

AMG Europe

Report as of December 31, 2018

Review December

The alleged settlement in the trade dispute between the USA and China triggered a relief rally at the beginning of the month. However, Trump's statements regarding the settlement with China proved contradictory to those of China, with a sharp downward movement in the stock markets following. The postponement of the vote of the British parliament on the Brexit agreement and ongoing street protests against the French government further unsettled the financial markets, as did the arrest of a top manager of the Chinese technology group Huawei in Canada. In terms of monetary policy, the European Central Bank announced a somewhat more restrictive course, in which the bond purchases made since 2015 as part of its crisis policy will be stopped at the end of 2018. The European stock market fell by 5.6% in December, the AMG Europe Fund closed the month 8.7% lower, Fresenius SE and Cosmo Pharmaceuticals fell significantly from the health segment, but solid industrial stocks such as Palfinger and Jungheinrich were also paid down by more than 20% each in a dried out market.

Fresenius SE published its earnings forecast for the current and next year, when earnings are expected to be flat compared to the previous year. The lower profit forecast is mainly based on lower margins for the hospital operator Helios in Germany. Since the beginning of October 2018, the share of the solid health value has recorded a price decline of approx. 40%. Even taking into account a weaker development for Fresenius Medical Care, this decline is exaggerated as it is more than the calculated value of the Helios division. The growth forecasts for 2019, which may still be more moderate for Kabi's liquid generics division, are for the most part based on a development in 2018 that exceeds expectations, which is positive per se. Uncertainty in connection with Akorn has also been resolved, eliminating a burden that has existed for weeks. Based on the currently very low valuation (P/E 2019e 11.7x), there is a significant potential of recovery for the stock. We have newly built up a position in **Bakkafrost**. The company, which concentrates on organic salmon production in the Faroe Islands, should benefit from a stronger harvest and higher salmon prices in the fourth quarter. The annual outlook for the fourth quarter implied a harvest growth of 19%, the salmon price is approx. 5% higher than in the previous year. After a somewhat weaker harvest in the third quarter, Bakkafrost's share price had corrected significantly. We have used the price decline for a new entry, in the meantime the company has raised its guidance for the annual result 2018. At the beginning of December, we also added global power producer **Enel** to our portfolio and at the same time reduced **Henkel**, where the agreement with Walmart in the United States is still pending. As part of the introduction of the German car toll for non-German drivers, the toll collection contract was awarded to a consortium in which Austrian **Kapsch** holds a 50% stake. Over a period of twelve years, a contract volume of EUR 2 billion will be awarded to the consortium. For Kapsch, this results in an annual net profit growth of EUR 7-8 million, or 20%, which prompted us to make a purchase.

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	82.3%	CHF	10.5%
GBP	0.0%	USD	0.0%
NOK	2.7%	DKK	4.5%

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 121.62
Number of Shares Issued:	386'019
Net Asset Value per Share (Tranche B):	EUR 116.71
Number of Shares Issued:	55'541
Net Asset Value per Share (Tranche C, CHF hedged):	CHF 130.02
Number of Shares Issued:	218'728
Total Net Asset Value:	EUR 78.7mn

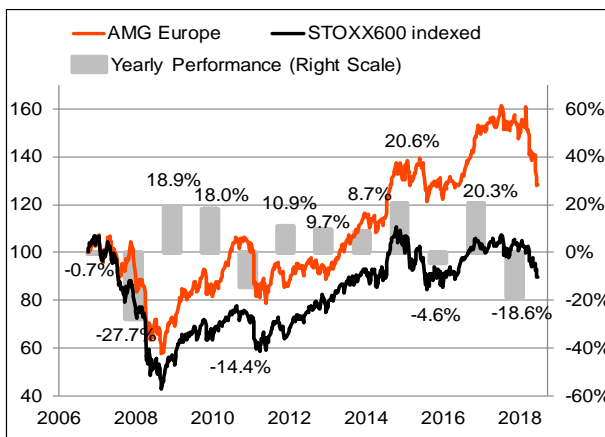
Performance - Tranche A

since inception 01.04.2007 (Distributions included)

	1 Mt	3 Mt	12 Mt	3 Years*	5 Years*	since inception
Fund	-8.7%	-14.6%	-18.6%	-2.2%	4.2%	2.2%
Stoxx600	-5.6%	-11.9%	-13.2%	-2.6%	0.6%	-0.9%

*p.a.

	2018	2017	2016	2015	2014	since inception
Fund	-18.6%	20.3%	-4.6%	20.6%	8.7%	28.5%
Stoxx600	-13.2%	7.7%	-1.2%	6.8%	4.4%	-9.8%



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

Risk Ratios (rolling over the last 3 Years)

Volatility (p.a.):	10.2%
Sharpe Ratio (-0.31% Risk Free Rate)	n/a
Beta (vs. Stoxx600)	0.62

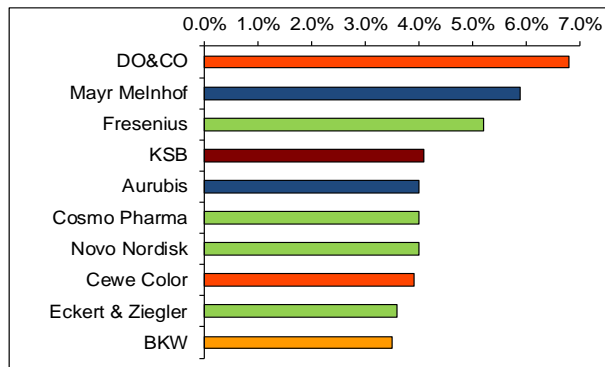
Breakdown by Sectors

Industrials	
Consumer Disc.	12.2%
Consumer Staples	4.8%
Financials	5.4%
Communication	2.7%
Health Care	21.5%
Energy	0.0%
Basic Materials	16.9%
Technology	2.3%
Utilities	6.1%
Cash	8.8%

Exposure

Long Positions:	91.2%
Hedge Positions:	18.5%
Net Position:	72.7%
Absolute Position:	109.7%

Largest Positions



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