AMG Beutel Goodman International Equity Fund[1]

COMMENTARY ASSET CLASS | INTERNATIONAL EQUITY

Class N | APINX Class I | APCTX Class Z | APCZX

BEUTEL GOODMAN Investment Counsel

Average Annual Returns (%)[2] (as of 06/30/21)

	Q2	YTD	1 yr	3 yr	5 yr	Since Incpt
APINX (Class N)	5.37	10.91	42.20	5.74	8.92	5.09[3]
APCTX (Class I)	5.44	11.19	42.66	6.05	9.22	5.40[3]
APCZX (Class Z)	5.46	11.22	42.77	6.19	—	5.37[4]
MSCI EAFE Index	5.17	8.83	32.35	8.27	10.28	5.55[3]

APINX (Class N) Expense Ratio (Gross/Net)[5]: 1.22%/1.16%
APCTX (Class I) Expense Ratio (Gross/Net)[5]: 0.92%/0.86%
APCZX (Class Z) Expense Ratio (Gross/Net)[5]: 0.82%/0.76%

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and 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. Current performance of the Portfolio may be lower or higher than the performance quoted. 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 Beutel Goodman International Equity Fund** (Class N) returned 5.37% during the second quarter, modestly outpacing the 5.17% return for the MSCI EAFE Index. For the 12 months ending June 30, 2021, the Fund returned 42.20%, compared with a return of 32.35% for the Index.

Investment Results

The annual inflation rate in the U.S. has, as expected, been rising steadily since March 2021, which is partly attributable to the pandemic and resultant lockdowns in March and April 2020, where prices fell significantly, providing a very low base from which to compare current pricing levels. There may be concern that inflation is running hotter than expected, though equity markets continue to post strong returns. The months ahead will confirm whether we are truly on the path to a healthy recovery. Against this backdrop the MSCI EAFE Index returned 5.17%.

The portfolio outperformed the benchmark over the period. From a relative perspective, strong stock selection in the industrials and consumer discretionary sectors and both allocation and selection effects in the health care and financials sectors were the primary contributors to outperformance. This was partially offset by both stock selection and an overweight to the communication services sector.

The main contributors on an absolute-return basis included IMI plc, Carlsberg A/S and Atea ASA. IMI performed strongly after increasing its full-year guidance and announcing a stock buyback, as well as providing strong long-term margin guidance. Carlsberg posted quarterly results that showed continued organic revenue growth. The company is also continuing its capital return program while maintaining quite low financial leverage. Atea outperformed as the company reported revenue that was significantly higher than 2020, which is understandable given that the pandemic suppressed numbers well beyond what would be normal. Profits for this past quarter, however, are also significantly higher than the same period in 2019, and the company continues to deliver on improving the results of its operations in Denmark.

The most significant detractors on an absolute basis were TGS-NOPEC Geophysical Company ASA, Koninklijke KPN N.V. and Hakuhodo DY Holdings. TGS underperformed the market despite posting its first quarterly results with positive free cash flow since the pandemic began, as a downgrade to full-year guidance weighed on the stock. KPN's move to reject two unsolicited takeover bids during the quarter dragged the stock lower as investors contemplated the standalone equity story. Hakuhodo underperformed as their full year results displayed the (expected) impact of the pandemic on the company's short-term performance, as billings in all segments were lower than the previous year.

[1] As of March 19, 2021, the Fund's subadvisor was changed to Beutel, Goodman & Company Ltd. Prior to March 19, 2021, the Fund was known as the AMG Managers Pictet International Fund, and had different principal investment strategies and corresponding risks. Performance shown for periods prior to March 19, 2021, reflects the performance and investment strategies of the Fund's previous subadvisor, Pictet Asset Management Limited. The Fund's past performance would have been different if the Fund were managed by the current subadvisor and strategy, and the Fund's prior performance record might be less pertinent for investors considering whether to purchase shares of the Fund.

[2] Returns for periods less than one year are not annualized.

[3] Since the inception of the Class N and Class I shares on April 14, 2014.

[4] Since the inception of the Class Z shares on September 29, 2017.

[5] The Fund's Investment Manager has contractually agreed, through March 1, 2023, 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.

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Activity

During the quarter we initiated a new position in ITV plc. ITV is one of the UK's public service broadcasters alongside the BBC and Channel 4. The network is known for its iconic media franchises such as *Coronation Street*, *I'm a Celebrity...Get Me Out of Here!*, *The Voice*, and *Love Island*, and has a growing presence in scripted drama. It commissions the majority of its content from its integrated studios business, which has grown to now represent around half of total sales and boasts a global client base of other free-to-air broadcasters, cable/satellite pay-tv providers, and subscription streaming services. The company has a strong position in broadcasting with a dominant share of the UK's biggest audiences, but its fate is not tied to the decline of linear television. Rather, it can, and has, pivoted into a growing number of opportunities to monetize its diverse portfolio of content.

We also added to our positions in Smith & Nephew plc, KPN, Atea, TGS, Shionogi & Company, Ltd., and Smiths Group plc.

Stock prices of Akzo Nobel NV, IMI and EssilorLuxottica SA reached our target prices and as a result we conducted process-driven one-third sales in those positions. We also trimmed our stakes in DBS Group Holdings Ltd., Julius Baer Gruppe AG, Compagnie Générale des Établissements Michelin, Hakuhodo DY Holdings Inc., BASF SE, and HeidelbergCement AG. Finally, we also fully exited our position in TE Connectivity Ltd.

Outlook

After a significant period of outperformance for value stocks, growth outperformed value in the second quarter. While market observers may find that interesting, it simply serves to remind us of why we focus on our process and the companies in our portfolios instead of trying to forecast themes or time the markets. The market tug-of-war between growth and value is not interesting to us and not important. Given our unique approach, our portfolios will never fit neatly into a predetermined bucket. The recent market-defined value rally was, in our view, driven by a rebound in lower-quality companies and barely touched what we define as value stocks. Many of our largest holdings are only now trading at levels that approach where they were pre-pandemic in terms of market price. While the market has gotten more expensive, our biggest holdings remain undervalued relative to our targets.

The valuation gap between our portfolio and the broader market remains attractive, affording the portfolio good downside protection and room for significant capital appreciation. Over the quarter, a number of our holdings reached our target prices, leading to subsequent one-third sales and a recycling of funds from fully valued companies into others with more attractive valuations. Our focus on our process allows us to remain disciplined in searching out opportunities to own great companies trading at a deep discount to our estimate of their intrinsic value, which is what we believe will lead to the long-term success of our unit holders. Regardless of whether growth or value outperforms in any given quarter, that will never change.

The views expressed represent the opinions of Beutel, Goodman & Company Ltd. as of June 30, 2021, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

Top Ten Holdings (%)[6] (as of 06/30/21)

Holding	% of Net Assets
Carlsberg AS	4.76
Ampol Ltd	4.68
Smiths Group PLC	4.39
Koninklijke KPN NV	4.33
GlaxoSmithKline PLC	4.28
Konecranes Oyj, Class A	4.25
Atea ASA	4.23
IMI PLC	4.21
dormakaba Holding AG	3.95
Shionogi & Co Ltd	3.90
TOTAL %	42.98

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 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.

[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.

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 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 risks associated with investments in small-capitalization companies, such as erratic earnings patterns, competitive conditions, limited earnings history, and a reliance on one or a limited number of products.

Market prices of investments held by the Fund may fall rapidly or unpredictably due to a variety of economic or political factors, market conditions, disasters or public health issues, or in response to events that affect particular industries or companies.

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.

The Fund invests in large-capitalization companies that may underperform other stock funds (such as funds that focus on small- and medium-capitalization companies) when stocks of large-capitalization companies are out of favor.

Companies that are in similar industry sectors 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 MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada. Please go to msci.com for the most current list of countries represented by the index.

Unlike the Fund, 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.

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