Q3 | 2020 AMG Managers Loomis Sayles Bond Fund

COMMENTARY | ASSET CLASS | FIXED INCOME

Class N | MGFIX   Class I | MGBIX

LOOMIS SAYLES

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

	Q3	YTD	1 yr	3 yr	5 yr	10 yr	Since Incpt.
MGFIX (Class N)	2.65	3.29	4.79	4.25	4.73	4.58	7.91
MGBIX (Class I)	2.75	3.50	5.05	4.45	4.88	—	3.72
Bloomberg Barclays U.S. Govt./Credit Bond Index	0.78	8.04	8.03	5.86	4.66	3.87	7.27[2]

MGFIX (Class N) Expense Ratio (Gross/Net): 0.72%/0.71%
MGBIX (Class I) Expense Ratio (Gross/Net): 0.51%/0.50%

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 Managers Loomis Sayles Bond Fund** (Class N) returned 2.65% in the third quarter of 2020, compared with the 0.78% return for its benchmark, the Bloomberg Barclays U.S. Government/Credit Bond Index. For the 12 months ending September 30, 2020, the Fund returned 4.79%, compared with 8.03% for the Index.

Market Conditions

The global fixed-income market produced solid gains in the third quarter, continuing its recovery since the turmoil of late March, albeit at a slower pace compared to the second quarter. Investors appeared confident that the U.S. Federal Reserve (the Fed) and other global central banks would keep interest rates low indefinitely in response to the growth slowdown caused by COVID-19. Most notably, the Fed formally adopted a new policy regime known as Flexible Average Inflation Targeting at the recent Jackson Hole conference. Under this new approach, a 2% inflation rate is no longer the Fed's implicit ceiling, but rather now clearly defined as its long-term average target. This shift implies that the Fed could keep interest rates low for an extended period even if inflation begins to tick up above the average inflation target. Together, these factors helped U.S. Treasurys hold on to their gains from the first half of the year. The credit-sensitive segments of the market also performed well, as the combination of improving economic data and apparent progress toward a coronavirus vaccine helped support investors' appetite for risk. However, the markets remained on edge as the quarter drew to a close due to uncertainties surrounding the U.S. elections, the continued spread of COVID-19, and the expected magnitude of the economic recovery in 2021.

Investment-grade corporates performed well thanks to the combination of a benign rate environment and a persistent demand for yield. In addition, investors appeared confident that the Fed would continue to backstop the corporate bond market through direct purchases if necessary.

High yield bonds outpaced investment-grade corporates in the quarter, as the generally favorable investment backdrop encouraged investors to take on higher risk in search of more attractive yields. Oil prices recovered from their April lows, which proved to be supportive for the many distressed energy issuers in the category.

Emerging market debt was one of the stronger performing major fixed-income categories in the quarter, partially due to weakness in the U.S. dollar. The category's outperformance occurred despite rising economic uncertainty in Brazil and a sharp decline in the Turkish lira. The strength in emerging market bonds in the face of these potential headwinds helps illustrate the extent of investors' thirst for yield.

Performance Review

The Fund's outperformance was driven primarily by bottom-up security selection and sector allocation. Investment grade credit, high yield credit, and non-U.S. dollar sectors were the top contributors. The Fund's investment grade credit allocation positively contributed to performance through strong security selection. Holdings in basic industry and transportation sectors were notable contributors. An overweight allocation and strong security selection within in the basic industry and consumer cyclical sectors of the high yield credit market were also a positive. The exposure to non-U.S. dollar denominated issues in Mexican

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

[2] Since the inception of the Fund's Class N shares on June 1, 1984.

peso, Canadian dollar, and Australian dollar were notable contributors. An underweight to emerging market credit detracted from returns.

Outlook

While economic and financial market conditions have continued to show encouraging signs of improvement, the outlook remains uncertain. The Federal Reserve has provided forward guidance that helps ensure that monetary policy can remain accommodative for the foreseeable future, which appears to be boosting business and consumer confidence and keeping investor risk appetite strong going into the final quarter of the year. We also believe it is still possible for a limited agreement to be reached that extends the fiscal stimulus package and provides further support to the economy, though ongoing debate by lawmakers on the size and scale of the package has been causing increased anxiety among investors as we get closer to the election. We continue to assess the immediate and longer-term impacts of the pandemic on the economy, but currently expect a slow and uneven pace of recovery.

The global economy has been showing signs of improvement, with stronger levels of manufacturing and services purchasing manager data quarter to date. This trend could continue should our forecasts be accurate for profit growth, gains in employment, and a better-managed second wave of the virus. We do believe that the economy can normalize with a successful distribution of a vaccine early next year, though a full recovery in GDP growth is not expected in the near term.

We increased our credit exposure during the dislocation in the credit markets earlier this year. We have maintained our allocation to credit with the view that we have entered the repair phase of the credit cycle, exiting the downturn/recessionary phase. This phase of the cycle is typically characterized by balance sheet improvement, better liquidity conditions, and tightening spread levels. We believe this phase could potentially provide attractive returns for fixed income investors.

Valuations in the corporate bond sectors have been less compelling following the strong credit rally that has unfolded since the end of March. However, we believe the low global interest rate environment will likely continue to drive the search for yield and help provide a positive technical backdrop for both investment grade and high yield corporate debt. Also, we have been active and selective in new issues throughout the year, and will continue to look for opportunities in the primary market. The effects of the pandemic have created a need for many companies, across industries, to access capital for liquidity purposes and to potentially refinance debt, a credit positive. New issues generally come at a premium (higher yield than the existing debt of the issuer) to attract investors. Harvesting this new issue "premium" can potentially be an attractive and persistent source of excess return.

Recently, there have been modest signs of slowing issuance, given market concerns and some risk aversion. New issuance can provide added liquidity and the ability to extend maturities. However, it can also increase the overall debt level of an issuer. While economic conditions have been improving, the recovery has been uneven and varies by sector. We are still monitoring the potential for fallen angels with expectations for more to possibly occur in specific areas, including consumer cyclical, lodging & leisure, retailers, and restaurants. We think default rate risk and fallen angel activity will likely be more moderate than what was experienced in the spring of this year, and there is opportunity to add value in the credit sectors with good security selection.

As we approach the final quarter of 2020, we believe the Fund is well positioned to generate excess return potential. We have remained focused on areas where investors are mispricing risk while following our disciplined, value-oriented approach to portfolio construction, a process rooted in fundamental credit analysis and a long-term view of the market.

The views expressed represent the opinions of Loomis, Sayles & Company, L.P., 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 (%)[3] (as of 09/30/20)

Holding	Coupon (%)	Maturity	% of Net Assets
United States Treasury Note/Bond Fixed	1.25	May 2050	9.12
United States Treasury Note/Bond Fixed	1.38	Aug 2050	4.79
United States Treasury Note/Bond Fixed	1.50	Nov 2021	4.08
Verizon Communications Inc Fixed	3.50	Nov 2024	2.78
United States Treasury Note/Bond Fixed	3.00	Aug 2048	2.63
Ford Motor Credit Co LLC Fixed	4.39	Jan 2026	2.50
Mexican Bonos Fixed	10.00	Dec 2024	2.24
Lloyds Banking Group PLC Fixed	4.58	Dec 2025	2.08
Morgan Stanley Fixed	3.95	Apr 2027	1.77
Banco Santander SA Fixed	5.18	Nov 2025	1.76
TOTAL %			33.75

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 listed returns and yields on the Fund are net of expenses and the returns and yields on the indices exclude expenses. Current performance of the Fund may be lower or higher than the performance quoted.

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.

High-yield bonds (also known as "junk bonds") are subject to additional risks such as the risk of default.

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.

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.

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.

The Bloomberg Barclays U.S. Government/Credit Bond Index is an index of investment-grade government and corporate bonds with a maturity rate of more than one year.

Unlike the Fund, the Indices are unmanaged, are not available for investment, and do not incur expenses.

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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[3] 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.