COMMENTARY

In the first quarter the AMG Yacktman Fund (the Fund) returned -21.7%, lagging the S&P 500® Index's -19.6% fall but significantly outperforming the Fund's secondary benchmark, the Russell 1000® Value Index, which returned -26.7%.

We hope this letter finds investors well as they deal with the personal, social, and economic challenges brought about by COVID-19. In the first quarter, markets around the globe crashed due to quarantines, business closure, and economic chaos. It was a very busy quarter for the Fund and we put substantial cash to work in new opportunities and fund holdings that became more attractively valued due to price declines.

As noted above, we significantly outperformed the Russell 1000® Value benchmark and modestly underperformed the S&P 500. We entered the year at approximately 25% cash in the Fund and finished on March 31, 2020, with 17.8% cash.

We believe that the market is more expensive today even at lower prices than it was at year end. While the market today may be more attractively priced compared to other assets like cash and fixed income, the return profile for the long-term index fund investor remains uninspiring.

For us, investing is about the risk/reward of individual securities, and market declines often create significant mis-pricings which allow us to strengthen our favorite holdings that declined substantially like Bollore, Fox, and Sysco.

Securities that held up better during the quarter included technology stocks, like Microsoft, consumer staples like PepsiCo and Procter & Gamble, and health care companies including Johnson & Johnson. All four of these companies possess underlying businesses which are fairly immune to the most difficult economic environments, as they selling monthly licenses for software, potato chips, paper towels, and laundry detergent, which are low priced, consumed, and reordered, and medical supplies and pharmaceuticals, which are necessary at all times.

In the Yacktman Fund. If the Fund had remained static while adjusting for asset flows, the allocation would have shifted to close to 30% cash due to the reduced value of Fund holdings. Therefore, our cash reduction was more like 40% versus a static portfolio, much of that occurring in the last few weeks of the quarter.

If you went on a sabbatical to a remote island with no communication at the end of 2018 and recently checked in, stock market levels are higher over the last 15 months even though current earnings expectations and the economy have collapsed. While the first quarter had steep declines, those were largely set up by the strong performance in 2019 that occurred despite zero earnings growth.

When factoring in significant earnings declines, which may not be short-lived, it may be that the market is more expensive today even at lower prices than it was at year end. While the market today may be more attractively priced compared to other assets like cash and fixed income, the return profile for the long-term index fund investor remains uninspiring.

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Detractors included Macy's, Samsung Electronics Preferred ("Samsung") and Fox Corp. ("Fox"). Macy's declined along with much of the retail sector as the company temporarily closed all of its stores. Macy's needs to manage through significant challenges of reducing seasonal inventory levels, handling payables, and debt levels. The company's significant real estate value should help manage the near-term challenges, especially as Macy's earns substantial profits in the Christmas season, which is still a ways off. The company is one of the top ten ecommerce companies, which should help sell through inventory and generate

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cash even while stores are shut.

Samsung’s shares held up fairly well during the quarter, in large part due to its balance sheet, but was a large detractor to results due to its position size. The economic challenges of the first quarter delayed a recovery in the memory market that we anticipated seeing in the second half of this year, though longer-term fundamentals remain strong. At the end of the quarter, nearly 45% of the company’s value was in excess cash and securities and the business was trading for 1–2 times normal enterprise value to EBITDA, which is astonishingly inexpensive.

Fox’s shares declined during the quarter as traditional media stocks struggled, in part due to near-term challenges in advertising. With most of the economy shut, there isn’t a compelling reason to air commercials on television. Fox’s main contributor to cash flow, Fox News, has produced strong viewership through the crisis and the company has one of the strongest balance sheets in the traditional media space, in part due to significant tax assets created as part of the Disney transaction, which closed in 2019.

Putting the Value Back into Value Investing

Value investing has lagged growth investing for most of the last decade, and it has reached the point where even many of our colleagues who are value oriented are questioning whether their style works. We remain firmly behind our approach and believe the greater number of assets that abandon an approach which considers price and risk, the better it will be for those of us who remain committed to it.

We have been through this before. In 1999, when people prematurely declared value investing dead, it caused redemptions for value strategies that led to significant style underperformance that year but set up much better returns to follow. In the “lost” decade between December 31, 1999, and December 31, 2009, $10,000 invested in Yacktman Fund became $30,816, compared to the S&P 500’s result of $9,090.

No investment approach works at all times, although we think ours works well over time. The most challenging periods often set up the best future returns. How the current world challenges play out remains to be seen, but a focus on price, risks, and the attributes of individual securities has proven to be the best way to handle uncertain times. We continue to work hard managing the Fund and wish investors well as we continue to navigate these uncertain times.

The views expressed represent the opinions of the Yacktman Asset Management LP, as of March 31, 2020, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

Top Ten Holdings (%) as of 03/31/20

<table>
<thead>
<tr>
<th>Holding</th>
<th>% of Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samsung Electronics Co Ltd Preferred</td>
<td>9.21</td>
</tr>
<tr>
<td>Bollore SA</td>
<td>4.44</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>3.33</td>
</tr>
<tr>
<td>PepsiCo Inc</td>
<td>3.25</td>
</tr>
<tr>
<td>Microsoft Corp</td>
<td>3.20</td>
</tr>
<tr>
<td>Continental AG</td>
<td>3.20</td>
</tr>
<tr>
<td>Walt Disney Co</td>
<td>3.03</td>
</tr>
<tr>
<td>Fox Corp, Class A</td>
<td>3.02</td>
</tr>
<tr>
<td>Procter &amp; Gamble Co</td>
<td>2.70</td>
</tr>
<tr>
<td>Booking Holdings Inc</td>
<td>2.68</td>
</tr>
<tr>
<td><strong>TOTAL %</strong></td>
<td><strong>38.06</strong></td>
</tr>
</tbody>
</table>

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.

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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.

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

* 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.
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.

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.

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.

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.

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® Value Index is a market capitalization-weighted index of value-oriented stocks that measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values.

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

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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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