Q4 | 2018

AMG Managers Brandywine Advisors Mid Cap Growth Fund

COMMENTARY

ASSET CLASS | MID CAP

Class N | BWAFX

FRIESS ASSOCIATES
TIME TESTED • RESEARCH FOCUSED

Average Annual Returns (%)[1] (as of 12/31/18)

	QTD	YTD	1 yr	3 yr	5 yr	10 yr	Since Incpt.[2]
BWAFX (Class N)	-20.72	-9.83	-9.83	5.27	1.87	5.22	1.90
Russell Midcap® Growth Index	-15.99	-4.75	-4.75	8.59	7.42	15.12	5.11
Russell Midcap® Index	-15.37	-9.06	-9.06	7.04	6.26	14.03	7.76
S&P 500® Index	-13.52	-4.38	-4.38	9.26	8.49	13.12	5.20

BWAFX (Class N) Expense Ratio (Gross/Net): 1.15%/1.15%

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 Advisors Mid Cap Growth Fund** (Class N) returned -20.72% for the fourth quarter of 2018, compared with a -9.07% return for its benchmark, the Russell Midcap® Growth Index. For the quarter, the S&P 500® Index and the Russell Midcap® Index returned -13.52% and -15.37%, respectively. For the 12-month period ending December 31, 2018, the Fund returned -9.83%, compared with an -4.75% return for its benchmark. For the year, the S&P 500 Index and the Russell Midcap® Index returned -4.38% and -9.06%, respectively.

Stocks took it on the chin in the final three months of 2018 amid growing uncertainty about the global economy. Oil prices, trade tensions and political pugilism all gave investors cause for concern during the December quarter. The resulting downturn pushed major benchmarks into their second correction of the year.

December-quarter returns represented the most pronounced decline in stock prices since the September quarter of 2011, when investors feared Greece's sovereign debt woes could become a cross-border crisis with global implications. A combination of issues weighed on sentiment in the final months of 2018.

As was the case in 2011, falling oil prices played a role. While supply trends, including domestic production levels, were a factor, the primary concern from the investment community's perspective was whether plunging oil prices reflected slumping global demand due to weakening economic conditions.

Based on West Texas Intermediate (WTI) trading, crude oil prices plummeted nearly 38% from the beginning of October through the end of December. WTI is a light sweet crude used as a benchmark of particular interest to U.S. producers.

That oil's swoon took place amid heightening trade tensions between the U.S. and China only made matters worse. The U.S. Federal Reserve (the Fed) Bank-engineered interest rate hike in the face of White House criticism against it also contributed to jitters. Despite a strong opinion to the contrary, this did not strike most investors as a "good time" for a government shutdown.

Christmas Eve fell on a Monday, presenting investors their first opportunity to react following the shutdown that began at midnight the Friday before. By the close of trading, major indexes rested at their low points for the entire year. Many market barometers, including the Russell Midcap® and Russell Midcap® Growth Indexes, finished December 24 in bear-market territory (down 20% or more from their highs).

Attribution Summary

Technology holdings, which represented the largest portfolio position, detracted the most from both absolute results and performance versus the Russell Midcap® Growth Index. Among the best performers coming into the period, technology led the downturn as the market's mood soured. Software and semiconductor holdings were among the hardest hit.

With investors fearing some degree of slowing economic growth on the horizon, comments about the outlook carried vastly more weight than reported results. Nvidia Corp. and Advanced Micro Devices exceeded September-quarter estimates with 48 and 30% earnings growth, respectively, but their shares were punished because both companies also lowered revenue guidance for the December quarter.

Holdings from the communication services sector were the next largest detractors from absolute and relative performance. It appeared CarGurus did the right things to win investors over. The company exceeded September-quarter expectations and even raised revenue forecasts for the quarter ahead. Still, the uncertain economic theme was strong, and revised expectations for auto sales were part of it.

Health care holdings, which comprised the second largest portfolio position, contributed the most to performance relative to the benchmark. Health care was modestly overweight versus the index while outperforming the sector.

[1] Returns for periods less than one year are not annualized.
[2] Since the inception of the Fund's Class N shares on October 31, 2000.

Guardant Health was the Fund's top performer. Shares rose after the provider of precision oncology testing services reported 95% September-quarter revenue growth compared with the same period a year ago. The company also raised revenue guidance for the final quarter of year. Anticipation surrounding upcoming clinical trial results and the potential for Guardant to gain broader reimbursement from the Centers for Medicare & Medicaid Services also helped lift shares.

The Fund's limited exposure to energy also aided results. Its position consisted of Delek U.S. Holdings, a company that declined only modestly during its holding period. Energy was a notable contributor to relative performance while contributing the least to the Fund's absolute decline. A refiner, Delek exceeded September-quarter expectations with earnings of $2.02 per share, up from $0.81.

The views expressed represent the opinions of Friess Associates, LLC, as of December 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 12/31/18)

Holding	% of Net Assets
Ciena Corp	3.84
Elanco Animal Health Inc	2.98
PRA Health Sciences Inc	2.93
Deckers Outdoor Corp	2.85
Foot Locker Inc	2.69
Five Below Inc	2.68
Trex Co Inc	2.56
Trade Desk Inc, Class A	2.52
HMS Holdings Corp	2.46
Chipotle Mexican Grill Inc, Class A	2.41
TOTAL %	27.92

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.

A greater percentage of the Fund's holdings may be focused in a smaller number of securities, which may place the Fund at greater risk than a more diversified fund.

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 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.

The Russell Midcap® Index measures the performance of the 800 smallest companies in the Russell 1000® Index, which represent approximately 25% of the total market capitalization of the Russell 1000® Index.

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.

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

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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.