AMG Yacktman Focused Fund

COMMENTARY   ASSET CLASS | LARGE CAP

Class N | YAFFX   Class I | YAFIX

YACKTMAN ASSET MANAGEMENT

Average Annual Returns (%)[1,2] (as of 09/30/19)

	QTD	YTD	1 yr	3 yr	5 yr	10 yr	15 Yr	20 Yr	Since Incpt.
YAFFX (Class N)	-0.65	11.42	7.17	12.14	8.84	11.33	10.58	10.96	9.60[3]
YAFIX (Class I)	-0.65	11.50	7.33	12.31	9.02	-	-	-	11.56[4]
S&P 500® Index	1.70	20.55	4.25	13.39	10.84	13.24	9.01	6.33	8.06[3]
Russell 1000® Value Index[5]	1.36	17.81	4.00	9.43	7.79	11.46	7.82	6.93	8.08[3]

YAFFX (Class N) Expense Ratio (Gross/Net): 1.27%/1.27%
YAFIX (Class I) Expense Ratio (Gross/Net): 1.09%/1.09%

The performance data shown represents past performance. Past performance is not a guarantee of future results. 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.

In the third quarter of 2019, the **AMG Yacktman Focused Fund** (Class N) declined slightly, decreasing -0.65% compared to the S&P 500® Index's 1.7% increase and the Russell 1000® Value Index, which rose 1.36%. For the first nine months of 2019, the Fund has lagged market returns; however, looking back over the last year, the Fund has outperformed both of its benchmarks, increasing 7.17% compared to 4.25% for the S&P 500® Index and 4.00% for the Russell 1000® Value Index.

We continued to rebalance the portfolio in the third quarter, reducing successful investments like Procter & Gamble (P&G) and PepsiCo, and building up newer holdings in out-of-favor stocks such as News Corp and Macy's Inc. (Macy's). One of Yacktman's core beliefs is "it is almost all about the price," and at times like today it is important to actively reallocate from investments that have worked exceptionally well to those that we think have been unfairly left behind and may possess much better long-term risk/reward due to lower valuations.

Top 3 Contributors

P&G
The Coca-Cola Company (Coca-Cola)
PepsiCo

Top 3 Detractors

Macy's
Fox Corporation (Fox)
Johnson & Johnson (J&J)

Contributors

Consumer staples were top performers in the third quarter with especially strong returns from P&G, Coca-Cola, and PepsiCo. We continue to be pleased with our investments in P&G, Coca-Cola, and PepsiCo; however, the higher valuations led us to reduce our weighting in consumer staples shares during the third quarter.

Since reaching a low in early May of last year, P&G's shares have appreciated more than 75% while the S&P 500® Index has risen slightly more than 10%. This is a remarkable change in valuation for a stable company even considering the better business execution the company has delivered in recent quarters. We have reduced the position from 9% to start the year to less than a 5% weighting as of the end of the third quarter.

Detractors

Macy's, a new holding this year for the Fund, declined during the quarter due to challenging business results and general weakness among many retail stocks. Macy's currently trades at 5–6 times this year's earnings and possesses an extremely valuable portfolio of real estate. We are very aware of the challenges retailers face today as well as the difficulty some of Macy's competitors have had realizing value from properties. As value investors, we are willing to embrace difficult-looking situations if we think the attributes of an individual company warrant the investment. In recent years, this served us well in media, as 21st Century Fox delivered exceptional returns while many peers like CBS, Viacom, Discovery, and AMC struggled.

Our position in Fox was weaker during the quarter as media stocks were generally out of favor. Spinoffs, which Fox became at the closing of the Disney transaction in March, often struggle as the stock needs to find its ownership base. We think the shares are inexpensive and could benefit from a share repurchase, something we believe the company is likely to institute during the fourth quarter.

J&J's stock was weaker in the quarter as litigation uncertainty was more of a focus than the company's strong business fundamentals. We think that J&J will work toward successfully resolving some of the major lawsuits it faces over the next few quarters, and as investor focus returns to business fundamentals, we expect the shares' price performance will improve.

Conclusion

The third quarter was fairly uneventful both for the Fund and the benchmarks. During the quarter, we continued to shift the portfolio to what we believe will be a

[1] Returns for periods less than one year are not annualized.
[2] The performance information shown for periods prior to June 29, 2012, is that of the predecessor to the Fund, The Yacktman Focused Fund, which was reorganized into the AMG Yacktman Focused Fund on June 29, 2012, and was managed by Yacktman Asset Management LP with the same investment policies as those of the predecessor Fund.
[3] Since the inception of the Fund's Class N shares on May 1, 1997.
[4] Since the inception of the Fund's Class I shares on July 24, 2012.
[5] Effective on October 1, 2018, the Fund added the Russell 1000® Value Index as a secondary benchmark.

better risk/reward position over time by increasing our weighting in new holdings and reducing our allocations to positions that have become more expensive. We will continue to work hard to be objective, patient, and disciplined as we manage the AMG Yacktman Focused Fund.

The views expressed represent the opinions of Yacktman Asset Management LP 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 (%)[6] (as of 09/30/19)

Holding	% of Net Assets
Samsung Electronics Co Ltd Preferred	14.29
PepsiCo	4.86
Bollore SA	4.79
Procter & Gamble	4.75
Walt Disney Co	4.44
Johnson & Johnson	4.24
Coca-Cola Co	3.49
Booking Holdings Inc	2.96
Oracle Corp	2.78
Microsoft Corp	2.66
TOTAL %	49.26

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.

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.

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.

The Fund may suffer significant losses on assets that it sells short. Unlike the possible loss on a security that is purchased, there is no limit on the amount of loss on an appreciating security that is sold short.

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.

Companies that are in similar businesses 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 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 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.

The Russell 1000® Value Index is a market capitalization-weighted index of value-oriented stocks that measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values.

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.

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

[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.