

AMG Europe

Report as of October 31, 2018

Review October

Following this summer's up and down, the European stock markets went on a nosedive in October. Since late September, a full fifty per cent of all Chinese imports into the USA, i.e. goods worth USD 250bn, have been subject to punitive tariffs, and further steps had been threatened for early 2019. In response, China has imposed extra tariffs on US imports worth USD 60bn. European companies are also affected by the tariffs and their consequences since a chunk of the Chinese imports of German car manufacturers is produced in the USA. This means further pressure on car manufacturers and their suppliers who are already dealing with delays arising from the new inspection specifications that have been in place since the diesel scandal. The latest price corrections were already foreshadowing initial reductions of profit estimates in various industries in the 3rd quarter reporting season. Some positions in the AMG Europe, such as **Do&Co** or **Mayr Melnhof**, managed to withstand the downward spiral thanks to new orders and a margin-boosting acquisition, respectively, while suppliers in the automotive industry, for instance **Voestalpine** or **Komax**, felt a significant strain. All in all, the fund dropped by 5.8%, while the benchmark index lost 5.6%. We are retaining our prudent positioning. The hedge is in place to absorb market spikes and our current cash position allows us to use excessive price setbacks for selective purchases.

The utility vehicle supplier **SAF Holland** is expecting substantially higher growth this year and has raised its projected turnover growth rate from 5-7% to 9-10%. However, higher steel prices and other factors are placing a strain on the result in the USA. Calculated on an adjusted EBIT basis, the operating margin is likely to settle at the lower end of the 7-8 % range. In 3rd quarter, 15% of the 22.9% turnover growth was achieved on an organic basis. The operating result, which increased by close to 30% to EUR 27.1mn, exceeded market expectations. The share price movement was nevertheless dominated by anxiety regarding the future effects of the US-China trade dispute. We realised profits from our sale of the position in the wagon hire company **VTG**. The Italian spectacle manufacturer **Luxottica** moved into the limelight, with the merger of Luxottica and Essilor creating the world's biggest manufacturer of corrective glasses which will sell frames and lenses via a combined retail network. The associated synergy potential promises disproportionate profit growth in the coming years. Having reached its original annual forecast at the end of the first 9 months of the year, **Eckert & Ziegler**, a company specialising in the production and disposal of radioactive material for medical applications, has raised its profit guidance for the full year 2018 from EUR 2.50 to EUR 2.80. Since the new guidance implies a net profit of EUR 1.6mn in Q4 2018, compared to EUR 2-3mn in Q4 2017 and 2016, even the higher targets should be well within the company's reach.

Facts

Domicile of Fund:	Switzerland
Fund Management Company:	LLB 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 31.12.2017:	1.31% Tranche A; 1.83% Tranche B 1.33% Tranche C / CHF hedged
Tax transparency:	Switzerland, Austria
Tax Status Germany:	Equity Fund within the meaning of the German investment tax Law (InvStG) with partial release
Licensed for public distribution:	Switzerland, Germany

Breakdown by Currencies

EUR	83.8%	CHF	10.3%
GBP	0.0%	USD	0.0%
NOK	2.3%	DKK	3.6%

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 134.19
Number of Shares Issued:	431'129
Net Asset Value per Share (Tranche B):	EUR 128.89
Number of Shares Issued:	56'191
Net Asset Value per Share (Tranche C, CHF hedged):	CHF 143.20
Number of Shares Issued:	243'351
Total Net Asset Value:	EUR 94.6mn

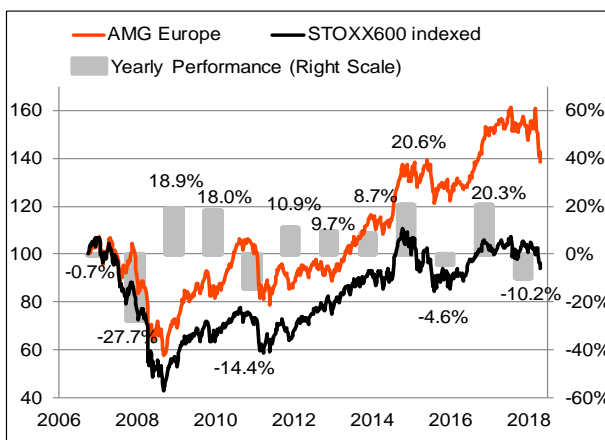
Performance - Tranche A

since inception 01.04.2007 (Distributions included)

	1 Mt	3 Mt	12 Mt	3 Years*	5 Years*	since inception
Fund	-5.8%	-8.7%	-9.5%	1.4%	7.0%	3.1%
Stoxx600	-5.6%	-7.7%	-8.2%	-1.3%	2.3%	-0.3%

*p.a.

	2018	2017	2016	2015	2014	since inception
Fund	-10.2%	20.3%	-4.6%	20.6%	8.7%	41.8%
Stoxx600	-7.1%	7.7%	-1.2%	6.8%	4.4%	-3.4%



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

Risk Ratios (rolling over the last 3 Years)

Volatility (p.a.):	9.8%
Sharpe Ratio (-0.31% Risk Free Rate)	0.07
Beta (vs. Stoxx600)	0.58

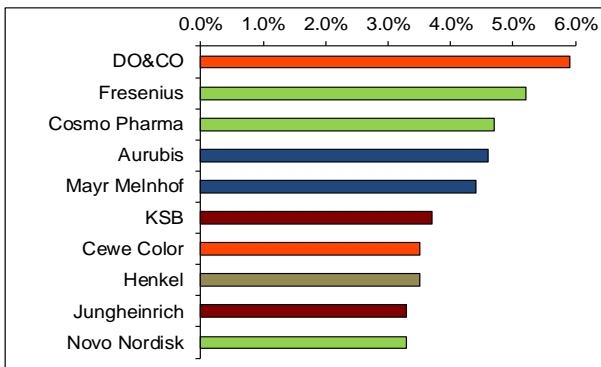
Breakdown by Sectors

Industrials	20.2%
Consumer Disc.	13.8%
Consumer Staples	6.6%
Financials	5.7%
Communication	2.7%
Health Care	17.8%
Energy	0.0%
Basic Materials	15.6%
Technology	2.0%
Utilities	2.6%
Cash	13.0%

Exposure

Long Positions:	87.0%
Hedge Positions:	13.9%
Net Position:	73.1%
Absolute Position:	100.9%

Largest Positions



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