AMG Managers Brandywine Fund

COMMENTARY ASSET CLASS | ALL CAP

Class I | BRWIX

FRIESS ASSOCIATES
TIME TESTED • RESEARCH FOCUSED

Average Annual Returns (%)[1] (as of 09/30/18)

	QTD	YTD	1 yr	3 yr	5 yr	10 yr	Since Incpt.[2]
BRWIX (Class I)	11.80	20.09	25.92	17.49	14.27	7.69	10.61
Russell 3000® Growth Index	8.88	16.99	25.89	20.36	16.23	14.18	–
Russell 3000® Index	7.12	10.57	17.58	17.07	13.46	12.01	10.75
S&P 500® Index	7.71	10.56	17.91	17.31	13.95	11.97	–

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 11.80% for the third quarter of 2018, compared with a 8.88% return for its benchmark, the Russell 3000® Growth Index. For the quarter, the S&P 500® Index and the Russell 3000® Index returned 7.71% and 7.12%, respectively. For the 12-month period ending September 30, 2018, the Fund returned 25.92%, compared with a 25.89% return for its benchmark. Over the same period, the S&P 500 Index and the Russell 3000® Index returned 17.91% and 17.58%, respectively.

Buoyed by "remarkably positive" economic conditions, stocks extended their gains in the three months through September. Enthusiasm among investors swelled as year-over-year earnings continued to grow at the fastest pace in years.

According to CNBC, the current bull market became the longest on record since World War II on August 22. Depending on the benchmark and criteria used, a minority still argues otherwise, but there's no debating that the September quarter represented the continuation of something special.

A 0.76 percent decline in this year's first quarter is the only setback that prevented the S&P 500 Index from posting a perfect record of quarterly gains over the past two-and-a-half years. There were no exceptions for the Russell 3000® Growth Index, which over that stretch went 10 for 10 in gaining ground from one quarter to the next.

The persistent bias toward upside is evident even when the period is more than doubled. The S&P 500 Index declined in two quarters out of the 23 quarters that passed since 2012. The Russell 3000® Growth Index declined in just one quarter in that period.

The economic conditions cultivating continued optimism among investors were cited by the U.S. Federal Reserve Bank on September 26 when its Open Market Committee raised the federal funds rate by 0.25 percent. The Committee forecasts 3.1 percent growth in gross domestic product (GDP) this year followed by 2.5 percent in 2019.

The U.S. Federal Reserve Chairman's words at an economic conference held the week after the interest rate hike were more telling than any figures. "This historically rare pairing of steady, low inflation and very low unemployment is a testament to the fact we remain in extraordinary times," he said. "I was asked at last week's news conference whether these forecasts are too good to be true – a reasonable question."

Attribution Summary

AMG Managers Brandywine Fund outperformed its benchmark during the quarter. Brandywine gained ground in seven out of the nine economic sectors represented in its portfolio during the period. The Fund outperformed the sector within the Russell 3000® Growth Index in six out of those nine instances.

Technology holdings comprised the largest Fund position and contributed the most to absolute results and performance relative to the benchmark. Semiconductor and software holdings were top performers.

Advanced Micro Devices was the top contributor. The semiconductor company grew June-quarter revenue 53 percent, helping it earn $0.14 per share versus $0.02 the year before. The Trade Desk was another strong performer. The company, which provides technology to manage digital advertising campaigns, grew revenue 54 percent in the June quarter. Earnings exceeded the consensus estimate by 38 percent.

Consumer discretionary holdings, representing the second largest position, were the next most notable contributors to absolute performance. GrubHub, which operates a mobile food ordering platform, was a top contributor. The company exceeded expectations with 92 percent June-quarter earnings growth and a 51 percent increase in revenue. Other standouts included Boot Barn Holdings and TJX Cos.

Consumer discretionary holdings were the third biggest positive influence on relative results. Other areas of strength during the quarter included communication services holdings and health care holdings.

Energy detracted from absolute and relative results. Energy exposure consisted of just one holding, which underperformed the sector. Delek US Holdings refines product pumped from the Permian Basin, where energy transport options were strained during a recent run up in oil prices. The

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

AMG Funds

demand gave Delek pricing leverage, but investors questioned the company's ability to maintain it as customers announced plans to move production to other fields due to the Permian congestion.

The views expressed represent the opinions of Friess Associates, LLC, as of September 30, 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 09/30/18)

Holding	% of Net Assets
Amazon.com Inc	5.10
Microsoft Corp	3.93
Advanced Micro Devices Inc	3.28
Trade Desk Inc, Class A	2.71
Salesforce.com Inc	2.54
Bio-Techne Corp	2.41
Alphabet Inc, Class A	2.35
NVIDIA Corp	2.13
Match Group Inc	2.09
XPO Logistics Inc	2.05
TOTAL %	28.59

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 federal funds rate is the interest rate at which depository institutions (banks and credit unions) lend reserve balances to other depository institutions overnight, on an uncollateralized basis.

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.

AMG Funds are distributed by AMG Distributors, Inc., member FINRA/SIPC.

[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.