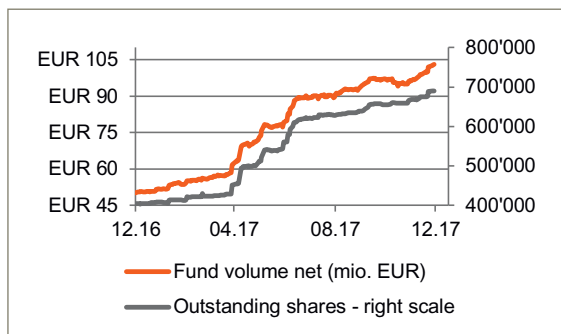


Chart 1: Net fund volume (in million EUR) and number of shares (Source: AMG)

The portfolio’s potential, which was expected to emerge at the beginning of the year, gradually materialised throughout the first six months of 2017. In further good news, the fund maintained its level in the weaker market environment of the third quarter and the fund portfolio was generally impervious to the stock market

setback. This was a result of our rather prudent positioning which once again allowed the AMG Europe to show its defensive qualities, especially during market setbacks.

Over the whole year, the AMG Europe generated a performance of 20.3% (Chart 2) while the benchmark index rose by 7.5%, resulting in an outperformance of 12.8%. As indicated by the monthly returns, this outperformance was generated both in rising and in declining markets (Chart 3).

At +57.8%, the returns of the AMG Europe since its launch in April 2007 (Chart 4) exceed the benchmark index, the STOXX600 (+3.8%).

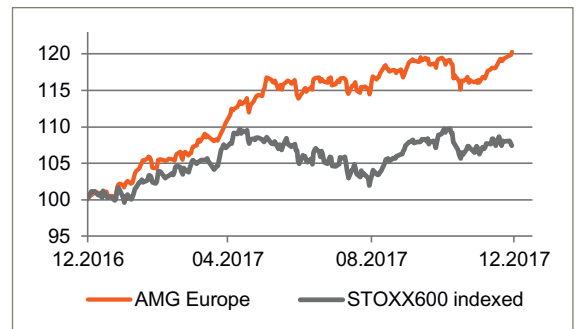


Chart 2: Performance 2017 AMG Europe vs. STOXX600 (Source: AMG, Bloomberg)

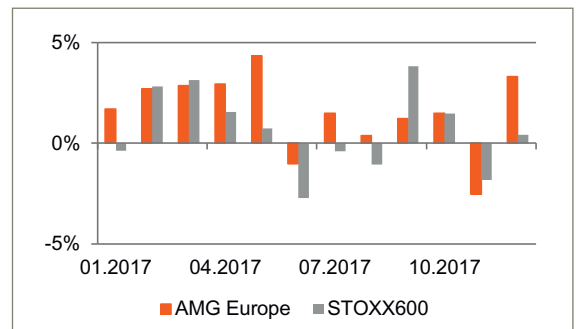


Chart 3: 2017 fund performance by month (Source: AMG, Bloomberg)

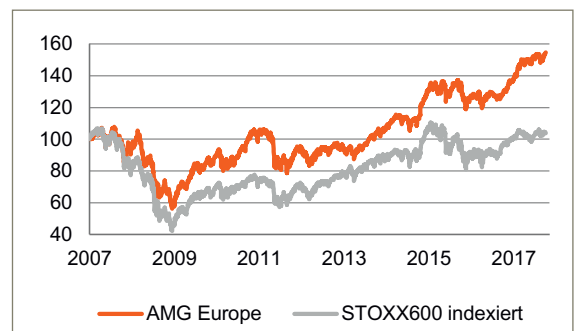


Chart 4: Performance since launch (Source: AMG, Bloomberg)

Report of the Investment Manager

Outlook

At the beginning of 2018, the European financial markets find themselves in an environment of consistently low interest rates in Europe combined with further extensive bond repurchases by the ECB. By contrast, the FED is expected to gradually raise interest rates in the USA. While at the beginning of 2017, the economic trend was particularly strong in the USA, over the course of the year, growth also became increasingly robust in Europe. At the end of the year, the economic engine was running at full throttle at the global level. Signs are good that the dynamic trend will continue in the coming year.

The economic upswing is likely to carry on next year. Given the anticipated moderate inflation impulses in the USA, the FED will speed up the normalisation of its monetary policy. The ECB has also started to prepare its exit from the current ultra-expansive monetary policy. The bond purchase programme will continue in reduced form (EUR 30bn instead of EUR 60bn per month as of 2018) at least until the autumn of 2018. However, given the upward trend of the EUR, economic momentum in Europe is likely to slow down slightly.

Against the background of a consistently robust economic trend, companies should be able to continue generating solid profits. Nevertheless, it cannot be denied that the stock market valuations have advanced and price potentials will be somewhat smaller in the coming year, not least because the tail wind created by expansive monetary policies is likely to decline. Setbacks are possible; however, we do not expect a major correction unless there is a fundamental slowdown of the economic environment. With no fundamental signs of a downturn on the horizon, our outlook for the stock markets remains confident.

In 2018, the AMG Europe will continue to adhere to its investment approach, focussing on companies with solid finances and strong management and exploiting respective opportunities.

We would like to take this opportunity to thank our investors for the trust they are placing in us and wish you a successful 2018.

Your AMG Fondsverwaltung AG

Statement of Assets

	31. 12. 2017 EUR	31. 12. 2016 EUR	
Bank Balances	12 266 365	1 044 194	
Debtors	21 338	42 690	
Securities			
Equities	88 685 123	49 767 431	
Derivatives	-618 354	164 365	
Total Fund Assets	100 354 472	51 018 680	
Bank liabilities	-310 477	-935 648	
Liabilities	-32 283	-12 042	
Net Fund Assets	100 011 712	50 070 991	
Outstanding units	units	units	
Number of units outstanding at the beginning of the reporting period (Class A)	291 253	270 239	
New Issued Units	154 968	91 913	
Redeemed Units	-23 402	-70 899	
Number of units outstanding at the end of the reporting period	422 819	291 253	
Number of units outstanding at the beginning of the reporting period (Class B)	18 020	18 875	
New Issued Units	32 116	11 640	
Redeemed Units	-4 703	-12 495	
Number of units outstanding at the end of the reporting period	45 433	18 020	
Number of units outstanding at the beginning of the reporting period (Class C)	94 783	100 155	
New Issued Units	161 214	25 977	
Redeemed Units	-33 867	-31 349	
Number of units outstanding at the end of the reporting period	222 130	94 783	
Net asset value per unit	Class A EUR in EUR	Class B EUR in EUR	Class C CHF hedged in CHF
31. 12. 2017	149.35	144.07	159.73
Change in net assets	EUR		
Net fund assets at the beginning of the reporting period	50 070 991		
Distribution	-		
Balance from unit trade	38 610 024		
Total result of the financial year	11 330 697		
Net fund assets at the end of the reporting period	100 011 712		

Statement of Income

	1.1. – 31.12.2017 EUR	1.1. – 31.12.2016 EUR
Income bank deposits	19	–
Income on shares (dividends)	753 624	702 381
Equalisation income on subscriptions	9 669	11 027
Total income	763 312	713 408
less:		
Bank charges and debit interest	232	425
Auditor fees	10 153	11 978
Management fees (A: 1.16% / B: 1.67% ¹ / C: 1.16%)	884 025	605 523
Custodian fees (0.10%)	76 594	50 637
Other expenses	23 328	19 100
Partial transfer of expenses to realized capital gains and losses ²	-10 367	-5 144
Equalisation income on redemptions	62	26 058
Total expenses	984 027	708 577
Net income	-220 715	4 830
Realized capital gains and losses	1 008 550	-262 384
Partial transfer of expenses to realized capital gains and losses ²	-10 367	-5 144
Total realized capital gains and losses	998 183	-267 528
Net realized gain	777 468	-262 697
Unrealized capital gains and losses	10 553 229	-1 794 779
Total result	11 330 697	-2 057 476

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 95 602

	Class A EUR	Class B EUR	Class C CHF hedged
Allocation of income			
Net income 2016	-138 173	-45 038	-43 256
Income brought forward	56 750	1 374	5 215
Income available for distribution	56 750	1 374	5 215
Balance to be brought forward	56 750	1 374	5 215
Balance to be brought forward (Accumulated capital gains/losses)	138 173	45 038	43 256
Distribution per unit	–	–	–
Withholding tax 35%	–	–	–

1) Sales commission class B 2016: EUR 6 147; 2017: EUR 4 458

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

Statement of investments as of December 31, 2017

Description	Currency	Balance at (in 1000 resp. piece) 31. 12. 2017	Purchases	Sales	Price at 31. 12. 2017	Valuation EUR	as % of total assets
Securities							
Equities (traded on an exchange)						88 685 123	88.37
BKW NA	CHF	41 632	9 200		57.950	2 061 677	2.05
Cassiopea	CHF	36 805	10 000		34.800	1 094 526	1.09
COSMO Pharmaceuticals NA	CHF	38 150	22 400		146.400	4 772 825	4.76
Komax NA	CHF	3 890		1 000	319.500	1 062 088	1.06
Novo Nordisk -B-	DKK	78 500	29 500		334.500	3 527 012	3.51
Agrana	EUR	5 974	5 974		103.500	618 309	0.62
Aurubis AG	EUR	58 350	15 100		77.580	4 526 793	4.51
Bechtle	EUR	26 760	20 430	2 500	69.520	1 860 355	1.85
CEWE Stift	EUR	36 721	36 721		88.050	3 233 284	3.22
Do	EUR	50 000	25 735		47.220	2 361 000	2.35
Eckert & Ziegler	EUR	11 808	11 808		35.800	422 726	0.42
Ferratum	EUR	75 590	11 000		30.485	2 304 361	2.30
freenet	EUR	75 000	25 500		30.820	2 311 500	2.30
Fresenius SE	EUR	76 000	41 200		65.070	4 945 320	4.93
Henkel -Stimmrechtslos-	EUR	28 150	12 600		110.350	3 106 353	3.10
HORNBACH	EUR	9 539	1 039		74.020	706 077	0.70
Hornbach-Baumarkt	EUR	49 222	13 322		30.935	1 522 683	1.52
Jungheinrich Vz	EUR	93 344	30 600	5 000	39.345	3 672 620	3.66
Koenig & Bauer	EUR	48 600	48 600		62.830	3 053 538	3.04
KSB VZ	EUR	9 913	1 900		508.000	5 035 804	5.02
KWS Saat AG	EUR	5 494	1 190		334.000	1 834 996	1.83
Luxottica Group	EUR	50 800	50 800		51.150	2 598 420	2.59
Mayr-Melnhof Karton	EUR	26 506	1 506		122.700	3 252 286	3.24
Palfinger	EUR	53 459	13 000		34.045	1 820 012	1.81
Paul Hartmann NA	EUR	6 427	2 097		414.999	2 667 199	2.66
RIB Software	EUR	54 537		50 317	24.820	1 353 608	1.35
Rosenbauer	EUR	56 250	10 096		52.590	2 958 188	2.95
SAF Holland	EUR	120 860	120 860		17.935	2 167 624	2.16
Sixt Leasing	EUR	116 629	90 134	19 803	19.000	2 215 951	2.21
SURTECO	EUR	91 462	28 012		26.900	2 460 328	2.45
Viscofan	EUR	35 862	14 362		55.010	1 972 769	1.97
VTG	EUR	118 473	28 373		47.760	5 658 270	5.64
Wirecard AG	EUR	30 500	8 000	5 000	93.070	2 838 635	2.83
Bakkafrost	NOK	56 000	56 000		347.700	1 978 720	1.97
BioTelemetry	USD	28 449	28 449		29.900	709 268	0.71
Total securities						88 685 123	88.37
Total derivatives (as per separate list)						-618 354	-0.62
Cash and other assets						12 287 703	12.24
Total fund assets						100 354 472	100.00
Bank liabilities						-310 477	-0.31
Liabilities						-32 283	-0.03
Total net assets						100 011 712	

Divergences in the totals may be attributed to rounding differences.

Statement of investments as of December 31, 2017

Exchange rates:

CHF 1.0000 = EUR 0.85455	DKK 100 = EUR 13.432
GBP 1.0000 = EUR 1.127103	NOK 100 = EUR 10.1623
USD 1.0000 = EUR 0.83382	SEK 100 = EUR 10.1587

Breakdown

Equities by country (net)	Valuation in EUR	as % of total assets
Denmark	3 527 012	3.51
Germany	53 426 039	53.24
Faroe	1 978 720	1.97
Finland	2 304 361	2.30
Italy	3 692 946	3.68
Luxembourg	2 167 624	2.16
Netherlands	4 772 825	4.76
Austria	11 009 794	10.97
Switzerland	3 123 765	3.11
Spain	1 972 769	1.97
United States	709 268	0.71
Total	88 685 123	88.37

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	88 685 123	88 685 123	-	-
Bonds	-	-	-	-
Investments in other collective investment schemes	-	-	-	-
Derivatives	-618 354	-	-618 354	-
Futures ¹	0.00	0.00	-	-
Total	88 066 769	88 685 123	-618 354	-

1) 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
Securities			
Equities			
CHF	LifeWatch 4. Linie	175 937	175 937
CHF	LifeWatch 5. Linie	175 937	175 937
CHF	LifeWatch NA		175 937
CHF	Swiss Life NA		3 429
EUR	AT & S Austria Technologie		5 162
EUR	BayWa vink. NA		30 304
EUR	Jenoptik	3 000	137 200
EUR	KSB	75	75
EUR	SAP	3 400	19 110
Derivatives			
Contracts:			
EUR	FUTURE DAX (Deutscher Aktienindex) 03.17		26
EUR	FUTURE DAX 06.17	16	16
EUR	Future DAX 15.12.2017	16	16
EUR	Future DAX 18.09.2017	15	15
EUR	Future MDAX 15.12.2017	22	22
EUR	Future MDAX 18.09.2017	18	18

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	9 721 125	9.72
net	–	0.00

Futures

Number	Title
-25	MDAX Future März 2018
-20	DAX Future März 2018

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	34 051 271	95.97
net	–	0.00

Forward exchange transactions (Safeguarding Class CHF hedged)

Currency	Expiry	Amount of foreign currency	Equivalent value purchase CHF	Value at 31. 12. 2017 CHF	Income CHF	Income EUR
EUR/CHF	18.4.2018	-29 131 403	33 327 673	-34 051 271	-723 598	-618 354
Result on forward exchange contracts						-618 354

Identity of contract partners in OTC transactions:

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

Supplementary information to the annual report as of December 31, 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 December 31, 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.

4. Information about Affairs of Special Economic or Legal Importance

The respective publication was made on November 8, 2017. The full text of the publication is available in German at the Fund Management Company.

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 ODDO BHF 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.

Short form report of the audit company for collective investment schemes on the financial statements

As audit company for collective investment schemes, we have audited the accompanying financial statements of the investment fund AMG EUROPE, which comprise the statement of net assets and the income statement, the statement on the appropriation of available earnings and the disclosure of the total costs as well as the supplemental disclosures in accordance with art. 89 para. 1 lit. b – h of the Swiss Collective Investment Schemes Act (pages 3 and 6 to 13 of the annual report), for the year ended December 31, 2017.

Responsibility of the Fund Management Company's Board of Directors

The Board of Directors of the Fund Management Company is responsible for the preparation of the financial statements in accordance with the requirements of the Swiss Collective Investment Schemes Act, the related ordinances as well as the investment fund agreement and the prospectus. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors of the Fund Management Company is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Responsibility of the audit company for collective investment schemes

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe

that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2017 comply with the Swiss Collective Investment Schemes Act, the related ordinances as well as the investment fund agreement and the prospectus.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and art. 127 CISA as well as on independence (art. 11 AOA) and that there are no circumstances incompatible with our independence.

PricewaterhouseCoopers AG

Daniel Pajer,
Audit Expert, Auditor in charge

Andreas Scheibli,
Audit Expert

Zurich, January 19, 2018