Q3 | 2021 AMG GW&K Global Allocation Fund[1]

COMMENTARY ASSET CLASS | ALLOCATION

Class N | MBEAX Class I | MBESX Class Z | MBEYX

GW&K INVESTMENT MANAGEMENT

Average Annual Returns (%)[2] (as of 09/30/21)

	Q3	YTD	1 yr	3 yr	5 yr	10 yr	Since Incpt.
MBEAX (Class N)	-3.07	0.27	12.76	7.91	9.46	9.71	8.11[3]
MBESX (Class I)	-3.04	0.40	12.92	8.08	9.63	-	9.19[4]
MBEYX (Class Z)	-3.04	0.43	13.04	8.17	9.74	9.99	8.47[3]
60% MSCI ACWI/40% Bloomberg Global Aggregate Bond	-1.05	11.12	27.44	12.58	13.20	11.90	-

MBEAX (Class N) Expense Ratio (Gross/Net)[5]: 1.19%/1.06%
MBESX (Class I) Expense Ratio (Gross/Net)[5]: 1.04%/0.91%
MBEYX (Class Z) Expense Ratio (Gross/Net)[5]: 0.94%/0.81%

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 GW&K Global Allocation Fund** (Class N) returned -3.07% for the third quarter of 2021, compared with -0.96% for its 60/40 blended benchmark. For the 12 months ended September 30, 2021, the Fund returned 12.76% versus 15.41% for the Index. Please note that this Fund has multiple share classes.

Asset Allocation

The asset allocation framework for the Fund continues to favor equities over fixed income. At the end of September the equity/fixed income asset allocation stood at 75%/25%. That was unchanged compared to the end of the previous quarter. The allocation reflects the our judgment that equities are likely to continue to outperform bonds in coming quarters, continuing the trend seen since the sharp selloff in response to the pandemic in the first quarter of 2020.

The tilt toward equities is based on both quantitative and qualitative judgments. First, relative asset-class valuations continue to favor equities, with almost all developed nations' government bonds offering negative yields in inflation-adjusted terms. Second, we continue to believe that the severe global recession triggered by the coronavirus pandemic ended in the second quarter of 2020. Despite a recent slowing of global growth associated with the rise of the Delta variant, we believe that the most likely scenario for the global economy is continued expansion for the next several years. Third, we expect most governments to maintain pro-growth policies, which should be favorable for both corporate earnings and risk assets. A challenge to this view in the third quarter came from the Fed's September FOMC meeting, which came against a backdrop of persistently high inflation and ongoing global supply-chain disruptions. This meeting set the stage for tapering of the Fed's asset purchase program to be announced in November and be finished by mid-2022. The members signaled that a rate hiking cycle may commence in the second half of 2022 and that the federal funds rate could reach 1.75% by the end of 2024. In our view, that still counts as a dovish policy stance even if it can no longer be considered ultra-dovish. The continuation of mass immunization programs in most major nations also supports a constructive view of global growth prospects.

A key valuation metric for global equities is the long-term earnings yield of the MSCI All-Country World Index (MSCI ACWI). That stood at 3.8% at the end of September, and is based on the inverse of the corresponding Shiller PE ratio of 26.1 times. By way of comparison, the long-term earnings yield of MSCI ACWI has averaged 5.1% since 2005, corresponding to an average Shiller PE ratio of 19.4 times. Those figures suggest that equities are somewhat expensive relative to their own history.

[1] As of April 17, 2020, the Fund's subadvisor was changed to GW&K Investment Management, LLC. Prior to April 17, 2020, the Fund was known as the AMG Chicago Equity Partners Balanced Fund, and had different principal investment strategies and corresponding risks. Performance shown for periods prior to April 17, 2020 reflects the performance and investment strategies of the Fund's previous subadvisor, Chicago Equity Partners, LLC. 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 Fund's Class N and Class Z shares on January 2, 1997.
[4] Since the inception of the Fund's Class I shares on November 30, 2012.
[5] The Fund's Investment Manager has contractually agreed, through at least May 1, 2022, 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.

For asset allocation purposes, however, a relevant comparison of the long-term earnings yield is to the real yield of U.S. Treasuries. At the end of September the yield on 10-Year U.S. Treasury inflation-protected securities (TIPS) stood at -0.9%. The gap between the long-term earnings yield of 3.8% for global equities and -0.9% for TIPS suggests the potential for global equities to outperform bonds by about 4.7% per annum over the next five to ten years.

In short, investors continue to have strong incentives to favor equities over fixed income, notwithstanding the potential for greater volatility in equities. Key risks would be if the broad-based economic recovery that is evident in global economic data gives way to renewed economic weakness or if government policies were to turn significantly more restrictive in response to stubbornly high inflation. Those risks will be monitored carefully, but we currently believe such risks to be low enough to justify a significant tilt toward equities.

Equity

The Fund's equity component underperformed its benchmark due primarily to stock selection. From a regional standpoint, stock selection in the U.S. and Western Europe was positive, but this was more than offset by an overweight allocation to the underperforming Asia region, particularly China, along with negative security selection in China and India.

The Strategy was negatively affected by the regulatory crackdown on select industries in China, particularly private and after-school tutoring and the casino industry. Sands China Ltd. accounted for over half of the underperformance, as the shares declined -51% on potential changes to Macao casino license terms. The industry has gone through regulatory changes in the past, and we are confident that the investments Sands China has made in hotel, retail, and convention space align with the Chinese government's objectives. TAL Education Group fell sharply, as proposed after-school tutoring regulations will shift the business to a nonprofit status. The stock's decline accounted for 35% of underperformance during the quarter. Given the uncertainty around the economics of the business going forward, we exited the position.

Consumer discretionary was the worst performing sector due to developments in China. All other sectors contributed positively except energy and technology, which had modest impact. In addition to TAL and Sands China Ltd., ecommerce giant Alibaba Group Holding Ltd. was also weak on slower sales and the potential financial impact of Beijing's regulatory offensive. On the positive side, industrials was the top sector, led by Japan's MISUMU Group Inc., which returned 26%, and US-based Casella Waste Systems, Inc., which returned 20%. Utilities contributed positively, thanks to NextEra Energy, Inc. (US) a leader in wind and solar energy.

Fixed Income

Fixed income markets were essentially unchanged in the third quarter despite a steady succession of headlines related to COVID-19, geopolitics, and price increases. Bond investors' largely sanguine response to these challenges suggests they have been able to look beyond near-term headwinds toward the next stage of the recovery. The Treasury sector narrowly posted a positive return but still sits decisively in negative territory for the year. The yield curve experienced a slight flattening in response to an incrementally hawkish stance from the FOMC. Corporate bond spreads continued to trade in a tight range and closed the period just a few basis points above historic lows, as robust cash generation and investors' fervent demand for yield have kept a ceiling on spreads. Mortgage-backed securities slightly outperformed Treasuries, benefiting from superior carry, reduced taper uncertainty, and slower-than-anticipated prepayments speeds.

The performance of the fixed income sleeve was slightly ahead of its benchmark. It benefited from the positive impact of country and sector allocations, but these were largely offset by the negative impact of yield curve positioning. The portfolio outperformed by 11 basis points, returning 0.20% vs. 0.09% for the Bloomberg Global Aggregate Index. (Note: Index returns are provided on a hedged basis because substantially all of the Fund's fixed income holdings are dollar-denominated; currency effect had a positive 97 basis point impact on relative performance on an unhedged basis.)

The fixed income portfolio is positioned to benefit from a continuation of the global recovery. Its duration remains shorter than its benchmark given that we think rates are likely to be biased to the upside. With respect to yield curve positioning, we are underweight the long end in favor of intermediate maturities, which are less exposed to the impact of rising inflation expectations and offer more attractive carry and roll. In terms of sector allocation, we see value in credit on accommodative financial conditions and an upbeat profit outlook for US corporates. Regionally, 38% of our holdings' revenue is derived from outside the U.S. to improve portfolio diversification and expand the universe of investment opportunities.

The views expressed represent the opinions of GW&K Investment Management as of September 30, 2021, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

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.

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.

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. These risks are magnified in emerging markets.

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.

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.

The Fund's investments may not be allocated in the best-performing asset classes.

The benchmark is composed of 60% MSCI All-Country World Index and 40% Bloomberg Global Aggregate Bond Index. 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. Please go to msci.com for the most current list of countries represented by the index. All MSCI data is provided "as is." The products described herein are not sponsored or endorsed and have not been reviewed or passed on by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the products described herein. Copying or redistributing the MSCI data is strictly prohibited. All holdings and sector/region allocations are subject to review and adjustment in accordance with the Portfolio's investment strategy and may vary in the future, and should not be considered recommendations to buy or sell any security. The Bloomberg Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The Index also includes euro-dollar and euro-yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities.

"Bloomberg®" and Bloomberg Global Aggregate Bond Index are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by AMG Funds LLC. Bloomberg is not affiliated with AMG Funds LLC, and Bloomberg does not approve, endorse, review, or recommend the AMG GW&K Global Allocation Fund. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the AMG GW&K Global Allocation Fund.

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

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

093021 FC167