Investment Essentials

Informed Investors Make Stronger Decisions

INVESTMENT ESSENTIALS

AMG Funds

Be a Better Investor

At AMG Funds, we believe that informed investors make stronger decisions. Knowing more leads to a deeper understanding of how you can reach your financial goals.

We have designed our Investment Essentials program to give you the basics on how to invest and what to think about. Equipped with this knowledge, you can have better conversations with your financial advisor and, potentially, find better solutions to your investment needs.

Essential Concepts, Organized for Your Convenience

For your convenience, we organized many topics into broad categories that capture the essential concepts of investing. These categories include:

- managing your portfolio
- investment math
- investing for retirement
- investing for income
- traditional stock selection strategies
- the psychology of investing

Managing Your Portfolio

How you choose and manage your investments is crucial. A well-constructed, flexible portfolio balances the amount of risk you are willing to take with the return you would like to achieve—and is built to last.

You will learn about the foundations of a solid portfolio: diversification, asset allocation, rebalancing, the merits of active and passive strategies, and positioning for the long term vs. the short term. You will also understand how taxes can shape your portfolio's composition and results.

Practical Math for Investing

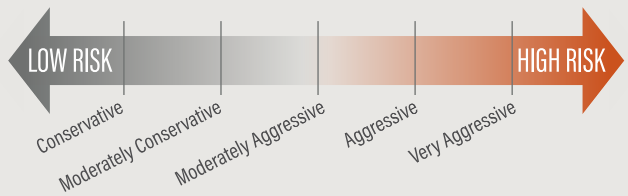
Legendary investor Warren Buffett has said that, "My wealth has come from a combination of living in America, some lucky genes, and compound interest."[1] We explain the common-sense math behind compounding as well as dollar-cost averaging, measuring portfolio risk and bond yields.

Retirement Investing

Whether you are starting your first job or you are well into your career, you need to invest for the retirement lifestyle you want. While the idea is straightforward, its execution is complicated—and there are many things you should know to make a plan that works for you.

Our Retirement Readiness series not only walks you through the key concepts of retirement investing and the factors that most affect it, but also offers real-world steps to turn your plan into reality.

A well-constructed portfolio balances risk and return



Source: Investopedia
[1] Source: Wikiquote

Income Investing

When people think about investing, they tend to focus on assets whose value can appreciate over time; but many investors—notably retirees and people seeking additional income—want assets that will generate a steady revenue stream.

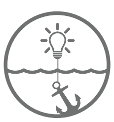
We identify and describe the usual suspects of income investing, which are bonds and dividend-paying common stocks, as well as some with features that require more explanation such as preferred stocks, real estate investment trusts and master limited partnerships.

Equity Strategies

There are several traditional, time-tested strategies for choosing stocks. The most familiar are "growth" and "value," and there are blends of growth and value stocks known as "growth at a reasonable price." Learn what they mean, how they work and whether they make sense for your investment portfolio.

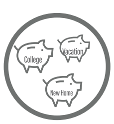
Investor Psychology

The psychology of investing has become a very hot topic in recent years, and for good reason: Our emotions directly affect our investment decisions. We explain what this important area of study, known as behavioral finance, is all about, and discuss the behaviors that most commonly help and hurt us when making investment choices.



Anchoring

The concept of anchoring draws upon the tendency for us to attach or "anchor" our thoughts around a reference point despite the fact that it may not have any logical relevance to the decision at hand.

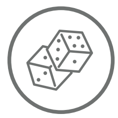


Mental Accounting

Mental accounting refers to the tendency for people to divide their money into different accounts based on criteria like the source and intent for the money. Furthermore, the importance of the funds in each account also varies on these factors.

Confirmation and Hindsight Biases

Seeing is not necessarily believing as we also have confirmation and hindsight biases. Confirmation bias refers to how people tend to be more attentive to new information that confirms their own preconceived opinions about a subject. The hindsight bias represents how people believe after the fact, the occurrence of an event was completely obvious.



Gambler's Fallacy

The gambler's fallacy refers to an incorrect interpretation of statistics where someone believes that the occurrence of a random independent event would somehow make another random independent event less likely to happen.

Herd Behavior

Herd behavior represents the preference for individuals to mimic the behaviors or actions of a larger sized group.

Overconfidence

Overconfidence represents the tendency for an investor to overestimate his or her ability in performing some action/task.

Overreaction and Availablity Bias

Overreaction occurs when one reacts to a piece of news in a way that is greater than the actual impact of the news.

Prospect Theory

Prospect theory refers to an idea created by Drs. Kahneman and Tversky, which essentially determined that people do not associate equal levels of joy and pain with the same effect. The average individuals tend to be more loss sensitive (in the sense that they will feel more pain experiencing a loss compared to the amount of joy felt from receiving an equal amount of gain).

Contact your financial advisor to learn more about INVESTMENT ESSENTIALS or please visit amgfunds.com/essentials for more information.

About AMG Funds

The largest network of institutional quality boutique investment solutions through a single point of access

Unrivaled access to insights of over 30 independent and autonomous investment managers

More than 100 actively managed products covering the risk spectrum for investors searching beyond the index

AMG Funds does not provide legal or tax advice. Always consult an attorney or tax professional regarding your specific financial or tax situation.

Investing involves risk, including possible loss of principal.

Diversification does not guarantee a profit or protect against a loss in declining markets.

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