Q4 | 2017 AMG SouthernSun Global Opportunities Fund

COMMENTARY

ASSET CLASS | INTERNATIONAL EQUITY

Class N | SSOVX   Class I | SSOLX

SOUTHERNSUN ASSET MANAGEMENT

Average Annual Returns (%)[1] (as of 12/31/17)

	QTD	YTD	1 yr	3 yr	5 yr	Since Incpt.[2]
SSOVX (Class N)	1.61	16.55	16.55	—	—	11.93
SSOLX (Class I)	1.68	16.93	16.93	—	—	12.25
MSCI All Country World Index	5.73	23.97	23.97	9.30	10.80	19.65
MSCI All Country World Index SMID Cap	5.83	24.18	24.18	10.21	11.78	20.02

SSOVX (Class N) Expense Ratio (Gross/Net)[3]: 1.65%/1.57%
SSOLX (Class I) Expense Ratio (Gross/Net)[3]: 1.40%/1.32%

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 SouthernSun Global Opportunities Fund** (Class N) returned 1.61% for the fourth quarter of 2017, compared with 5.73% for its primary benchmark, the MSCI All Country World Index. For the 12 months ending December 31, 2017, the Fund returned 16.55%, while the benchmark returned 23.97%. Please note that this Fund has multiple share classes.

While there is nothing magical about the end of the calendar year, it can offer a time for reflection on the events of the previous twelve months. In 2017, the U.S. equity markets continued their march upward led, in part, by outperformance in the technology sector. We continued to engage regularly with our portfolio companies and our observations have led to favorable outlooks for several of our industrial businesses. We have observed customer-led innovation, technology and innovation applied in businesses that have traditionally resisted it, and what should be improving conditions for reinvestment by industrial-related businesses, driven largely by tax reform and accelerated depreciation. We have also noted the organic growth that several of our companies have reported recently, and assert that they are reporting organic growth with both consistency and frequency not seen in our portfolio in several years. Additionally, improving global purchasing manager index metrics and an increase in industrial landfill volumes may bode well for activity at these businesses.

We are pleased with the current positioning of the Fund. Our largest allocation remains in the producer durables sector and we believe that we have emerged from the industrial recession that commenced in late 2014 with the collapse in oil prices and other commodities. We contend that our businesses' financial strength allowed many of them to allocate capital during the trough of their business cycle and that they are now poised to reap the benefits of those investments. We look to construct portfolios of businesses that possess scale, drive consolidation and demonstrate pricing power and believe that the combination of these characteristics along with an industrial recovery positions the Fund to perform well in the coming year. We believe that the new names that we have added recently bring with them proven capabilities in areas such as distribution and brand strength that strengthen the Fund further.

Stock selection in the industrials and consumer discretionary sectors, led by The Brink's Company (BCO) and De'Longhi, S.p.A. (DLG), respectively, drove most of the underperformance in the period. This was offset, in part, by stock selection in the financials sector led by Discover Financial Services (DFS) and an underweight allocation to the health care sector.

P/F Bakkafrost (BAKKA), a salmon producer and processor located in the Faroe Islands, was the leading detractor from performance on a relative basis in the period. BAKKA controls roughly 60% of the water suitable for fish farming in the Faroe Islands which we contend gives it access to optimal water temperatures, favorable currents and the ability to mitigate the spread of disease. We believe that the company invests continually in projects that lower costs, improve product quality and strengthen its brand. The markets for BAKKA's salmon include Russia, Western Europe and North America. We believe the company benefited from lower global supply throughout most of 2016 due to illness in fish populations in other geographies, allowing it to achieve higher pricing for its salmon. More recently, some of this supply has returned, putting pressure on global salmon pricing. We believe that the recent capital allocation decisions made by BAKKA's tenured management team with regard to its balance sheet and the upgrading and expansion of its processing facilities provide the company competitive advantages.

The Brink's Company (BCO), a global provider of logistics and security services for the transport of cash and other valuables, was another leading detractor from performance on a relative basis in the period. The company's customers include banks and other financial institutions, retailers, jewelers and government agencies. In 2016, BCO derived approximately 75% of its revenue outside of the U.S. with France, Mexico and Brazil generating substantial revenue. Competitors include G4S plc, Loomis AB and Prosegur. In our view, the company is in the midst of a turnaround and management is building credibility with us and with other

[1] Returns for periods less than one year are not annualized.
[2] Since the inception of the Fund on July 11, 2016.
[3] The Fund's investment manager has contractually agreed, through at least February 1, 2018, 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.

investors. BCO replaced its management team in 2016 and we have met with the new executives to discuss their strategy. We believe that the new leadership is taking decisive actions—including assigning senior executives to oversee turnarounds in specific global regions, rebuilding the salesforce and calling on major customers, and identifying global margin improvement opportunities. We maintain conviction in this holding and will continue to assess the new management and monitor the progress of these turnaround initiatives going forward.

Polaris Industries, Inc. (PII) was the leading contributor to performance on a relative basis in the period. PII designs, engineers, manufactures and markets snowmobiles, off-road vehicles ("ORV"), motorcycles and other small vehicles in the United States, Canada and Western Europe. We believe that PII continues to build on a track record of innovation and market leadership and has demonstrated acumen in capital allocation. PII currently maintains a market share in the ORV market of more than twice its nearest competitor, and we believe that the company is on track to achieve its long-term growth and profit improvement goals through organic growth and acquisitions. We have monitored PII's recent "bolt-on" acquisitions and extension of its credit facilities with interest. We remain confident in senior management and believe that the company's historic emphasis on research, development and innovation remains a factor that differentiates PII competitively. The positive stock price performance in the period coincided with a quarterly earnings release which reported double-digit sales growth, market share gains in ORV, growth in Indian motorcycle sales against the backdrop of weak industry numbers and the continued integration of the Transamerican Parts acquisition. We maintained our position in the stock.

Localiza Rent A Car S.A. (RENT3), a rental car company operating largely in Brazil, was another leading contributor to performance on a relative basis in the period. The company holds approximately 45% market share in Brazil where it competes against several local firms and American rental car companies. We believe that its scale as a major purchaser of automobiles in Brazil has led to an advantage in purchasing power for RENT3. The company operates stores on-premise at airports and at off-premise locations, serving both business and leisure customers. It operates a used car subsidiary, which we contend enables the efficient liquidation of its rental fleet, often after one year versus the standard industry practice of three years. RENT3 has historically maintained a de-levered balance sheet and we assert that this, along with its fleet management, has contributed to attractive returns on total capital during recent inflationary periods in Brazil. We believe that its management team's capital allocation decisions have created value while increasing market share over time.

While we have paused recently to reflect on the past, we remain excited about the future at SouthernSun. The majority of our investment team has worked together for close to a decade and we believe that this tenure leads to increased collaboration as we manage portfolios and search for new investment ideas. The signs that we have noted of an industrial recovery may provide a tailwind for a fund that has maintained historical overweight allocations to the producer durables sector. We contend that management teams, whether new or tenured, are rightly fitted and meeting the challenges and opportunities facing their businesses. We are also pleased that the intersection of our research and individual company valuations has provided new investment opportunities.

The views expressed represent the opinions of SouthernSun Asset Management, LLC as of December 31, 2017, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

Top Ten Holdings (%)[4] (as of 09/30/17)

Holding	% of Net Assets
Darling Ingredients Inc	5.97
Centene Corp	5.62
Brink's Co	5.23
Clean Harbors Inc	5.14
SKF AB, Class B	4.94
Polaris Industries Inc	4.89
Western Union Co	4.88
Newfield Exploration Co	4.77
Bakkafrost P/F	4.60
De'Longhi SpA	4.50
TOTAL %	50.54

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.

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.

The Fund is subject to risks associated with investments in small-capitalization companies, such as erratic earnings patterns, competitive

[4] 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.

conditions, limited earnings history and a reliance on one or a limited number of products.

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 currency risk resulting from fluctuations in exchange rates that may affect the total loss or gain on a non-U.S. Dollar investment when converted back to U.S. Dollars.

The Fund may invest in derivatives such as options and futures; the complexity and rapidly changing structure of derivatives markets may increase the possibility of market losses.

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.

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.

A short-term redemption fee of 2% will be charged on redemptions of Fund shares held for less than 60 days.

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.

The MSCI All Country World Index (ACWI) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 23 developed and 24 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. Please go to msci.com for most current list of countries represented by the index.

The MSCI ACWI SMID Cap captures mid and small cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the U.K. and the U.S. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Russia, Qatar, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. Please go to msci.com for most current list of countries represented by the index.

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

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