Q1 | 2021

AMG TimesSquare Mid Cap Growth Fund

COMMENTARY | ASSET CLASS | MID CAP

Class N | TMDPX | Class I | TQMIX | Class Z | TMDIX

TimesSquare Capital Management, LLC

Average Annual Returns (%)[1] (as of 03/31/21)

	Q1	YTD	1 yr	3 yr	5 yr	10 yr	Since Incpt.
TMDPX (Class N)	-0.15	-0.15	64.55	19.22	17.98	13.58	11.57[2]
TQMIX (Class I)	-0.15	-0.15	64.77	19.39	—	—	18.62[3]
TMDIX (Class Z)	-0.15	-0.15	64.91	19.45	18.20	13.80	11.78[2]
Russell Midcap® Growth Index	-0.58	-0.57	68.61	19.41	18.39	14.11	11.41[2]

TMDPX (Class N) Expense Ratio (Gross/Net): 1.18%/1.18%
TQMIX (Class I) Expense Ratio (Gross/Net): 1.05%/1.05%
TMDIX (Class Z) Expense Ratio (Gross/Net): 0.98%/0.98%

The performance data shown represents past performance. Past performance is not a guarantee of future results. 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 TimesSquare Mid Cap Growth Fund** (Class N) returned -0.15% for the first quarter of 2021, compared with -0.57% for the benchmark, the Russell Midcap® Growth Index. For the 12 months ending March 31, 2021, the Fund returned 64.55%, while the benchmark returned 68.61%. Please note that this Fund has multiple share classes.

The year 2021 began with relief, perhaps simply because it was no longer 2020. While new strains of COVID-19 appeared in different spots around the world and some areas saw additional waves of increased cases, broadly speaking the pandemic's tide turned. By the end of the first quarter more than half a billion people had been vaccinated[4], though challenges with distribution caused uneven rates across regions. After a strong finish at the end of 2020, global equity markets stepped into 2021 gingerly, with slightly negative returns and heightened volatilities in January. That reversed as volatilities ebbed[5] and markets climbed to end the first quarter with gains of 6% for equities in the U.S., 3% for non-U.S., and 2% for emerging markets[6] (though the respective small cap indexes were even better in each of those three areas). Central banks continued their accommodative policies and government bond yields rose notably[7].

Quarterly Update

Across U.S. equities in the first quarter, there was a pronounced preference for smaller size and value. Returns steadily increased moving down the market capitalization range, from 5% for megacaps to 24% for microcaps[8]. In each size segment, value bested growth by more than 10 percentage points. That was also evident among small-to-mid growth stocks, where higher returns were found with smaller size and generally lower valuations[9] were better rewarded. Also notable was the preference for higher quality[10], though lower growth[11] fared well, too. Economic sectors traditionally associated with value stocks outperformed—such as energy, materials, and industrials—while health care lagged. The sole universal constant over the last two years seemed to be the better performance for stocks with higher risk[12].

Fund Update

Amidst this environment, the Fund outperformed the Russell Midcap® Growth Index in the first quarter. There was relative weakness in the industrials sector and mixed results from information technology. That was offset by strength from our positions in the communication services and consumer discretionary sectors.

[1] Returns for periods less than one year are not annualized.
[2] Since the inception of the Fund's Class N and Class Z shares on March 4, 2005.
[3] Since the inception of the Fund's Class I shares on February 24, 2017.
[4] Source: World Health Organization
[5] As defined by the CBOE Volatility indices (market expectations of near-term volatility based on the prices of options for the S&P 500 stock index, an MSCI EAFE Index exchange-traded fund, and an MSCI Emerging Markets Index exchange-traded fund).
[6] As represented by the S&P 500 Index, the MSCI EAFE® Index, and the MSCI Emerging Markets Index, respectively.
[7] As represented by yields on 10-year government bonds issued by the U.S. Treasury, the Bank of England, and the Bank of Japan.
[8] As represented by the Russell Top 200® Index and the Russell Microcap® Index.
[9] As measured by price/earnings ratio.
[10] As measured by return on equity.
[11] As measured by long-term earnings growth forecasts or current sales growth.
[12] As measured by beta (sensitivity to market movements).

Within the industrials sector, higher performance accrued to the manufacturing industries—such as road & rail, construction & engineering, and electrical equipment—while shifting away from business services, which is what our process tends to emphasize. So in this quarter we saw declines from CoStar Group and Booz Allen Hamilton. The commercial real estate data and analytics provider CoStar Group reported results for its final quarter that were generally in line with expectations, but its initial guidance for this year underwhelmed the market. Part of the outlook was tempered by CoStar's attempt to purchase CoreLogic early in the quarter, which initially planned to be acquired by a private equity firm. Though we believed the deal could have been beneficial—CoStar has a strong track record of integrating acquisitions—this would have been a significant undertaking. We were pleased when CoStar decided to withdraw its bid for CoreLogic and its shares began to recover, though ended the quarter down by -11%. Our outlook was constructive for Booz Allen Hamilton, an outsourced information technology consulting and services to U.S. government departments and agencies. Booz Allen reported mixed results with stronger earnings, yet with lower-than-expected sales. Management also lowered fiscal year guidance on revenues, while raising expectations on earnings and cash flows. We believe this setback and the associated -7% price decline were transitory as management remained confident about future demand. With cybersecurity a key priority of the Biden Administration, Booz Allen's strength in that area could provide an additional boost to its future growth. Providing the strategy a lift of 26% was Robert Half International, a specialized staffing company focused on accounting, legal, and technology professionals. Added to the Fund late last year, this quarter Robert Half reported revenues and earnings that outpaced expectations, along with improvements to its guidance for the next quarter. Placements for temporary and permanent positions were better than expected on a year-over-year basis, with stronger comparisons and faster growth expected in the near future.

A sector with varying effects on the Fund was information technology. We benefited from the 37% gain from McAfee Corp., which develops endpoint cybersecurity software. The company reported revenues and earnings that were higher than anticipated following faster-than-expected growth in direct-to-consumer (DTC) subscriptions. McAfee's DTC business also shone with 100% dollar-based retention levels. The firm's enterprise sales had more tepid growth, though subsequently McAfee announced plans to divest that business. With McAfee focused on areas of higher growth, we increased our position. Other software positions did not fare as well; in fact that industry had the largest negative returns within this sector for the benchmark, which seemed driven by shifts in market sentiment rather than fundamentals. A cloud-based network security service that supports a range of devices and endpoints, CrowdStrike Holdings reported another set of strong results. Sales growth was impressive and CrowdStrike continued to benefit from higher demand for cybersecurity. However, with its surge last year of nearly 300% and the market's changing tastes, shares of CrowdStrike declined -14% this quarter. Better was the 14% gain from Gartner, Inc., which offers independent and objective research and analysis on information technology, computer hardware, software, and communications. We added to our position at the start of the year and the company subsequently reported better-than-expected results with robust new business growth in its Global Business Sales unit. Management noted that it intends to resume hiring in that unit and provided conservative—though positive—guidance for 2021.

Moving to areas of strength, there were benefits from the communication services sector. Here we saw a 12% gain from Pinterest, Inc. An image-based social media network for discovery and planning, Pinterest reported impressive revenue growth each quarter in 2020 and ended the year with significant momentum from new products and its expansion overseas.

Lastly, the consumer discretionary sector propelled the Fund. That included the quarter's greatest overall contributor, CarMax, Inc. The largest used car retailer in the U.S., CarMax increased its online sales activities, benefited from production shortages for new cars, and its price rose 41%. We aggressively cutting back on Domino's Pizza, and sold our position in the pizza delivery company operating both company-owned and franchised stores, with an operational emphasis on better technology and supply chain management. A strong contributor in 2020, Domino's results contracted faster than we expected as other restaurants reopened. With more unfavorable year-on-year comparisons anticipated for the next several quarters, we sold our shares, which declined by -12% while we held them this quarter. Better were the gains from Brunswick Corporation, which manufactures recreational marine equipment under the Mercury and Boston Whaler brands. Its stock surged ahead 26% following better-than-expected results and forward guidance. In order to address robust and broad-based demand, Brunswick increased production capacity at three of its global boat manufacturing facilities.

The global markets appear focused on the light at the end of the pandemic tunnel, with generally supportive monetary and fiscal policies from all corners. How long the "back to normal" bump will last is unknown, as is the future costs of the global stimulus—such as from higher levels of taxes, interest rates, or inflation. The vulnerabilities seen last year and recently in the global supply chain may create efforts by governments and companies to ensure greater resiliency and increased domestic production. Though the specifics always change, 2021 seems to offer the usual mix of potentials and risks that we as active investors seek to balance in our bottom-up assessments of growth opportunities. As always, we are available for any questions you might have as we endeavor to protect the assets you have entrusted with us.

The views expressed represent the opinions of TimesSquare Capital Management, LLC, as of March 31, 2021, and are not intended as a forecast or guarantee of future results.

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Top Ten Holdings (%)[13] (as of 03/31/21)

Holding	% of Net Assets
RenaissanceRe Holdings Ltd	3.08
Crowdstrike Holdings Inc, Class A	2.73
Twilio Inc, Class A	2.44
Waste Connections Inc	2.38
O'Reilly Automotive Inc	2.37
Pinterest Inc, Class A	2.35
Catalent Inc	2.25
Gartner Inc	2.19
Charles River Laboratories International Inc	2.14
SBA Communications Corp, Class A	2.09
TOTAL %	24.02

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 risks associated with investments in mid-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 growth stocks, which may be more sensitive to market movements because their prices tend to reflect future investor expectations rather than just current profits. Growth stocks may underperform value stocks during given periods.

Companies that are in similar businesses may be similarly affected by particular economic or market events; to the extent the Fund has substantial holdings within a particular sector, the risks associated with that sector increase.

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 MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada. Please go to msci.com for most current list of countries represented by the index.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. Please go to msci.com for most current list of countries represented by the index.

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 Microcap® Index tracks the microcap segment of the U.S. equity market. It makes up less than 3% of the U.S. Equity market and is represented by the smallest 1,000 securities in the small-cap Russell 2000® Index plus the next 1,000 securities.

The Russell Midcap® Growth Index measures the performance of the Russell Midcap® companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000® Growth Index. You cannot invest directly in an index.

The Russell Top 200® Index is a market-weighted index of the 200 largest U.S. stocks, as determined by FTSE Russell.

Unlike the Fund, the Russell Midcap® Growth Index is unmanaged, is not available for investment and does 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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[13] 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.