

Class N | MBGVX

Class I | MBDFX

Class Z | MBDLX



Average Annual Returns (%)¹ (as of 09/30/20)

	Q3	YTD	1 yr	3 yr	5 yr	10 yr	Since Incpt.
MBGVX (Class N)	0.81	5.95	6.13	4.64	3.80	—	3.34 ²
MBDFX (Class I)	0.89	6.30	6.57	5.02	4.14	3.55	5.89 ³
MBDLX (Class Z)	0.91	6.37	6.66	5.07	4.22	—	3.76 ²
Bloomberg Barclays U.S. Aggregate Bond Index	0.62	6.79	6.98	5.24	4.18	3.64	5.37 ³

MBGVX (Class N) Expense Ratio (Gross/Net)⁴: 0.95%/0.88%

MBDFX (Class I) Expense Ratio (Gross/Net)⁴: 0.62%/0.55%

MBDLX (Class Z) Expense Ratio (Gross/Net)⁴: 0.55%/0.48%

The performance data shown represents past performance. Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. The investment return and the principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. For performance information through the most recent month end, please call 800.835.3879 or visit our website at amgfunds.com. From time to time the advisor has waived fees or reimbursed expenses, which may have resulted in higher returns.

The **AMG GW&K Core Bond ESG Fund** (Class N) returned 0.81% in the third quarter of 2020, compared with a return of 0.62% for its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index. For the 12 months ended September 30, 2020, the Fund returned 6.13%, versus 6.98% for the benchmark. Please note that this Fund has multiple share classes.

Market

Fixed income markets were remarkably subdued in the third quarter, trading in an extremely narrow range despite major economic advances and significant developments epidemiologically and politically. For much of the period, this calm

was striking for its apparent insensitivity to the steady progress of the U.S. recovery. The consumer continued to display astonishing resilience, the housing sector soared, and the labor market made major strides in its path back to normalcy. Encouraging results in the hunt for a COVID-19 vaccine and improved outcomes for those infected also seemed to have little impact. Toward the end of the quarter, this muted trading was all the more notable, considering the looming uncertainty investors face heading into year end. Signs have already begun to emerge that the second wave of the coronavirus is forming; negotiators appear to be far apart in their efforts to agree on a second round of stimulus; and there is increasing concern that a protracted vote count could result in a weeks-long delay in determining the outcome of the election. Yet the bond market exited the quarter essentially where it started. Of course, the cause of this apparent tranquility is no mystery: the U.S. Federal Reserve (the Fed) remains absolutely dominant across all corners of the fixed income market. And as its influence continues to overwhelm fundamentals and distort pricing mechanisms, it has become increasingly challenging and all the more important for investors to be discerning in their yield curve positioning and sector allocation.

Treasuries did little more than earn their coupons, and at current levels that meant fairly lackluster returns. Yields across the curve were essentially static, with the front end grinding a few basis points lower and maturities farther out a couple basis points higher. The short end is effectively flat for the next several years, reflecting the market's expectation that the Fed will be on hold through at least late 2023. Farther out, the shape of the curve is more typical of an economic expansion and is sitting at the steeper end of a multi-year range. The long end has been under pressure not only in anticipation of elevated supply to fund stimulus, but also on the possibility that the Fed will eventually achieve its inflation target. In fact, the one standout performer in the Treasury market was TIPS (Treasury Inflation-Protected Securities), which rallied as breakeven expectations continued to normalize following their first quarter collapse. Real rates remain pinned near -1%, near post-World War lows. Mortgage-backed securities performed in line with Treasuries, as prepayment speeds stabilized and the Fed remained an active participant in the market, purchasing 40% of supply.

After a fierce rebound in the second quarter, credit momentum stalled in the third. Spreads ended only slightly tighter and were remarkably stable throughout, even as stocks rallied to a record high, tested correction territory,

¹ Returns for periods less than one year are not annualized.

² Since the inception of the Class N and Z shares on May 8, 2015.

³ Since the inception of the Class I shares on April 30, 1993.

⁴ The Fund's Investment Manager has contractually agreed, through March 1, 2021, to limit fund operating expenses. The net expense ratio reflects this limitation, while the gross expense ratio does not. Please refer to the Fund's Prospectus for additional information on the Fund's expenses.



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and then rallied again. On the positive side, corporates cheered the broad economic rebound, unexpectedly solid second quarter earnings, and upbeat management commentary—to say nothing of a steady flow of capital into the asset class. But offsetting these bright spots were an onslaught of new issuance from companies taking advantage of record-low yields and worries of potential dislocations heading into year end. Ultimately, as with the Treasury market, any potential flare-ups of volatility were smothered by the presence of the Fed and price action was consequently muted. The default rate has continued to decline in recent months, but the pipeline of potential candidates is significant and remains an overhang. Though these distressed names are largely concentrated in sectors most exposed to COVID-19 and do not suggest systemic risks, a meaningful uptick could nevertheless weigh on sentiment.

Performance

The Fund outperformed the benchmark during the quarter, primarily due to an overweight to spread product. Security selection within MBS was a positive contributor due to our preference for conventional and specified pools. Somewhat offsetting this benefit was security selection within the investment grade corporate space, where our preference for higher quality credit was a modest headwind. Our yield curve positioning had minimal impact during the quarter.

Outlook

The desultory tone of the rates market highlights the extent to which the Treasury sector has become a policy tool rather than a useful means of price discovery—particularly at the front end, where the effects of the Fed's intervention are most apparent. The signal farther out is a little clearer and there is some evidence that inflation concerns have begun to influence trading at the long end, but the overall level and shape of the curve nevertheless reflect broad-based skepticism around the 2% target. In light of this tension between an economy with significant excess slack and the Fed's stated goal, we are neutral duration in the Fund. But we are expressing this view by underweighting the long end in favor of intermediate maturities. The belly of the curve not only offers relatively attractive carry and roll, it is also less susceptible to an uptick in inflation in the event the Fed is successful sooner than expected.

Considering neither rates nor spreads have moved appreciably in recent months and the recovery continues to unfold, we remain constructive on credit relative to Treasuries. The duration of the Treasury market reached yet another record

length while its yield continues to sit near a record low. We believe this combination remains an unattractive value proposition and consequently have minimal exposure to the sector. Credit, meanwhile, is well positioned to benefit from both constructive fundamentals and Fed largesse, while spreads continue to sit well wide of recent lows. We remain overweight credit, given its superior carry, potential for spread compression, and insulation against rising rates. Within the space, we continue to find high-quality franchises in COVID-19-exposed sectors that we expect to survive the slowdown and be in a strong competitive position on the other side. We have also maintained an out-of-benchmark exposure to fixed-to-floating hybrid preferreds, given their attractive yields and conservatively capitalized balance sheets. Our securitized exposure is neutral, in light of heightened prepayment uncertainty, though within the space we prefer higher-coupon, seasoned pools with more attractive convexity profiles.

The views expressed represent the opinions of GW&K Investment Management as of September 30, 2020, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

Top Ten Holdings (%)⁵ (as of 09/30/20)

Holding	Coupon (%)	Maturity	% of Net Assets
United States Treasury Note/Bond Fixed	4.50	Feb 2036	4.43
Freddie Mac Pool SB0097 Fixed	2.50	Oct 2034	2.33
Fannie Mae Pool AL0395 Fixed	4.50	Jun 2041	2.32
Fannie Mae Pool 930921 Fixed	4.50	Apr 2039	2.10
Fannie Mae Pool 930922 Fixed	4.50	Apr 2039	2.08
State Of California Fixed	7.55	Apr 2039	2.06
Oracle Corp Fixed	2.50	Apr 2025	2.04
Freddie Mac Pool RA3194 Fixed	2.50	Aug 2050	2.01
Verizon Communications Inc Fixed	3.88	Feb 2029	1.99
Fannie Mae Pool CA1354 Fixed	3.50	Mar 2048	1.97
TOTAL %			23.33

⁵ Mention of a specific security should not be considered a recommendation to buy or a solicitation to sell that security. Holdings are subject to change.

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Disclosure

Investors should carefully consider the fund's investment objectives, risks, charges, and expenses before investing. For this and other information, please call 800.835.3879 or download a free prospectus. Read it carefully before investing or sending money.

Past performance is no guarantee of future results.

The Fund is subject to the risks associated with investments in debt securities, such as default risk and fluctuations in the perception of the debtor's ability to pay its creditors.

Changing interest rates may adversely affect the value of an investment. An increase in interest rates typically causes the value of bonds and other fixed income securities to fall.

To the extent that the Fund invests in asset-backed or mortgage-backed securities, its exposure to prepayment and extension risks may be greater than investments in other fixed income securities.

Active and frequent trading of a fund may result in higher transaction costs and increased tax liability.

The Fund may invest in derivatives such as options and futures; the complexity and rapidly changing structure of derivatives markets may increase the possibility of market losses.

The Fund is subject to the risks associated with investments in emerging markets, such as erratic earnings patterns, economic and political instability, changing exchange controls, limitations on repatriation of foreign capital, and changes in local governmental attitudes toward private investment, possibly leading to nationalization or confiscation of investor assets.

Investments in international securities are subject to certain risks of overseas investing including currency fluctuations and changes in political and economic conditions, which could result in significant market fluctuations. These risks are magnified in emerging markets.

Market prices of investments held by the Fund may fall rapidly or unpredictably due to a variety of economic or political factors, market conditions, disasters or public health issues, or in response to events that affect particular industries or companies.

Applying the Fund's ESG (environmental, social, and corporate governance) investment criteria may result in the selection or exclusion of securities of certain issuers for reasons other than performance, and the Fund may underperform funds that do not utilize an ESG investment strategy. The application of this strategy may affect the Fund's exposure to certain companies, sectors, regions, countries, or types of investments, which could negatively impact the Fund's performance depending on whether such investments are in or out of favor. Applying ESG criteria to investment decisions is qualitative and subjective by

nature, and there is no guarantee that the criteria utilized by the Subadvisor or any judgment exercised by the Subadvisor will reflect the beliefs or values of any particular investor.

Many bonds have call provisions which allow the debtors to pay them back before maturity. This is especially true with mortgage securities, which can be paid back anytime. Typically debtors prepay their debt when it is to their advantage (when interest rates drop making a new loan at current rates more attractive), and thus likely to the disadvantage of bondholders, who may have to reinvest prepayment proceeds in securities with lower yields. Prepayment risk will vary depending on the provisions of the security and current interest rates relative to the interest rate of the debt.

A basis point refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01% (0.0001), and is used to denote the percentage change in a financial instrument.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Bloomberg Barclays U.S. Corporate High Yield Index is a total-return performance benchmark for fixed income securities having a maximum quality rating of Ba1 (as determined by Moody's Investors Service). Unlike the Fund, the Barclays U.S. Corporate High Yield Index is unmanaged, is not available for investment, and does not incur expenses.

The Bloomberg Barclays U.S. Mortgage-Backed Index includes the mortgage-backed pass-through securities of Ginnie Mae, Fannie Mae, and Freddie Mac.

Bloomberg Barclays U.S. Corporate Bond Index represents the corporate portion of the Barclays U.S. Aggregate index grouping.

Effective August 24, 2016, the Barclays indices were renamed Bloomberg Barclays indices.

Source: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank PLC (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

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Q3 | 2020

AMG GW&K Core Bond ESG Fund

COMMENTARY

ASSET CLASS | FIXED INCOME

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Any sectors, industries, or securities discussed should not be perceived as investment recommendations. Any securities discussed may no longer be held in the Fund's portfolio. It should not be assumed that any of the securities transactions discussed were or will prove to be profitable, or that the investment recommendations we make in the future will be profitable.

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