AMG Yacktman Special Opportunities Fund Mid-Year Update
June 30, 2019

SEMI-ANNUAL INVESTOR LETTER

Class I | YASSX	Class Z | YASLX

YACKTMAN ASSET MANAGEMENT

Average Annual Returns (%)[1] (as of 06/30/19)

	QTD	YTD	1 yr	3 yr	5 yr	Since Incpt.
YASSX (Class I)	-0.19	6.93	-3.65	15.49	-	8.73[2]
YASLX (Class Z)	-0.19	7.01	-3.52	15.61	5.64	5.64[3]
MSCI All Country World Index All Cap	3.34	16.03	4.41	11.39	6.01	6.01[3]

YASSX (Class I) Expense Ratio (Gross/Net)[4]: 2.06%/1.84%
YASLX (Class Z) Expense Ratio (Gross/Net)[4]: 1.96%/1.74%

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.

For the six months ended June 30, 2019, the **AMG Yacktman Special Opportunities Fund** (the "Fund") Class I shares returned 6.93%, behind the 16.03% return of the MSCI All Country World All Cap Index (ACWI).

We remarked in the conclusion of our last annual letter, "The closing months of 2018 served as a rapid reminder that downside risks are heightened when starting at such elevated valuations." At the time, the market had recently experienced one of the sharpest downturns in the past decade. Many stocks on our watchlist had fallen to reasonable levels (albeit far from cheap), and we were excited about the potential for new opportunities. Yet six months later, prices have rocketed back upward with the U.S. market reaching an all-time high and the ACWI up over 6% in June alone.

Our portfolio did not match the market's enthusiasm despite satisfactory absolute returns. Our job is not to match index returns in every part of the cycle, but to grow capital over the long term (with the additional goal of outperforming the benchmark). Accomplishing this goal requires a differentiated approach, and the stats below illustrate some of the key differences with our strategy:

Number of Holdings	52
Top 10 Positions	47%
Active Share	99.7%
Number of Global Small Cap Value Funds[5]	1

Precious few managers are investing with a bottom-up value strategy in smaller companies around the world—and fewer still are doing so with a concentrated, highly active approach. As the market is increasingly driven by passive indexing (essentially on autopilot, never mind if fully tested or not, and with little concern for valuations), many investors have been lulled into complacency by strong recent performance, especially in U.S. stocks. The goal is to reach the destination safely, not to reach the maximum speed on a straightaway in the middle of the race. Risk management is our priority.

Key Highlights

- On EV/EBIT (our preferred valuation metric), the portfolio trades at a 56% discount, which means our portfolio is much cheaper than the benchmark
- On Debt to Equity, the portfolio's leverage levels are almost half of the market, which means our portfolio companies are more conservatively financed than peers

Fund Overview

Financial Metrics	YASLX/ YASSX	MSCI ACWI All-Cap	S&P 500®	Russell 2000®
Price/Earnings (P/E)	11.8	17.3	20.5	18.4
Price/Book Value (P/BV)	1.2	2.1	3.2	2.0
Price/Cash Flow (CF)	6.0	10.3	12.9	10.8
Price/Sales (P/S)	0.8	1.7	2.3	1.6
Enterprise Value/EBIT	6.3	14.2	16.7	16.3
Debt to Equity	56.4%	96.7%	105.7%	80.7%
Return on Assets (ROA)	5.0%	7.6%	9.5%	1.9%

Source: FactSet, as of 6/30/19

We feel there is value in relaying these financial metrics, as they illuminate the general features of the portfolio. However, there are challenges with aggregate data such as how to adjust for non-recurring items, non-earning or excess assets, and cash levels—all of which

[1] Returns for periods less than one year are not annualized.
[2] Since the inception of the Fund's Class I shares on June 30, 2015.
[3] Since the inception of the Fund's Class Z shares on June 30, 2014.
[4] The Fund's Investment Manager has contractually agreed, through May 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] Source: Morningstar World Small/Mid Category as of 06/30/19

impact our portfolio. It is important to keep in mind that our goal will always be to invest in ideas that earn attractive risk-adjusted returns regardless of the headline statistics.

The combination of inexpensive valuations with less financial leverage is a powerful risk management tool, despite serving as a drag on performance during periods like 2019. Given the elevated levels in both valuations and leverage in this market, we feel comfortable with a much more conservative stance and believe it will serve us well at the conclusion of this business cycle.

We have modestly increased our concentration levels, with the top 10 holdings representing 47% of the portfolio. Turnover was normal, with five new positions added and four positions exited. We are still finding securities that meet our forward return threshold even with an emphasis on managing downside risk. This shows up in our holdings via conservative balance sheets and a margin of safety versus underlying value. The concept of "margin of safety" is a bedrock in value investing circles. Yet judging by current market valuations, many investors see only the upside potential in areas like high-flying software stocks and other "disrupters," with little regard for downside protection.

Retail Holdings (RHDGF), one of our exited positions, provides a good illustration of why we maintain such strict valuation criteria. RHDGF was a micro-cap holding company that traded over the counter with a complicated corporate structure and long-term plans to liquidate the business. A discussion on RHDGF wouldn't make for exciting dinner party conversation outside of a small niche of value investors. We held the stock in various weights since inception, originally purchasing shares just above $19 in July 2014. RHDGF was not a perfect investment: the liquidation process took longer than anticipated, emerging markets were out of favor, several free options to the upside fell flat, and a recent subsidiary sale was at a significant discount to the market price. However, in the approximately 4.5 years since initial purchase, RHDGF paid out $19/share in cumulative dividends and we sold our shares at or above $10 in April/May. We generated over $29/share in total proceeds, good enough for a 50%+ return and outperformance versus the benchmark. Buying at a 50% discount to growing net asset value (NAV) allowed a good outcome despite underperforming the original thesis. If only more disappointments worked out like RHDGF.

The Value of Being a Generalist and the Power of Saying No

Our generalist approach runs counter to many market participants who specialize in a specific area or style of investing. The Fund is set up with a flexible mandate to invest in the best opportunities without restriction on market cap, industry, geography, or investment style. The goal is to earn attractive risk-adjusted returns, regardless of label. This flexibility is a competitive advantage, as looking at a wide variety of businesses raises the odds of finding ones that meet our investment criteria.

For the alternative, consider a Wall Street analyst who covers a handful of companies in an industry. The analyst will have tremendous in-depth knowledge about a sector, personal relationships with company management, and a network of industry participants to add real-time assessments. There is real value in being a specialist. Yet what happens if this specific analyst covered the technology/internet industry in February 2000? That specialist knowledge would be wasted, as valuations were so high in early 2000 that the best strategy was to avoid the space entirely.

We believe that markets are efficient most of the time but also wildly inefficient some of the time. This means most stocks are within the realm of "fair value," and no amount of in-depth research and knowledge of every detail can change that truth. Without the freedom of choice, much effort is spent in this industry "forcing" investment ideas, like squeezing water from a stone.

The drawback of having so many potential opportunities is the decision on where to spend our efforts. We can look anywhere, so narrowing down the options is a big part of the job. This filtering process requires a lot of saying no. Bad balance sheet with too much debt? No. Lack of profitability or growth in per-share value? No. High-flying growth stock with big market opportunity but crazy valuation? No.

In rare circumstances, three months of intensive research to understand every nuance or detail may spark brilliant insight or reveal hidden value. On the other hand, that time is opportunity cost that could be spent uncovering new and potentially far more interesting investments. Managing time in the research process is critical, which is why we leverage the power of "no" and concentrate on areas that offer the highest rewards. We are comfortable with saying no many times to find one valuable yes, but this is a luxury afforded only to investors with a broad universe.

Contributors/Detractors

Top contributors for the first half were Computer Services, Inc. (CSI), Colabor Group Inc. 6% 2021 convertible debentures (Colabor), and Samsung Electronics Preferred Shares (Samsung).

CSI, a software provider for community banks, remains a key contributor. Selling mission-critical software on 10-year contracts in a regulated industry with high customer satisfaction and 99% renewal rates is a good model for success. Even with the advantages of a good setup, CSI's management should be commended for churning out steady, predictable results. This year, the market finally woke up to this gem of a stock. With strong performance, our weighting in CSI was reduced, but we are purposely slow to sell such a wonderful business. We believe such patience will be rewarded.

Colabor bonds are an example of an opportunistic investment in a forgotten, left-for-dead company. Colabor provides food distribution and wholesaling to restaurants across eastern Ontario and Quebec. The company was an overleveraged roll-up story in a tough, low-margin business that found itself in financial distress. An equity recapitalization plan in the summer of 2016 saved the company and brought in a successful outside shareholder and entrepreneur who is now risking personal capital and providing much-needed industry expertise. We felt the convertible debentures offered an attractive risk-reward (at a yield to maturity in the mid-teens and higher) given the supportive shareholder basis and strong market position in Quebec. We invest opportunistically in debt securities when offered attractive equity-like rate of return with far less risk. Colabor checked key criteria with its straightforward capital structure, new shareholder base, and cost cutting opportunities. A new and impressive CEO was brought on board in early 2018 and has already made great strides in improving operations and lowering credit risk. Our bonds appreciated accordingly.

Samsung is anything but obscure, and therefore its stock price often gets caught up in the global headlines (trade wars, Korea risks, semi cycles). The stock price fell in the Q4 2018 selloff and has now subsequently rebounded. The company is still working through a sharp downturn in its semiconductor business, the key driver of profits. Samsung's stock has been flat for the past two years despite investors' enthusiasm for technology stocks. Unlike tech stocks with little cash flows and unproven business models, Samsung maintains an overcapitalized balance sheet and benefits from similar secular growth trends, yet trades at a much cheaper price.

Top detractors in the first half were Zargon Oil & Gas Ltd. (Zargon), Reading International Inc. (Reading), and Hargreaves Services Plc (Hargreaves).

Zargon is an upstream oil & gas company with oil wells in Alberta and North Dakota. Unlike the new shale developments, Zargon's assets are largely low decline, traditional oil wells. We are cautious in this sector given the commodity nature of the business, but felt downside was protected through the 8%convertible notes. Via the debt, we were buying into the company at a low multiple of normalized profits and a meaningful discount to the PV-10 value of its proven oil & gas reserves (PV-10 is an estimate of future cash flows discounted back to the present). In Q4 2018, a confluence of factors caused a sharp decline in the Canadian blend of crude oil relative to U.S. crude oil. The discount was temporary, but Zargon was forced to scramble to conserve cash in response. In January, the debt was converted into equity, wiping out previous equity holders and leaving Zargon with a much cleaner capital structure. The stock price declined as part of this restructuring. Management has acknowledged it is too small to continue as a public company and is exploring strategic alternatives. An outright sale would be the logical path.

Reading is a family-controlled cinema and real estate company mired in a legal battle between the children of the former controlling shareholder, who passed away in 2014. The company operates

high-performing movie theaters in Australia and New Zealand alongside indie theaters in the U.S. in major markets like California and Hawaii. The theater business is paired with income-producing real estate, usually with a Reading cinema as the anchor tenant. There is also a treasure trove of non-core and non-income producing but valuable assets built up over decades. The company has attracted buyout interest, with an investor group reiterating an offer multiple times to acquire the company. To our frustration, the board has chosen not to engage with a potential buyout. We hope that a resolution of the legal situation will force much-needed change at the company and illuminate the underlying value in Reading's collection of assets. The stock price declined this year as the 2019 box office has disappointed, while the company ran into delays completing a trophy real estate project at Union Square in New York. We are cautious on the outlook for the cinema business but believe the real estate and non-core assets cover a large portion of Reading's market cap. Reading is an idea that screens poorly but holds tremendous value.

Hargreaves had a mixed first half of the year. The company operates across difficult industries, and a large customer, British Steel, ran into financial troubles in May. Hargreaves quantified the maximum impact from a bankruptcy, including lost profits along with write-offs and severance, and the stock price fell accordingly. On the positive side, Hargreaves announced two sales in its property division, including a large contract with a homebuilder on its major development site. These sales confirm the upside potential in Hargreaves real estate holdings, and further realizations should help close the persistent gap between the stock price and book value.

Conclusion

June 30, 2019, marks the AMG Yacktman Special Opportunities Fund's fifth anniversary. We generated satisfactory absolute returns over the period while managing risk despite our style being deeply out of favor. Large, domestic, and growth stocks have soared on increasing valuation multiples and the influence of passive investing. We have avoided those areas, and continue to find promising investment opportunities in small, inexpensive, and undiscovered securities outside of the U.S. The risks inherent in today's market will likely be obvious in hindsight, but each day of positive returns makes it harder for investors to ignore the crowd. Whatever happens in the market environment, we intend to remain disciplined and flexible in our approach while staying true to our value roots. Thank you for your continued support.

This commentary reflects the viewpoints of the portfolio manager, Yacktman Asset Management LP, as of June 30, 2019 and is not intended as a forecast or guarantee of future results, and is subject to change without notice.

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Class I | YASSX	Class Z | YASLX

Top Ten Holdings (%)[6] (as of 06/30/19)

Holding	% of Net Assets
IMF Bentham Ltd	6.30
Ocean Wilsons Holdings Ltd	5.24
Reading International Inc, Class A	5.10
Samsung Electronics Co Ltd Preferred	4.94
Colabor Group Inc Fixed 6.00% Oct 2021	4.65
Total Energy Services Inc	4.38
Computer Services Inc	4.37
Majestic Wine PLC	4.27
Boustead Singapore Ltd	4.07
Texhong Textile Group Ltd	3.69
TOTAL %	47.01

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") are subject to additional risks such as the risk of default.

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.

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 MSCI ACWI All Cap Index captures large, mid, small and micro cap representation across certain Developed Markets (DM) countries and large, mid and small cap representation across certain Emerging Markets (EM) countries. The index is comprehensive, covering a significant percentage of the global equity investment opportunity set. Please go to msci.com for the most current list of countries represented by the index. Unlike the Fund, the index is unmanaged, not available for investment and does 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.

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