AMG Managers Brandywine Fund

COMMENTARY

ASSET CLASS | ALL CAP

Class I | BRWIX

FRIESS ASSOCIATES
TIME TESTED • RESEARCH FOCUSED

Average Annual Returns (%)[1] (as of 03/31/18)

	QTD	YTD	1 yr	3 yr	5 yr	10 yr	Since Incpt.[2]
BRWIX (Class I)	2.40	2.40	19.04	8.45	12.93	4.34	10.24
Russell 3000® Growth Index	1.48	1.48	21.06	12.57	15.32	11.31	–
Russell 3000® Index	-0.64	-0.64	13.81	10.22	13.03	9.62	10.56
S&P 500® Index	-0.76	-0.76	13.99	10.78	13.31	9.49	–

BRWIX (Class I) Expense Ratio (Gross/Net): 1.12%/1.12%

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 Brandywine Fund (Class I)** returned 2.40% for the first quarter of 2018, compared with a 1.48% return for its benchmark, the Russell 3000® Growth Index. For the quarter, the S&P 500 Index and the Russell 3000® Index returned -0.76% and -0.64%, respectively. For the 12-month period ended March 31, 2018, the Fund returned 19.04%, compared with a 21.06% return for its benchmark. Over the same period, the S&P 500 Index and the Russell 3000® Index returned 13.99% and 13.81%, respectively.

The stock market's extended period of calm came to an end during the March quarter, with major market indexes correcting for the first time in two years. While stocks regained all or most of their lost ground by the end of the period, volatility persisted as the key issues credited with sparking the decline remained unresolved.

The U.S.vFederal Reserve (the Fed) kept rates unchanged at its January 31 meeting, but its post-meeting statement regarding inflation expectations seemed to raise the market's sensitivity toward the topic. Two days later, the Labor Department reported a rise in average hourly wages. After notching its best January in 21 years, the S&P 500 Index was 10 percent below its high a little more than a week into February.

Volatility, virtually absent in 2017, spiked to its highest level since the summer of 2015 when China unexpectedly devalued the yuan. Newfound skittishness was on display as investors were forced to digest a series of unusual events against a backdrop of everything-is-great valuations.

News of Facebook user data poaching spurred calls for new tech-sector regulations. Amazon.com, which among many things is a government contractor trusted to store classified information for U.S. spy agencies, was targeted for official scorn via tweet. New tariffs raised fears about the possibility that the U.S. and China, the world's two largest economies, could be on the verge of a trade war. The Fed ended up raising interest rates at its March 21 meeting.

Attribution Summary

The Fund generated positive returns in four of the eight economic sectors represented in its portfolio during the quarter. The Fund outperformed the same sectors in the Russell 3000® Growth Index in five out of eight sectors.

Technology holdings were the most prominent contributors to absolute performance. Comprising the Fund's largest portfolio position, technology holdings were the most responsible for the Fund'sperformance advantage over the benchmark.

Semiconductors and software drove technology performance, with holdings from both areas reporting significant, expectation-beating results. Micron Technology and Nvidia Corp. led semiconductor returns. Micron tripled earnings in its most recently reported quarter on 58 percent revenue growth, while Nvidia grew earnings 59% on 34% revenue growth. ServiceNow was a standout in software. The company grew December-quarter earnings 46% as revenue climbed 41%.

Consumer discretionary holdings, which represented the Fund's second largest position, were the second greatest contributors to total returns. They trailed only technology as relative performance contributors.

Investor enthusiasm for technology (and earnings strength) reached into the consumer discretionary sector, where the top contributors operate internet-based business models. Netflix enjoyed its strongest quarter of subscriber growth ever in the three months through December even as it raised prices, helping the company earn $0.41 per share versus $0.15 the year before as it boosted revenue by one-third. Amazon.com grew December-quarter earnings 40% on 38% revenue growth. Both companies exceeded consensus earnings expectations.

Industrial holdings were the biggest absolute and relative performance detractors. Oshkosh Corp. reported robust December-quarter earnings growth, exceeded expectations, and raised guidance for its fiscal year ending in September. Still, shares declined amid the emergence of steel tariffs—the company makes commercial specialty vehicles—and what appeared to be waning prospects for broad infrastructure spending in the near term. REV Group, which also makes specialty vehicles, and Cummins, which makes engines, fared similarly.

The only other noteworthy performance detractor was energy, where

[1] Returns for periods less than one year are not annualized.
[2] Since the inception of the Fund on December 30, 1985.

Halliburton Co. modestly weighed on performance. Halcon Resources, an oil and gas production company that disappointed investors with a higher-than-expected 2018 capital expenditure forecast, also detracted from results.

The views expressed represent the opinions of Friess Associates, LLC, as of March 31, 2018, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

Top Ten Holdings (%)[3] (as of 03/31/18)

Holding	% of Net Assets
Amazon.com Inc	4.16
Netflix Inc	3.00
Micron Technology Inc	2.29
Alphabet Inc, Class A	2.28
Zoetis Inc	2.11
Salesforce.com Inc	2.10
Broadcom Ltd	2.06
Bio-Techne Corp	2.01
NVIDIA Corp	1.98
Global Payments Inc	1.97
TOTAL %	23.96

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 small- and 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.

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

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 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 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.

The Russell Indices are trademarks of the London Stock Exchange Group companies.

The S&P 500 Index is 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 S&P 500 Index is proprietary data of Standard & Poor's, a division of McGraw-Hill Companies, Inc. All rights reserved.

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.

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