Q3 | 2019 AMG Managers DoubleLine Core Plus Bond Fund

COMMENTARY | ASSET CLASS | FIXED INCOME

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

DoubleLine

Average Annual Returns (%)[1] (as of 09/30/19)

	QTD	YTD	1 yr	3 yr	5 yr	10 yr	Since Incpt.
ADBLX (Class N)	1.18	7.35	7.76	3.01	3.22	—	4.41[2]
ADLIX (Class I)	1.24	7.55	7.93	3.27	3.47	—	4.66[2]
ADZIX (Class Z)	1.26	7.60	8.10	—	—	—	3.84[3]
Bloomberg Barclays U.S. Aggregate Bond Index	2.27	8.52	10.30	2.92	3.38	3.75	3.29[2]

ADBLX (Class N) Expense Ratio (Gross/Net)[4]: 1.04%/0.97%
ADLIX (Class I) Expense Ratio (Gross/Net)[4]: 0.79%/0.72%
ADZIX (Class Z) Expense Ratio (Gross/Net)[4]: 0.71%/0.64%

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 1.18% during the third quarter, compared with the Bloomberg Barclays U.S. Aggregate Bond Index which returned 2.27%. For the 12 months ended September 30, 2019, the Fund returned 7.76%, trailing the benchmark's return of 10.30%.

Market Overview and Outlook

Asset class returns were mixed in the third quarter of 2019, as the U.S. Federal Reserve (Fed) and the European Central Bank (ECB) eased monetary policy in response to slowing economic data and geopolitical uncertainties. The S&P 500® Index returned 1.7% for the quarter, with large dispersions between the best and worst performing sectors. Utilities led the way, returning 9.3% for the quarter, while energy was the laggard, down -6.2%. Bonds rallied with U.S. credit advancing 3.0%, as measured by the Bloomberg Barclays U.S. Corporate Index. The yield on the 10-year U.S. Treasury (UST) closed the quarter at 1.66%, down -34 basis points (bps) from the end of the second quarter of 2019, and also down -102 bps year-to-date (YTD). Across the globe, rates continued to rally while the market value of negative yielding debt hit an all-time high of over $17 trillion at the end of August.[5]

Coming off the last Federal Open Market Committee (FOMC) meeting, Fed Chairman Jerome Powell referred to July's 25 bp cut in the federal funds rate as a "mid-cycle adjustment to policy."[6] In September's meeting, a further 25 bp cut in the federal funds rate was announced, signaling the FOMC's willingness to respond to ongoing trade policy tension, weakening economic data, and an inflation rate still below the Fed's stated 2% target, as measured by personal consumption expenditures (PCEs). When Chairman Powell was asked if this was still a "mid-cycle adjustment," he alluded to the possibility of further rate cuts by stating "If the economy does turn down, then a more extensive sequence of rate cuts could be appropriate." The majority of market participants believe that the Fed needs to implement more cuts, with 70% expecting another 25 bps cut in the federal funds rate by year-end, as measured by Bloomberg's World Interest Rate Probabilities (WIRP) function as of September 30, 2019. This contrasts with the Fed's median "Dot Plot," which forecasts no further changes to the rate for the remainder of 2019.

The Fed stepped in to act as the liquidity-provider-of-last-resort for the first time since 2009. The overnight repo market showed signs of stress as short-term lending rates spiked to as high as 10% in mid-September, prompting the Fed to inject $50 billion of excess reserves to relieve the liquidity squeeze. Chairman Powell chalked up the funding pressures to "funds flowing from the private sector to the Treasury to meet corporate tax payments and settle purchases of Treasury securities."[7] However, the Fed announced that their actions in the short-term lending market would continue through October 10, potentially alluding to structural issues in the short-term lending markets. The result of the Fed's participation in the short-term lending market has increased the Fed's balance sheet, which it had been shrinking via quantitative tightening through July 2019. October's FOMC meeting could bring an announcement in which the Fed increases its balance sheet to accommodate stress in the short-term lending market, a potential program DoubleLine Capital's CEO Jeffrey Gundlach coined "QE-lite."

In Europe, monetary policy continued to become more accommodative through a series of actions announced on September 12. The ECB decided to decrease deposit rates another 10 bps to -0.50% and ECB President Mario Draghi announced the resumption of quantitative easing of $20 billion per month starting on November 1. TLTRO III (targeted longer-term refinancing operations), announced in June 2019, was adjusted to become more accommodative for banks and will continue for three years as opposed to the originally scheduled two years.

[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, 2020, 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] Bloomberg
[6] Federal Reserve Press Release, July 31, 2019
[7] Chairman Powell's Press Conference, September 18, 2019

A sustained slowdown in manufacturing remained prevalent throughout the quarter. In August, the U.S. Institute for Supply Management (ISM) Purchasing Managers Index (PMI) fell to 49.1, marking the first time U.S. PMI has fallen below 50 since August 2016. A reading below 50 is associated with a contraction in the manufacturing sector. The magnitude of the decline has been significant, as roughly one year ago the U.S. PMI reached a level of 60.8. Eurozone PMI remained in contractionary territory for the seventh consecutive month in August at 47.0. In the United Kingdom (U.K.), manufacturing reached its lowest level since July 2012 as the headline seasonally adjusted U.K. IHS Markit/CIPS PMI fell to 47.4 in August. The China Federation of Logistics & Purchasing (CFLP) Index fell to 49.5 during the month, and has registered below 50 for the fourth consecutive month as ambiguity surrounding a trade deal between the U.S. and China remains a headwind. Fearing further slowdown, the U.S. and China agreed in September to hold high-level trade talks in Washington in early October.

Although manufacturing data is slowing globally, not all economic data is showing signs of weakness. The U.S. non-manufacturing sector continued its expansion compared to global manufacturing, as the ISM Non-Manufacturing Index (NMI) registered a 56.4 reading for the month of August. The NMI received strong support from business activity and new orders. The U.S. labor market and consumers were two components that helped buoy markets during the quarter, with the unemployment rate remaining at 3.7% as labor force participation increased. Average hourly earnings for production workers rose 0.5% month-over-month (MoM), while headline and core retail sales rose for the sixth consecutive month in August to new highs.

In short, the third quarter of the year saw mixed returns across asset classes, as easing measures by many central banks and lower interest rates helped offset concerns over a synchronized global slowdown. Heading into the fourth quarter, DoubleLine believes investors should continue to monitor economic data, geopolitical uncertainties, and global central banks' willingness to remain accommodative.

Performance Review

In the third quarter of 2019, ADLIX underperformed the Bloomberg Barclays U.S. Aggregate Bond Index return of 2.27%. During this period, rates rallied across the U.S Treasury curve amidst an environment of decelerating global growth that ultimately led to the Federal Reserve cutting the federal funds rate by 25 basis points in both July and September. Top performing sectors of the portfolio such as investment grade corporates and U.S. Treasuries benefited from having a longer duration profile than other assets as rates continued to fall. Global bonds had the worst performance due to dollar strengthening over the period while Emerging Market debt also underperformed driven by spread widening in lower quality credits and the underperformance of credits with exposure to Argentina. Despite posting positive returns on the quarter, the remainder of the structured products complex all underperformed the benchmark. Overall, the portfolio continues to maintain more credit risk and a shorter duration than the benchmark.

[8] 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.

The views expressed represent the opinions of DoubleLine Capital as of September 30, 2019, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

Top Ten Holdings (%)[8] (as of 09/30/19)

Holding	Coupon (%)	Maturity	% of Net Assets
DoubleLine Global Bond Fund	—	—	4.38
United States Treasury Note/Bond Fixed	1.75	Nov 2021	1.42
Fannie Mae Pool BC0281	3.50	Mar 2046	1.23
United States Treasury Note/Bond Fixed	2.88	Oct 2021	1.21
United States Treasury Bill Zero Coupon	—	Sep 2020	1.19
United States Treasury Note/Bond Fixed	2.25	Aug 2027	1.07
United States Treasury Note/Bond Fixed	2.63	Feb 2023	1.04
United States Treasury Note/Bond Fixed	2.25	Oct 2024	1.03
Fannie Mae REMICS Fixed	2.00	Aug 2042	1.02
Fannie Mae REMICS Fixed	3.00	May 2046	0.92
TOTAL %			14.51

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 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.

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.

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.

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.

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

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