Q2 | 2021 AMG TimesSquare International Small Cap Fund

COMMENTARY | ASSET CLASS | INTERNATIONAL EQUITY

Class N | TCMPX | Class I | TQTIX | Class Z | TCMIX

TimesSquare Capital Management, LLC

Average Annual Returns (%)[1] (as of 06/30/21)

	Q2	YTD	1 yr	3yr	5 yr	Since Incpt.
TCMPX (Class N)	5.17	4.72	34.85	5.21	10.21	10.27[2]
TQTIX (Class I)	5.16	4.76	35.02	5.38	—	10.25[3]
TCMIX (Class Z)	5.21	4.81	35.08	5.48	10.48	10.50[2]
MSCI EAFE Small Cap Index	4.34	9.04	40.98	8.40	12.03	10.11[2]

TCMPX (Class N) Expense Ratio (Gross/Net): 1.23%/1.23%

TQTIX (Class I) Expense Ratio (Gross/Net): 1.08%/1.08%

TCMIX (Class Z) Expense Ratio (Gross/Net): 0.98%/0.98%

The performance data shown represents past performance. Past performance is no 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 amgfunds.com. From time to time the advisor has waived fees or reimbursed expenses, which may have resulted in higher returns.

The **AMG TimesSquare International Small Cap Fund** (Class N) returned 5.17% for the second quarter of 2021, compared with 4.34% for its benchmark, the MSCI EAFE® Small Cap Index. For the 12-month period ending June 30 30, 2021, the Fund returned 34.85%, compared with the 40.98% return for the Index.

The global equity markets continued to treat the pandemic's initial economic toll as a passing blip. In the second quarter, there were meaningful gains with many indexes approaching—or well into—double-digit gains for the first half of 2021.

For the quarter, U.S. equities led with gains of 8% compared with 5% for both non-U.S. developed and emerging markets equities[4]. There was a shift in market preferences, with greater rewards accruing to the growth and large capitalization indices in the second quarter, compared with the dominance shown by value and small capitalizations earlier in the year.

After a slow start, Europe's vaccine rollout gained pace and the region outperformed within the developed markets. In contrast, Japan's market lagged amongst the developed peers as low vaccination rates and COVID-19 induced government lockdowns constrained domestic consumption and dampened investor sentiment. More recently, the government has improved the ease and accelerated the pace of vaccination ahead of the Tokyo Olympics. Several countries around the world saw concerning case increases due to new strains arising and possibly premature loosening of COVID-19 restrictions.

Quarterly Update

Amidst this environment, the Fund outperformed the MSCI EAFE Small Cap benchmark, driven by stock selection. We benefitted from our positions in the Emerging Markets while Asia/Pacific Ex Japan detracted. Holdings in Europe and Japan performed in line.

Fund Update

Regional Performance: Europe

Our holdings in Europe performed in line with the regional benchmarks; stocks in the United Kingdom and Italy contributed to performance while the Nordic region detracted. Norway-based online meeting platform Pexip reported strong revenue growth on the back of key customer wins. However, its shares declined by -20% as the market took profits on that news and rotated away from work-from-home beneficiaries. Since many businesses have still not returned to the office in the wake of the pandemic, a hybrid working model could be the new normal and Pexip is well positioned to deliver. Moving in a similar direction with a -25% drop was LINK Mobility, a leading pan-European provider of Communication Platforms as a Service (CPaaS). The company reported lighter-than-expected first quarter revenue growth as European lockdowns continued to weigh on business. In addition, LINK Mobility announced the acquisition of Soprano Design, an

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

[2] Since the inception of the Fund's Class N and Class Z shares on January 2, 2013.

[3] Since the inception of the Fund's Class I shares on February 24, 2017.

[4] As represented by the Russell 3000® Index (a market-weighted index of the 3,000 largest U.S. stocks, as determined by FTSE Russell), the MSCI EAFE® Index (a market-weighted index of large and mid-cap stocks in developed markets, excluding the U.S. and Canada, as determined by MSCI Inc.), and the MSCI Emerging Markets Index (a market-weighted index of large and mid-cap stocks in emerging markets, as determined by MSCI Inc.), respectively.

Australia-based CPaaS company. The deal will expand LINK Mobility's geographic footprint to Asia Pacific, the U.S., and Latin America. Generating better returns was Finland-based Valmet, a process technology provider supplying entire production lines to the pulp and paper industry. Valmet's portfolio of solutions includes renewable energy driven power plants to help customers reduce carbon emissions and energy/raw material consumption. Valmet's first quarter earnings beat was due to broad-based positive developments. Management also upgraded its guidance and shares reacted positively with a 20% increase.

Italy-based Amplifon, a leading global hearing aid distributor, climbed 33% as they experienced a gradual demand recovery. The company remains active on the merger and acquisition front - exploring further franchisee acquisitions in the U.S. and a second joint venture in China. Moving in the other direction with a -20% drop was U.K.-based HomeServe, which offers a range of home emergencies services via subscription-based memberships. Within its recent results, the company recognized a one-time CRM (customer relationship management) system write-off driven by their move to a more flexible, cloud based solution. Despite the write-off, the underlying North American Membership and HVAC (heating, ventilation and air conditioning) business posted strong results as they continue to benefit from service calls to newly minted suburban homeowners. New to the Fund and more positive was Future plc, a specialty content publisher transitioning from print to a multichannel online-platform. They own 220 brands/titles and create niche interest, high-quality, branded, and expert-led content. The company reported solid first half results driven by ecommerce and digital ads. Future also announced the acquisition of Marie Claire U.S.; as they already operate Marie Claire U.K., we expect the group to replicate its success in injecting ecommerce into the U.S. publication. Its shares surged 50% on this development. Also strong was U.K. wealth manager St. James Place, which rose 19%. They reported a better-than-expected quarter with the group seeing record inflows, helped by pent-up demand from savings accumulated over the last year.

Regional Performance: Japan

Our Japanese holdings performed in-line with the region but offered some bright spots. In the Health Care sector, leading contact lens manufacturer Menicon climbed 19%. During the quarter, Johnson & Johnson (J&J) and Menicon announced a global collaboration for therapeutic contact lenses. Another holding MedPeer, which provides a community site exclusively for physicians to link up with pharmaceutical companies, fell by -33% we believe due to multiple compression in growth names despite solid execution and firm underlying fundamentals.

Detractors within the Information Technology sector included Elecom, a value-added manufacturer of peripheral products for personal computers, smartphones, tablets, and other electronic devices. Cancellations of trade fairs weighed-on its commercial business and the shares fell -14%. Longer-term, we believe the company is poised to benefit from semi-permanent demand for PCs and peripherals where diffusion rates lag other developed markets. Similarly, Fuji Corp, the global leader in surface-mount technology equipment for printed circuit boards, declined 11% after reporting strong results and an uptick in its order backlog. In this case, the company guidance is calling for a year on year decline in profits which we believe will prove overly conservative over the course of the fiscal year.

Finishing the quarter with a strong recovery was our largest Japanese holding and discount supermarket Kobe Bussan. Shares gained 18% as the company raised its fiscal year operating profit and net profit guidance by more than 20%. Insulating the business from inflationary trends in food materials, Bussan's vertically integrated supply chain plans to raise prices on its private brand lineup to pass on higher input cost and does not see a negative impact on margins as a result of this move.

Regional Performance: Asia Pacific Ex-Japan and the Americas

Our holdings in Asia Pacific Ex-Japan delivered lower relative returns. Exiting the Fund was Challenger, a leader in annuity products which is tied to Australia and Japan's aging populations. The company reduced its fiscal year 2021 guidance to the bottom end of the range. Challenger has been slow to adjust its pricing amidst the fluctuation in spreads. Given the string of disappointments, we decided to exit the name and shares corrected -22% for the period that it was held throughout the quarter. Delivering better performance with a 14% gain was Steadfast, Australia's largest general insurance broker network. The company reported a quality set of results and raised its guidance. A lower interest rate environment drives the need for higher premiums to support insurance company underwriting profitability and Steadfast is raising prices accordingly.

Within Canada, Real Matters operates a proprietary online network for optimizing the home appraisal process for its bank customers. The management team remained confident on business outlook and continued to reinvest into the platform and people resources. The stock was previously volatile due to a lack of visibility given the current rate environment but recovered by 27% as they reported solid quarterly results and announced a major win for a Tier-1 lender in the US.

Regional Performance: Emerging Markets

Delivering a lift to performance this quarter were our holdings in the Emerging Markets. The Fund's top contributor was Chinasoft, one of the largest Information Technology services providers in China. During the quarter, Huawei officially launched HarmonyOS 2.0 for smartphones, and stated that the new operating system will be used across multiple devices. With its deep knowledge of HarmonyOS, Chinasoft will benefit from the accelerated growth of this ecosystem. Shares climbed 73% for the quarter. Rebounding by 39% was Brazil's largest medical education company, Afya Limited. They delivered positive first quarter results and announced the acquisition of UNIGRANRIO, a post-secondary education institution that offers medical and health-related courses in the state of Rio de Janeiro. They also plan to launch a new SaaS-based (Software-as-a-Service) product later in the year.

Conclusion

Heading into the second half of 2021, market returns continue to anticipate economic growth as their focus turns to 2022 and the pain of 2020 fades. However, the amount of growth already reflected in current valuations is debatable. Higher vaccination rates bolster the outlook, though the appearance of COVID-19's delta variant generates anxiety. The pace of inflation means the transitory period may last longer than some expect. All told, we see the typical mixture of opportunities and risk that we as active investors seek to balance in our bottom-up assessments.

The views expressed represent the opinions of the TimesSquare Capital Management, LLC, 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 (%)[5] (as of 06/30/21)

Holding	% of Net Assets
Kobe Bussan Co Ltd	3.12
St James's Place PLC	2.94
Valmet OYJ	2.58
Future PLC	2.16
Nordic Entertainment Group AB, Class B	2.16
Nordnet AB publ	2.10
Rotork PLC	2.08
Orpea SA	2.00
Steadfast Group Ltd	1.90
Auto Trader Group PLC 144A	1.82
TOTAL %	22.86

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.

All investments are subject to risk including possible loss of principal.

Investments in small-capitalization companies are subject to risks such as erratic earnings patterns, competitive conditions, limited earnings history, and a reliance on one or a limited number of products.

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.

[5] 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 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 security 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.

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

The MSCI EAFE® Small Cap Index is an equity index that captures small-cap representation across developed-market countries around the world, excluding the U.S. and Canada. With 2,178 constituents, the Index covers approximately 14% of the free-float-adjusted market capitalization in each country.

The MSCI EAFE® Index is an equity index that captures large- and mid-cap representation across developed-market countries around the world, excluding the U.S. and Canada. With 925 constituents, the Index covers approximately 85% of the free-float-adjusted market capitalization in each country.

The MSCI Emerging Markets® Index captures large- and mid-cap representation across 23 emerging-market (EM) countries. With 837 constituents, the Index covers approximately 85% of the free-float-adjusted market capitalization in each country. Please go to msci.com for the most current list of countries represented by the MSCI indices.

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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 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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