AMG Managers DoubleLine Core Plus Bond Fund

COMMENTARY

ASSET CLASS | FIXED INCOME

Class N | ADBLX   Class I | ADLIX   Class Z | ADZIX

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

	QTD	YTD	1 yr	3 yr	5 yr	10 yr	Since Incpt.
ADBLX (Class N)	0.38	-0.48	-0.48	2.71	2.97	—	3.87[2]
ADLIX (Class I)	0.35	-0.32	-0.32	2.94	3.23	—	4.12[2]
ADZIX (Class Z)	0.46	-0.24	-0.24	—	—	—	0.17[3]
Bloomberg Barclays U.S. Aggregate Bond Index	1.64	0.01	0.01	2.06	2.52	3.48	2.50[2]

ADBLX (Class N) Expense Ratio (Gross/Net)[4]: 1.04%/0.96%
ADLIX (Class I) Expense Ratio (Gross/Net)[4]: 0.78%/0.70%
ADZIX (Class Z) Expense Ratio (Gross/Net)[4]: 0.71%/0.63%

The performance data shown represents past performance. Past performance is not a 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 DoubleLine Core Plus Bond Fund** (Class N) returned 0.38% during the fourth quarter, compared with the Bloomberg Barclays U.S. Aggregate Bond Index which returned 1.64%. For the 12 months ending December 31, 2018, the Fund returned -0.48%, compared with the benchmark's return of 0.01%.

Market Overview and Outlook

Market volatility significantly picked up in 2018, as global central banks became less accommodative via rate hikes and balance sheet reductions. The S&P 500® Index moved 2% or more 20 times, marking the highest number since 2011. Throughout the year, global growth became less synchronized, as U.S. equity markets outpaced both developed and emerging economies. The outsized decoupling of American stock markets from the rest of the globe peaked in September 2018, with the Dow Jones Industrial Average and the S&P recording their worst December performance since 1931. Across the globe, every major equity index finished the year lower as concerns over global growth weighed on investors.

On December 19, U.S. Federal Reserve (the Fed) Chair Jerome Powell announced his decision to raise the federal funds rate 25 basis points to 2.25–2.50%. Perhaps of greater importance was the language used during the press conference. Powell referred to the Fed's quantitative tightening agenda of currently rolling $50 billion in U.S. Treasuries (UST) and Agency mortgage-backed securities (MBS) off of the balance sheet and back into the market as being on "autopilot."[5] Following these comments, UST rallied, as the 10-year UST yield fell 13 bps into year-end on fears of less accommodative Fed policy. The widely followed "Dot Plot" which projects the Federal Open Market Committee's (FOMC) rate hike schedule was lowered from three hikes to two hikes for 2019. It is worth noting, however, that the market is only pricing in half of one rate hike for 2019, and when looking ahead 12–24 months the market is actually pricing in a rate cut.

In summary, we believe the factors that drove risk assets for much of the past year are likely to continue to do so in 2019. These include the price of oil, a China trade deal, and the Fed's path toward policy normalization. We believe UST yields will continue to rise due to increased UST supply as a result of quantitative tightening in the U.S., a historically large U.S. current account deficit, and the reduction of global quantitative easing. Given increased volatility and a global economy that appears to be in the late stages of the cycle, we continue to favor keeping the Fund well diversified, actively managed, and with a bias toward higher credit quality with attractive yield per unit of duration profiles.

Performance Review

The Fund underperformed the Barclays U.S. Aggregate Bond Index's return of 1.64% in the fourth quarter of 2018. U.S. Treasury rates rallied significantly in the intermediate portion of the curve over the quarter, resulting in a multitude of curve inversions. Most notably, the 2, 3, 5, and 7-year yields all finished the year lower than the 1-year following signs of an economy that is still growing positively, but showing signs of deceleration alongside a Fed that was vocal about its commitment to tightening monetary policy. In line with these fears, credit spreads widened materially, leaving sectors such as investment grade credit, high yield credit, bank loans, emerging markets, collateralized loan obligations, and non-Agency mortgage backed securities all posting negative returns. Top performing sectors naturally included U.S. Treasuries, municipal bonds, and Agency residential mortgage backed securities as these all

[1] Returns for periods less than one year are not annualized.
[2] Since the inception of the Fund's Class N and Class I shares on July 18, 2011.
[3] Since the inception of the Fund's Class Z shares on September 29, 2017.
[4] The Fund's investment manager has contractually agreed, through at least March 1, 2019, to limit Fund operating expenses. The net expense ratio reflects this limitation, while the gross expense ratio does not. Please refer to the Fund's prospectus for additional information on the Fund's expenses.

[5] Patti Domm, "Fed Chief Powell Gave the Markets the Message They Wanted" (CNBC, January 4, 2019)

benefited from the rally in rates and lack of exposure to significant spread pressure. Overall, the Fund remains defensively positioned with respect to duration and as such is likely to underperform during a period of falling rates.

The views expressed represent the opinions of DoubleLine Capital 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 (%)[6] (as of 12/31/18)

Holding	Coupon (%)	Maturity	% of Net Assets
DoubleLine Global Bond Fund	—	—	3.46
Fannie Mae Pool BC0281 Fixed	3.50	Mar 2046	1.39
United States Treasury Note/Bond Fixed	2.25	Oct 2024	1.13
Fannie Mae REMICS Fixed	2.00	Aug 2042	1.07
United States Treasury Note/Bond Fixed	2.24	Aug 2027	1.03
Lehman XS Trust Series 2007-12N Floating	—	Jul 2047	0.95
United States Treasury Note/Bond Fixed	2.13	Sep 2024	0.94
United States Treasury Note/Bond Fixed	1.13	Feb 2021	0.94
Fannie Mae REMICS Fixed	3.00	May 2046	0.94
United States Treasury Note/Bond Fixed	2.50	Mar 2023	0.93
TOTAL %			12.78

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.

A basis point refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01% (0.0001), and is used to denote the percentage change in a financial instrument.

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.

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.

The Fund is subject to the risks associated with investments in emerging markets, such as erratic earnings patterns, economic and political instability, changing exchange controls, limitations on repatriation of foreign capital and changes in local governmental attitudes toward private investment, possibly leading to nationalization or confiscation of investor assets.

To the extent that the Fund invests in asset-backed or mortgage-backed securities, its exposure to prepayment and extension risks may be greater than investments in other fixed income securities.

High-yield bonds (also known as "junk bonds") may be subject to greater levels of interest rate, credit, and liquidity risk than investments in higher rated securities. These securities are considered predominantly speculative with respect to the issuer's continuing ability to make principal and interest payments. The issuers of the Fund's holdings may be involved in bankruptcy proceedings, reorganizations, or financial restructurings, and are not as strong financially as higher-rated issuers.

Bank loans are subject to the credit risk of nonpayment of principal or interest.

Factors unique to the municipal bond market may negatively affect the value in municipal bonds.

Obligations of certain government agencies are not backed by the full faith and credit of the U.S. government. If one of these agencies defaulted on a loan, there is no guarantee that the U.S. government would provide financial support. Additionally, debt securities of the U.S. government may be affected by changing interest rates and subject to prepayment risk.

The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry and are listed on the New York Stock Exchange. It has been a widely followed indicator of the U.S. stock market since October 1, 1928.

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 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.

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

[6] 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.

that the investment recommendations we make in the future will be profitable.

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