Q1 | 2019 AMG Yacktman Fund

COMMENTARY

ASSET CLASS | LARGE CAP

Class I | YACKX

YACKTMAN ASSET MANAGEMENT

Average Annual Returns (%)[1,2] (as of 03/31/19)

	QTD	YTD	1 yr	3 yr	5 yr	10 yr	15 Yr	20 Yr	Since Incpt.[3]
YACKX (Class I)	7.77	7.77	11.74	11.82	8.69	16.34	9.74	10.57	10.38
S&P 500® Index	13.65	13.65	9.50	13.51	10.91	15.92	8.57	6.04	9.64
Russell 1000® Value Index[4]	11.93	11.93	5.67	10.45	7.72	14.52	7.63	6.68	9.76

YACKX (Class I) Expense Ratio (Gross/Net): 0.76%/0.76%

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 first quarter of 2019, the S&P 500® Index rebounded from the steep declines at the end of 2018. The **AMG Yacktman Fund** (Class I) returned 7.77% compared to the S&P 500 Index which increased 13.65% and the Russell 1000® Value Index rose 11.93%. For the twelve months ending March 31, 2019, the Fund returned 11.74% compared to the S&P 500 Index which returned 9.50% and the Russell 1000® Value Index which returned 5.67%.

The market returns were brought about by sentiment change rather than good fundamental results. While the market rose sharply, earnings expectations for the first quarter have moved from growth of 2.8% to a decline, due to enthusiasm for a more accommodative U.S. Federal Reserve (the Fed) policy, hope for a trade agreement with China, and the resolution of a government shutdown.[5] Despite market prices increasing, we were able to add several new securities to the portfolio.

[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 Fund, which was reorganized into the AMG Yacktman 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 on July 6, 1992.
[4] Effective on October 1, 2018, the Fund added the Russell 1000® Value Index as a secondary benchmark.
[5] Source: FactSet

Fox/Disney

The biggest event during the quarter for the fund was The Walt Disney Company (Disney) completing the acquisition of Twenty-First Century Fox on March 20. The transaction resulted in the Fund receiving cash shares in Disney, and Fox Corporation (Fox), a spin-off that consists of Fox News, Fox Sports, television stations, and the Fox Network, among other assets.

Fox's businesses today are focused on news and sports—content that is viewed in real time and should be better positioned than traditional entertainment programming going forward. We expect the company will be capably managed for the long term by the Murdoch family which has guided our successful investments in Twenty-First Century Fox and News Corporation over the past 10+ years. Part of the Murdoch success has been due to its significant equity ownership, which results in a willingness to make bold moves and invest in ideas that may take significant time to pay off.

Our investment in Fox began in 2008 during the market declines. Over time it became a big position and a key contributor to results. The size of the position was probably as important to Fund returns as the appreciation of the security. To quote Stanley Druckenmiller, one of the top performing hedge fund managers of all time, "I'm here to tell you I was a pig. And I strongly believe the only way to make long-term returns in our business that are superior is by being a pig."

We like to have investments in companies that are run by management with a significant ownership stake. Examples of these holdings include our positions in Samsung Electronics Co., Ltd Preferred (Samsung), Bollore SA (Bollore), and Oracle Corporation (Oracle), as well as a smaller new position in Alphabet (Google). Owners often think and invest for the long term, unlike management teams who are often evaluated on short-term results and their share price movement in the near term.

More and more today, CEOs who do not own significant equity in the company they run are unwilling to make long-term decisions out of fear that investors or the board will not have the patience to see the investments through. We believe one of the key advantages we have at Yacktman Asset Management is that your Fund portfolio co-managers are significant equity holders in our firm and in charge of the day-to-day decisions.

Quarterly Review

Contributors

Samsung Electronics (Samsung)

Oracle Corporation (Oracle)

Procter & Gamble (P&G)

Detractors

Fox Corporation (Fox)

Coca-Cola Corporation (Coca-Cola)

KT&G Corporation (KT&G)

Contributors

Samsung appreciated during the quarter mostly due to market enthusiasm for technology stocks rather than anything significantly positive in its businesses. Samsung's financial results were disappointing in the first

quarter as its semiconductor business is currently experiencing a down cycle. We think earnings will improve over time as supply growth is being delayed by Samsung and its key competitors. Over the longer term, we think the outlook for Samsung's memory chips will be strong as 5G, artificial intelligence, autonomous driving, connected homes, and big data will be key areas for future growth. We think the shares are inexpensive, and there is significant additional upside opportunity if the company intelligently deploys some of the $100 billion in excess cash and securities on the balance sheet into share repurchase or returns it in a special dividend.

P&G's shares delivered strong returns in the first quarter after reporting sustained improvement in organic sales. We think the company is executing with an improved focus and has a strong portfolio of brands. The strength of brands matters today more than ever. In the past, owning the right sector could often get an investor to a similar result. Today, owning the correctly positioned companies can produce a wildly different outcome.

Oracle's shares rallied during the quarter, mostly due to the rise in U.S. technology stocks.

Detractors

The three detractors combined produced a -0.3% total return combined.

Fox, a spin-off we received upon the closure of the Disney transaction, was the largest detractor in the first quarter. We received the shares on March 20, and, as is often the case in spin-offs, there was weakness in the first few weeks as many holders of Twenty-First Century Fox did not want the new entity.

Coca-Cola's shares fell due to weaker-than-expected earnings guidance. We continue to feel confident about the company's long-term market position and its ability to produce solid growth over time.

KT&G is a small position in a consumer staples company which held up well during the market declines and did not participate in the rebound due to disappointing business results. We reduced the holding during the quarter.

New Positions

Walt Disney Company

Fox Corporation

Booking Holdings

Alphabet

Beiersdorf

Brenntag AG

We made many new purchases during the quarter and received the shares in Disney and Fox as part of the merger between Disney and Twenty-First Century Fox. All of these new holdings are in strong companies with good balance sheets and leading positions in their industries.

Conclusion

In many ways, the first quarter felt like the popular 1993 movie Groundhog Day, starring Bill Murray. In the film, Murray's character repeated the same day over and over, living with no consequences for his actions until he eventually became wiser and a better person over time. For now, we have returned to an investment environment where valuations and risks are high and many are unwilling to consider the potential consequences for paying high prices for securities. We have been through these environments before, and, as previously, we will navigate by focusing on individual securities we think can produce solid returns over time with a keen focus on risk management. We will, as always, be patient, diligent, and objective when managing the Fund.

The views expressed represent the opinions of the Yacktman Asset Management LP, as of March 31 2019, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

Top Ten Holdings (%)[5] (as of 03/31/19)

Holding	% of Net Assets
Samsung Electronics Co Ltd Preferred	8.80
Procter & Gamble Co	7.09
PepsiCo Inc	4.63
Johnson & Johnson	4.33
Coca-Cola Co	4.12
Bollore SA	4.04
Oracle Corp	3.30
Walt Disney Co	2.81
Booking Holdings Inc	2.54
Microsoft Corp	2.43
TOTAL %	44.09

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

[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.

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 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.

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