AMG River Road Dividend All Cap Value Fund

COMMENTARY ASSET CLASS | ALL CAP

Class N | ARDEX Class I | ARIDX Class Z | ARZDX

RIVER ROAD ASSET MANAGEMENT®

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

	Q3	YTD	1 yr	3 yr	5 yr	10 yr	Since Incpt.
ARDEX (Class N)	5.37	-13.99	-9.35	0.51	5.94	8.12	6.75[2]
ARIDX (Class I)	5.45	-13.80	-9.08	0.78	6.20	8.39	5.38[3]
ARZDX (Class Z)	5.35	-13.77	-9.03	0.83	–	–	0.83[4]
Russell 3000® Value Index	5.42	-12.23	-5.67	2.11	7.43	9.75	6.36[2]

ADREX (Class N) Expense Ratio (Gross/Net): 1.12%/1.12%
ARIDX (Class I) Expense Ratio (Gross/Net): 0.85%/0.85%
ARZDX (Class Z) Expense Ratio (Gross/Net): 0.80%/0.80%

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 River Road Dividend All Cap Value Fund** (Class N) returned 5.37% for the third quarter of 2020, performing in line with the 5.42% return for its primary benchmark, the Russell 3000® Value Index. For the 12-month period ending September 30, 2020, the Fund returned -9.35%, trailing the -5.67% return for the Index.

Market Overview

Growth indices wobbled in September as some investors are getting a bit antsy about 'bubble' comparisons

Growth indices suffered a brief but violent wobble in September, only to recover and push the pace for a historic year in 2020. Year to date, the Russell 3000® Growth Index now leads its value peer by +3,523 bps, well ahead of the +2,718 bps outperformance posted amid the internet bubble in 1999. According to Ned Davis Research (NDR), the relative valuation gap between the median growth stock and median value stock is now even larger than that seen at the height of the bubble—and some investors are finally getting a bit antsy. This relative outperformance continued to be driven by a very narrow list of companies as NDR reported the FANG+ stocks, including Facebook Inc., Amazon.com Inc., Apple Inc., Netflix Inc., Microsoft Corp., and Alphabet Inc., were up 42.53% year to date, while the rest of the S&P 500® Index was down -3.62%. During the quarter, these six companies continued to grow as a percent of the Russell 3000® Growth and S&P 500, ending the period at 36% and 23% of the benchmarks, respectively. This further concentration is perhaps understandable given NDR's note that fewer than 10% of the companies in the S&P 500 posted sales growth in excess of 15%, down from 25% as recently as 2018, but it creates an increasingly unstable foundation for U.S. equity markets.

Economic activity and corporate earnings rapidly rebounded as lockdowns were slowly eased

Unsurprisingly, the single worst economic event since the Great Depression has been followed by a sharp economic rebound as the pandemic-fueled lockdowns slowly ease across much of the country. The Atlanta Fed's GDPNow, a real-time estimate for the annualized change in economic activity in Q3, surged over the period and pointed toward a 32% annualized growth rate in the U.S. for the period. While this rebound would certainly go a long way to fill the economic hole created by the COVID-19 response, we believe it still points toward an economy that remains $500 billion smaller, annually, versus Q1. As estimates of economic growth have rebounded, so too have expectations for Q3 earnings. However, according to FactSet, S&P 500 earnings are still expected to be down -21% year-over-year in Q3 and are not projected to fully recover until 2H 2021.

[1] Returns for periods less than one year are not annualized.
[2] Since the inception of the Fund's Class N shares on June 28, 2005.
[3] Since the inception of the Fund's Class I shares on June 28, 2007.
[4] Since the inception of the Fund's Class Z shares on September 29, 2017.

AMG

Large cap stocks outperformed mid and small in the period

From a market cap perspective, large cap stocks outpaced mid cap while small cap sharply lagged. The Russell 1000® returned 9.47% in Q3, while the Russell Midcap® and Russell 2000® returned 7.46% and 4.93%, respectively. Despite the positive return in the period, both the mid cap and small cap benchmarks remain solidly in negative territory year to date.

High quality stocks led in Q3, yet the yield factor continued to struggle

Sector performance was mixed in the period. The cyclical consumer discretionary and materials sectors were the top performing in the Russell 3000® Value for the quarter. However, the highly cyclical energy sector was the worst performing by a wide margin, followed by information technology. According to Style Analytics, factors related to quality and momentum were the top performing in the Russell 3000® Value for Q3. Yield was the worst performing factor by a wide margin, followed by low valuation.

The large cap, low yielding portion of the dividend universe is dominating despite rich valuations

Looking specifically at the broad dividend universe, large caps outperformed among dividend payers as well. Stocks with yields <2% outperformed throughout Q3 and are dominating so far in 2020. The multiples on large cap, low yielding companies remained well above the universe median as the median price/earnings (P/E) for large cap dividend stocks is 23.3x, a hefty 35% premium to the median mid cap stock and well over twice the 9.6x median multiple for small cap.

Performance Review

Despite significant factor headwinds, the Fund performed in line with its benchmark in the third quarter. Positive stock selection was largely offset by adverse sector allocation. Stock selection within information technology, industrials, and energy were the key drivers of this positive result. The Fund overcame significant factor headwinds in the quarter, as the bias toward higher quality companies and strong stock selection helped offset the large exposure to the very poor performing yield factor. Relative sector positioning was broadly neutral across the Fund as 6 of 11 sectors had a positive impact on relative results. However, the overweight in energy and the cash balance were responsible for dragging down the overall allocation effect.

Given the factor analysis, it is unsurprising that the structural yield bias had a significant impact on relative results. Fortunately, stock selection was broadly positive across the yield spectrum, but the lowest yielding positions truly shined. The Fund positions with yields below 3% significantly outperformed, returning 15.32% versus 9.12% for their benchmark peers. Those with yields above 3% modestly outperformed their peers in the benchmark, but the significant overweight in high yielding stocks required to meet the Fund's yield objective more than offset the positive stock selection.

What worked...

The top contributing holding in Q3 was global package shipper United Parcel Service Inc. (UPS, +51%). In July, UPS reported very strong results as the pandemic accelerated the secular shift in consumer behavior toward e-commerce. This behavioral shift led to 65% growth in business-to-consumer shipments for UPS, which improved route density leading to a -2.7% reduction in the cost per piece shipped. The firm's new CEO, Carol B. Tomé, articulated a shift in strategy centered on driving proper value for UPS's infrastructure that should result in higher margins and returns on invested capital (ROIC) moving forward. The team obviously intends to capitalize on the firm's renewed pricing power following the surge in shipping demand and will focus on imposing surcharges on high volume, low margin customers especially in times of peak volume while reserving capacity for higher margin, smaller and medium-sized customers. While management tempered the expectation for near-term margin expansion, the expected recovery of business-to-business and freight volumes will likely provide additional pricing power and fuel optimism for UPS's earnings power in the coming quarters. The firm increased the dividend 5% in February 2020 and both free cash flow and liquidity should support the continued growth of the dividend in 2021. Our assessed value for the position increased 38% over the span of the quarter as the dramatic acceleration in volume prompted upward revisions in both margin assumptions and the multiple employed. We maintained the position in the quarter.

Target Corp. (TGT, +32%), a broad-line retailer, was among the top contributors again in Q3. Target reported comparable sales up 24%, the strongest ever reported, as the company capitalizes on its omni-channel strategy and differentiated products which led to market share gains across core categories. Digital comparable sales grew a staggering 195%, accounting for an added 13.4% of comparable sales in aggregate, and store-only comparable sales contributed the remaining 11%. Most importantly, the firm leveraged its store infrastructure to fulfill more than 75% of Q2 digital sales, with same-day fulfillment services growing 273% and accounting for 6% of comparable sales growth. Operating profit grew 73% driven by strength in higher margin discretionary categories and strong fixed cost leverage. This appears to be the culmination of our investment thesis as Target demonstrated the wherewithal to profitably compete, gather market share, and reward shareholders as e-commerce demand accelerates. In the wake of the strong results, the stock began trading at a significant premium to our assessed value, the yield slipped below 2%, and the position was nearing our 5% maximum limit, so we elected to trim the position.

Another top contributor was Corning Inc. (GLW, +26%), a leading manufacturer of high-end glass for industrial markets including LCD displays. GLW reported a solid quarter that beat Wall Street expectations and provided an improved outlook for the remainder of the year. Sales grew 2% sequentially in Q2, driven by strength in optical sales, as major carriers increased spending for cable deployments and 5G upgrades. In addition, the firm launched Gorilla Glass Victus, with significant improvement in drop and scratch performance, just in time to be incorporated into a new generation of 5G-enabled handsets. Apparently driven by lockdowns, the demand for large screen TVs (>60 inches) was up a staggering 40% and the company noted that global glass supply was "balanced to demand." In September, GLW updated guidance for Q3, including low-teens sequential sales growth and even faster profitability growth driven by positive cost control efforts. The position was increased in late Q2, and we elected to maintain the position over the course of Q3.

What didn't work...

The largest negative contributor during the quarter was Kinder Morgan Inc. (KMI, -17%), an energy infrastructure company that transports approximately 40% of natural gas consumed in the United States. KMI reported weak results due to the disruption in commodity markets that started in March and the resulting decrease in oil production. Management now expects full year EBITDA (earnings before interest, taxes, depreciation, and amortization) and distributable cash flow to decline slightly more than -8% and -10%, respectively. While we suspect that the company's oil producing business will remain depressed for an extended period of time, this division is responsible for only 10% of profits. We believe the market has lost sight of the fact that KMI's business has limited commodity price risk with 90% of overall profits being fee based and 66% of profits from take-or-pay contracts. Given the accumulated unrealized losses, we will continue to monitor the position, but to date we have elected to trim/eliminate other holdings in the sector.

Another bottom contributor was Cisco Systems Inc. (CSCO, -15%), a provider of integrated hardware and software networking solutions. In August, CSCO reported disappointing results as, unsurprisingly, the economic disruption and lingering uncertainty created by COVID-19 caused many enterprise and commercial customers to temporarily delay large-scale deployments. These delays resulted in a -9% revenue decline and a -10% decline in product orders. Despite the near-term headwinds, it appears that CSCO's transition toward a subscription-oriented model remains on track as the firm noted double-digit growth in both Catalyst 9000 sales and deferred revenue. We maintained the position in the period.

Another negative contributor was Marathon Petroleum Corp. (MPC, -20%), the largest U.S. independent refiner. Crack spreads and differentials, the key drivers of refinery profits, have remained extremely narrow since the onset of the pandemic. With the economy slowly opening back up there has been an uptick in travel, but demand for refined products is still extremely low, especially in jet fuel, and the refining and marketing segment is still operating well below its historic utilization. MPC was forced to shutter two of its smaller refineries and is currently seeking permits from the state of California to convert one into a renewable diesel facility. There is light at the end of the tunnel as MPC reached terms to sell Speedway, its retail operations, to Seven & I Holdings, for a better-than-expected price of $21 billion in cash, or $16.5 billion after tax—a sum that represents more than 80% of the firm's current market cap and more than 30% of the enterprise value. We maintained the position during the quarter.

Positioning

During the period, we eliminated two positions and established four, ending the quarter at 52 positions—near the low end of our expected range of 50 to 70 holdings. Because of the relative underperformance of small and mid-cap stocks, it is little surprise that three of the four new positions had a market cap below $5 billion. Given the premium valuation we noted among large cap dividend payers, we expect more mid cap and small cap opportunities will continue to come out of our bottom-up investment process in the months ahead.

The three largest changes in relative sector weights during the quarter were:

Information technology—the information technology sector saw a +273 bp shift in Q3. This was driven in large part by the sharp outperformance of the Fund holdings in the sector which returned 8.31%, well ahead of the -0.49% return for their benchmark peers. The outperformance in IT was led by strong performance of the positions in Corning Inc. (GLW) and QUALCOMM Inc. (QCOM), which more than offset the weak results from Cisco Systems Inc. (CSCO). In addition, we established a new position in NortonLifeLock Inc. (NLOK) and added to the position in CSG Systems International Inc. (CSGS).

Health care—we continued to build the position in health care in Q3. In fact, the Fund moved overweight versus the benchmark for the first time since inception. By the end of the quarter, the sector weight was 15.7%, making it the largest in the Fund with an overweight of +180 bps. This was driven by the establishment of a position in Premier Inc. (PINC), a distributor and service provider to hospitals throughout the United States. PINC has been a holding in other River Road Portfolios for some time, and we were excited to establish a position as well after the firm announced the initiation of a dividend in August.

Energy—in Q3, the energy sector overweight was decreased. This shift was driven by the reduction of the position in Magellan Midstream Partners LP (MMP) due to accumulated unrealized losses and the threat that continued low oil prices and distillate demand poses to the growth of the distribution operation over the next year. Absent a significant rebound in hydrocarbon demand in the next couple quarters, we would expect that the unrealized loss aspect of the sell discipline will drive further rationalization of the energy positions in the Fund.

The torrent of dividend cuts/suspensions that washed over the dividend universe in 1H 2020 eased in Q3. Unsurprisingly, the temporary suspensions prompted by the economic shutdown have yet to be broadly reversed—a process we believe will begin in 1H 2021, when boards of the impacted companies have full-year results for 2020 to digest, budgets for 2021 to review, and increased clarity around developments in the political and public health environments.

New purchase...

The largest new position during the quarter was IDACORP, an electric utility serving 572,000 retail customers in Idaho and Oregon. Residential customers total 477,000 and account for 46% of revenue. The remaining 54% of revenue consists of commercial (26%), industrial (16%), and irrigation (12%). Irrigation revenue is generated by providing electricity to pump water for irrigation. The Boise metro area is IDACORP's largest market, and Idaho accounts for 95% of revenue with Oregon accounting for the balance. Lisa Grow (54) was appointed CEO in June 2020 after 33 years at the company, most recently serving as COO since 2017. The company is based in Boise.

Idaho was the fastest growing state in the U.S. in 2019 and was one of the five fastest growing states over the last decade. Strong population and economic growth in the state creates an excellent tailwind for IDACORP's customer growth and creates opportunities to invest capital in growth projects. Idaho's favorable regulatory regime and IDACORP's excellent operation execution have allowed the company to achieve an average return on equity (ROE) of 9.8% since 2008 while keeping electricity rates 15–25% below the national average and operating and maintenance costs flat since 2012. IDACORP's hydroelectric assets generate 45% of the company's power at extremely low costs and with no greenhouse gas emissions. In total, renewable energy generates 64% of IDACORP's power.

The company has a strong balance sheet with a net debt to EBITDA ratio of 3.4x and investment grade ratings from Moody's and S&P. Additionally, the company has only $175 million of debt maturities through 2022. The substantial pension obligation was underfunded by $500 million at year end 2019. However, pension contributions are considered regulatory assets that IDACORP is allowed to recoup from customers. IDACORP's financial strength has allowed it to fully fund capex from cash flows with no equity issuance for a decade.

IDA has raised its dividend for nine consecutive years at a 9.3% CAGR (compound annual growth rate). The most recent dividend increase was 6.4% in 2019, and management expects to recommend a dividend increase of 5% or more in Q4 2020. In 2019, the board announced a new dividend policy targeting a long-term dividend payout ratio of between 60% and 70% of sustainable earnings, up from the prior range of 50% to 60%.

The most significant risks to the investment are that changes in the regulatory environment result in a lower ROE for the company or that customer growth decelerates. A key regulatory issue for IDACORP is the license on the Hells Canyon Complex, which represents 70% of the firm's hydroelectric capacity. This license expired in 2005 and the company has operated on one-year renewals since that time. We believe that it is highly likely that the two sides will eventually agree to a long-term license and, in the meantime, the status quo will be maintained. In terms of customer growth, the pandemic may inhibit economic growth in the region, but flight from crowded, high-tax states like California will continue to support population and customer growth in IDACORP's service territory.

Using a 20.0x multiple on FY21e EPS, which equates to 12.5x FY21e EBITDA less net debt, we arrived at an assessed value of $97 per share and overall conviction of 2.5 (1=highest, 5=lowest). At the time of initial purchase, IDA traded at an 11% discount to our assessed value and had a 3.1% dividend yield. The company is followed by River Road Associate Portfolio Manager Andrew R. McIntosh.

Outlook

As we have noted in the past, our outlook is driven by five key factors: 1) valuations, 2) monetary policy/credit trends, 3) fiscal and regulatory policy, 4) sentiment, and 5) "wildcard" issues. While we do not view our outlook as a market prediction per se, our perspective on the economy and market environment can have an impact on stock valuations, conviction assessments, and overall Portfolio positioning.

The outlook for Q4 2020 and 1H 2021 is clouded by two massive wildcards—COVID-19 and the elections

While our conviction in our outlook can vary widely quarter to quarter, it is fair to say that rarely is it as uncertain as it is today. As we look forward, we are dealing with not one but two very powerful wildcards—COVID-19 and the 2020 elections. COVID-19, the single most destructive economic force we have dealt with since the Strategy's inception, still lingers, and renewed lockdowns could strangle the nascent economic recovery this winter and send confidence spiraling. As if that was not enough, the stakes of the upcoming election appear to be increasingly elevated. The first presidential debate highlighted both the stark divergence and seemingly visceral animosity that has built between the two parties, which only adds to concerns about sustainability of the status quo in the post-election period, regardless of the outcome. Unfortunately, it is impossible to know how public health policy will react to any uptick in infection rates this winter, and history has shown that trying to predict the direction of stocks in the immediate vicinity of a major election is extremely difficult. Given the unique nature and entanglement of these two wildcards, it seems unwise to position the Portfolio based on implicit or explicit assumptions about their outcomes.

Monetary policy will likely remain supportive for years to come, but further fiscal support appears to be a casualty of election politics

In 1H 2020, both monetary and fiscal policy suddenly shifted gears, taking aggressively supportive stances amid the economic disaster wrought by the COVID-19-related quarantine. In recent weeks, Fed officials noted that they anticipate sustaining the current zero interest rate policy through 2023—a timeline not unlike the aftermath of the global financial crisis. If past is indeed prologue, we should also anticipate that the Fed would look to address economic weakness in the interim with further rounds of quantitative easing. While the monetary policy response is more predictable, support from fiscal policy is anything but. Congress was surprisingly efficient and effective in its early response but, as expected, cooperation fell to the wayside as the immediacy of the crisis waned and the election approached. We believe the course of future fiscal policy at the federal, state, and local levels will be largely determined at the ballot box next month.

Consumer and CEO sentiment turned notably higher in September, but remain below pre-pandemic levels

While sentiment measures waned a bit in the first half of the quarter, by the end of Q3 they had improved substantially. Even a casual observer would note that economic conditions are better than they were in April, and sentiment measures are up as a result, but it is still far from normal. While the Business Roundtable CEO Economic Outlook Index rose sharply in Q3, it is still below both the Q1 reading and the long-term average. Looking at the index's internals, there is a similar rebound and shortfall in the outlook surrounding capital expenditures, employment, and sales. Similarly, the Conference Board Consumer Confidence Index dropped in the first part of the quarter, only to increase sharply in September, but falling short of pre-pandemic levels. This tenuous optimism is certainly welcome, but as we have long noted, this is the most volatile factor used in our outlook and significant shifts in the wildcards noted earlier could drive large swings in sentiment, either positive or negative.

Valuations hinge on fiscal policy stability and limited lockdowns during the winter months

The discount to value for the Fund's top 20 holdings ended Q3 at 88%, in line with the long-term average, and a level we would consider to be attractive. Unfortunately, Q4 could witness numerous events that could force us to take a more conservative view on valuations on a number of holdings. While lockdowns are easing in select regions, recently COVID-19 ran rampant through the White House and the threat of reversals lingers menacingly as winter approaches. At this point, our confidence in near-term cash flow estimates remains relatively fragile. In addition to the obvious uncertainty surrounding cash flows over the next 18 months, it appears likely that multiples will face conflicting pressures in the period. On the positive side, interest rates are unlikely to move significantly higher for some time. Conversely, the surge in budget shortfalls and indebtedness at all levels of government should drive significant pressure to raise taxes no matter what happens in the upcoming elections. In general, our valuation models look past recent events to a conservative yet "normal" environment in 2021. However, if economic growth does not continue to accelerate during the winter, we will need to consider a more cautious stance.

The 'internet bubble 2.0' rages on for now, but ultimately, markets are cyclical and price matters

We believe the market has entered an important, second phase of the recovery. While we cannot predict the path of the virus or the market's reaction to the upcoming election, we believe further market advances in this period will prove to be more uneven and far more muted. In our opinion, this uncertainty, combined with already strong momentum, has led investors to pile into a relatively small list of "sure thing" growers, of which the FANG+ stocks are the most prominent examples. This has created a market dynamic that is part "Nifty 50" and part internet bubble. If we look past the near-term uncertainty, we believe a key question for the market in 2021 could be if, and how, this bubble is resolved. While history would support expectations of a dramatic, painful reversal, the massive shift toward passive investing in the intervening decades renders such a powerful cascade much harder to both generate and sustain absent a broader allocation shift out of equities and/or specific policy reactions (i.e. anti-trust). We continue to believe that even great companies can be overwhelmed by ever-increasing expectations, market leadership cycles, and, ultimately, valuation matters. The current relationship between valuations of value and growth stocks presents a compelling argument to lean into value. According to FactSet, the forward (NTM) P/E for the Russell 3000® Growth index now stands at 33.1x, 61% above its long-term average. Conversely, the Russell 3000® Value trades at 17.8x, just 27% above its long-term average. We believe that as economic growth strengthens and broadens, investors will find high quality, cheaper stocks attractive once again and low prevailing interest rates will drive demand for dividend stocks, in particular.

We have been quite pleased with the relative results of the Fund in recent months and given our expectation that the status quo could shift rapidly in Q4, we expect our day-to-day emphasis will remain on downside protection and sustained dividend growth. We are working to refine our watch list with the intent to ensure that we can quickly react to changing circumstances. No doubt just as was the case in 2016, we will need to navigate some potentially treacherous industry-specific storms that emanate from the political process. However, as we look past 2020, we believe the strength of dividend paying stocks in the zero-rate environment of 2010 and 2011 is a useful indicator of what could be in the next few years. We believe the Fund is not only positioned well to endure near-term uncertainty but also to sustain that success as leadership inevitably rotates to value and low interest rates drive investors to dividend alternatives.

The views expressed represent the opinions of River Road Asset 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	% of Net Assets
United Parcel Service Inc, Class B	4.46
Corning Inc	4.23
Target Corp	3.90
Verizon Communications Inc	3.86
Comcast Corp, Class A	3.81
Bristol-Myers Squibb Co	3.38
AES Corp	3.34
Unilever PLC ADR	3.28
Kimberly-Clark Corp	2.89
Cisco Systems Inc	2.72
TOTAL %	35.87

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.

An issuer of a security may be unwilling or unable to pay income on a security. Common stocks do not assure dividend payments and are paid only when declared by an issuer's board of directors.

The Fund is subject to risks associated with investments in mid-capitalization companies such as greater price volatility, lower trading volume, and less liquidity than the stocks of larger, more established companies.

The Fund is subject to risks associated with investments in small-capitalization companies, such as erratic earnings patterns, competitive conditions, limited earnings history, and a reliance on one or a limited number of products.

The Fund invests in value stocks, which may perform differently from the market as a whole and may be undervalued by the market for a long period of time.

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.

Investing in PTPs (including master limited partnerships) involves risks in addition to those typically associated with publicly traded companies. PTPs are exposed to the risks of their underlying assets, which in many cases includes the same types of risks as energy and natural resources companies. PTPs are also subject to capital markets risk. PTPs may lose their partnership status for tax purposes. The status as a regulated investment company may be jeopardized if it does not appropriately limit such investments in PTPs or if such investments are recharacterized for tax purposes.

The Fund is subject to special risk considerations similar to those associated with the direct ownership of real estate. Real estate valuations may be subject to factors such as changing general and local economic, financial, competitive, and environmental conditions.

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 S&P 500® Index is a capitalization-weighted index of 500 stocks. The S&P 500 Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 1000® Index measures the performance of approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000® represents approximately 92% of the U.S. market.

The Russell 3000® Index is composed of the 3,000 largest U.S. companies as measured by market capitalization, and represents about 98% of the U.S. stock market.

[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.

Class N | ARDEX Class I | ARIDX Class Z | ARZDX

The Russell 3000® Value Index measures the performance of the broad value segment of the U.S. equity universe. It includes those Russell 3000® companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 3000® Growth Index measures the performance of those Russell 3000® Index companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 2000® Index is composed of the 2000 smallest stocks in the Russell 3000® Index and is widely regarded in the industry as the premier measure of small-cap stock performance.

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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