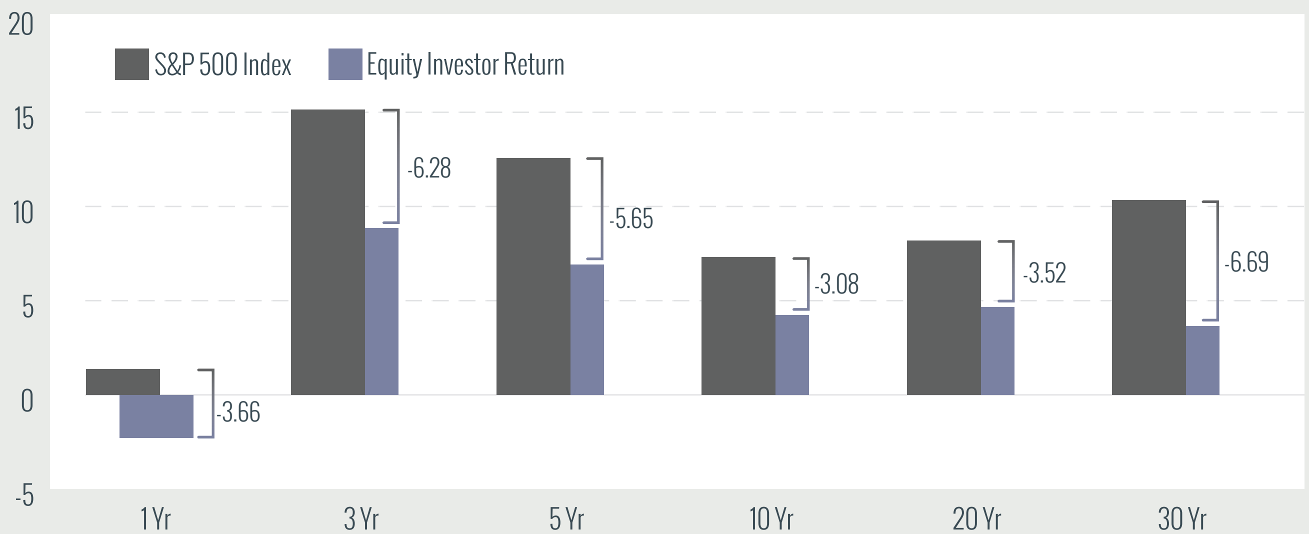
The Perils of Actively Managing an Active Manager

Why long-term investing may lead to long-term outperformance

On average, investors define long-term investments as 9 years, and although 85% of investors claim to have a long-term outlook regarding investments[1], the average equity mutual fund investment is kept only 3.46 years[2]. Furthermore, equity mutual fund retention rates tend to fluctuate over time, increasing during prolonged bull markets and dropping after a market pullback. As a result, the average investor in one of these funds has underperformed the S&P 500 Index by 3.52%[2], potentially due to investors making emotionally based buy and sell decisions. Assuming an initial $10,000 investment, the equity fund investor's underperformance amounts to more than $23,000 ($24,914 for the equity mutual fund investor vs. $48,277 for the S&P 500 Index)! This behavior may indicate that investors are attempting to actively manage their equity fund investments, with detrimental results.

Average Equity Investor Returns

Consistent Underperformance



Source: Dalbar 2016 Quantitative Analysis of Investor Behavior. Past performance is no guarantee of future results.

Returns are for the period ending December 31, 2015. Average equity investor performance results are calculated using data supplied by the Investment Company Institute. Investor returns are represented by the change in total mutual fund assets after excluding sales, redemptions and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses and any other costs. After calculating investor returns in dollar terms, two percentages are calculated for the period examined: Total investor return rate and annualized investor return rate. Total return rate is determined by calculating the investor return dollars as a percentage of the net of the sales, redemptions and exchanges for each period.

[1] AMG Funds Wealth Management Trends in America, a survey of nearly 1,000 investors with a minimum of $250k in investible assets.

[2] Source: Dalbar 2016 Quantitative Analysis of Investor Behavior. Based on 20 years ending December 31, 2015.

Experienced managers may be poised to outperform

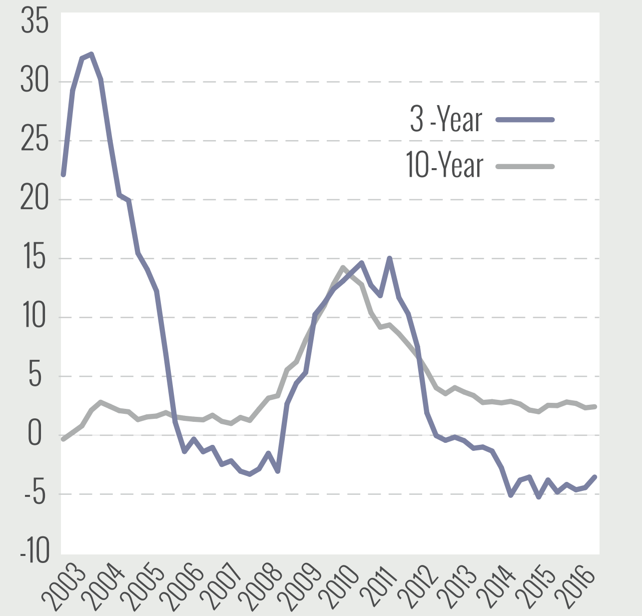
In order to maximize profits through market timing, a long-term investor must be right not once, but twice—determining when to get out of the market and determining when to get back in. Active managers with experience navigating multiple market cycles may be better positioned to determine appropriate times to enter and exit the market. Based on a 20-year period ending June 30, 2016, the median long-tenured, actively managed large-cap fund has outperformed the S&P 500 Index 61% of the time[1].

Yacktman Asset Management, subadvisor for AMG Yacktman Fund (YACKX) and AMG Yacktman Focused Fund (YAFFX), has over two decades of experience investing in U.S. equities.

The chart to the right illustrates an AMG Yacktman Fund investors' over or under performance versus the S&P 500 Index based on a rolling 3- or 10-year investment. The 3-year AMG Yacktman Fund investors' outcomes were inconsistent, outperforming the benchmark 50% of the time (29 out of 58 rolling 3-year periods). The 10-year AMG Yacktman Fund investor was rewarded for her patience and outperformed the benchmark 98% of the time (57 out of 58 rolling 10-year periods). Long-term AMG Yacktman Fund investors have benefitted from their investment discipline and patience.

Long-term outperformance of the AMG Yacktman Fund

When it comes to investing, patience has been rewarded



As of December 31, 2016. The chart above displays over/under performance vs. S&P 500 Index for the AMG Yacktman Fund (YACKX). The performance figures for YACKX and the S&P 500 Index are calculated using quarterly returns on a rolling 3- and 10-year basis. Past performance is no guarantee of future results.

AMG Yacktman Fund: A track record of long-term outperformance

A long-term investment in the AMG Yacktman Fund is consistent with Yacktman's investment philosophy. Yacktman maintains a long-term investment approach, attempting to identify companies with low purchase prices, good long-term businesses and shareholder-oriented management teams. Yacktman's focus on outperforming over full market cycles has produced strong results, with lower volatility than that of the market[2], across a variety of long-term market environments including from market-peak to market-peak, market-trough to market-peak and market-trough to market-trough. Since 2000 we have had five such distinct periods:

Market Peak to Peak

Description	March 27, 2000 to October 9, 2007			October 10, 2007 to December 31, 2016		
	Annualized Return	Annualized Standard Deviation[3]	Sharpe Ratio[4]	Annualized Return	Annualized Standard Deviation[3]	Sharpe Ratio[4]
AMG Yacktman Fund (YACKX)	14.71	12.88	1.05	9.41	18.62	0.59
AMG Yacktman Focused Fund (YAFFX)	15.62	12.58	1.16	9.82	19.30	0.60
S&P 500 Index	2.00	17.62	-0.09	6.22	21.71	0.42

Market Trough to Peak

Description	October 10, 2002 to October 9, 2008	March 10, 2009 to December 31, 2016
	Annualized Return	Annualized Return
AMG Yacktman Fund (YACKX)	16.45	20.44
AMG Yacktman Focused Fund (YAFFX)	16.14	20.22
S&P 500 Index	17.09	18.98

Market Trough to Trough

Description	October 10, 2002 to March 9, 2009
	Annualized Return
AMG Yacktman Fund (YACKX)	2.17
AMG Yacktman Focused Fund (YAFFX)	2.74
S&P 500 Index	-0.20

Source: Standard and Poors, FactSet
As of December 31, 2016. The performance data shown represents past performance. Past performance is not a guarantee of future results.

[1] Source: AMG Funds: When Active Management Matters Most. Based on median actively managed large-cap funds, with manager tenure of greater than 10 years (longest-tenured portfolio manager), annualized three-year rolling returns (with a quarterly frequency) over the 20-year period ending December 31, 2016 against the S&P 500 Index returns.

[2] As defined by standard deviation of returns of the Yacktman Funds relative to the standard deviation of the S&P 500 Index.

[3] Standard deviation is a statistical measure of the range of a portfolio's performance based on a normal distribution. Ninety-five percent of the instances will fall within two standard deviations above and below the mean.

[4] The Sharpe ratio is designed to show the reward per unit of risk. The Sharpe ratio is calculated as excess return over the 3-month T-Bill divided by the standard deviation. The higher the Sharpe ratio, the better the portfolio's historical risk-adjusted performance. The calculation is based on monthly returns from April 1, 2000 to October 1, 2007 and November 1, 2007 to December 31, 2016.

Historically, Yackman's investment style has been more rewarding during periods of market volatility. During the most recent period of market volatility, which began in July of 2015, the AMG Yacktman Fund delivered results, outperforming the S&P 500 Index by 1.9% (July 1, 2015–June 30, 2016).

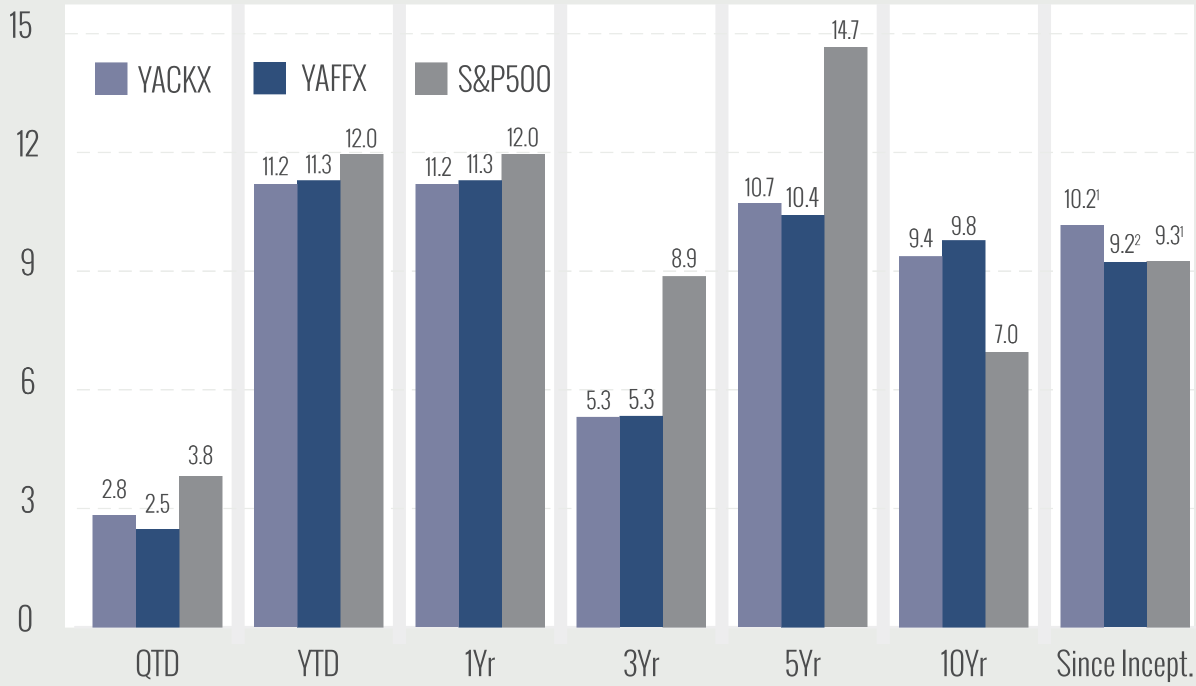
Yacktman Asset Management has a proven track record, experience investing through multiple market cycles, and a reputation for sticking with their discipline–even when it may be less popular. This stability and consistency remains a hallmark of their investment strategy and is key to the well-earned reputation they have today.

Performance in a volatile market: July 1, 2015 - June 30, 2016

Description	Return (%)
AMG Yacktman Fund (YACKX)	5.92
AMG Yacktman Focused Fund (YAFFX)	7.05
S&P 500 Index Total Return	3.99
Average Morningstar Large Blend Fund	-0.42

AMG Yacktman Fund

Average annual returns (%)



Total Operating Expense Ratio (Gross/Net): 0.74%/0.74% and 1.25%/1.25% for the AMG Yacktman Fund (YACKX) and AMG Yacktman Focused Fund (YAFFX) respectively.

As of December 31, 2016.

[1] Since inception of YACKX on July 6, 1992.

[2] Since inception of YAFFX on May 1, 1997.

Returns for periods greater than one year are annualized. The performance information shown for periods prior to June 29, 2012 is that of the predecessors to the Funds, the Yacktman Fund and the Yacktman Focused Fund, which were reorganized into the Funds on June 29, 2012, and were managed by Yacktman Asset Management LP with the same investment objective and substantially similar investment policies as those of the Funds.

The performance data shown represents past performance. Past performance is not a 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 www.amgfunds.com.

About AMG Funds

AMG Funds provides access to premier asset managers through a **unique partnership** where the investment managers are truly independent.

AMG Funds is not beholden to a single investment approach or a single manager in delivering quality investment solutions. This **innovative approach** leverages each manager's specific expertise to deliver products that cover the complete asset class spectrum.

Delivering the talents of all of these portfolio managers under a consolidated platform allows AMG Funds to offer **unmatched access** to specialized investment expertise.

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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 visit www.amgfunds.com for a free prospectus. Read it carefully before investing or sending money.

A short-term redemption fee of 2% will be charged on redemptions of Fund shares within 60 days of purchase.

The Funds are 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.

High-yield bonds (also known as "junk bonds") are subject to additional risks such as the risk of default.

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 Funds can invest in securities of different market capitalizations (small-, mid- and large-capitalizations) and styles (growth vs. value), each of which will react differently to various market movements.

A greater percentage of the AMG Yacktman Focused 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.

The AMG Yacktman Focused Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance.

The S&P 500 Index is a 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. Unlike the Fund, the S&P 500 Index is unmanaged, is not available for investment and does not incur expenses.

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

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