MILLER VALUE FUNDS

4Q 2021

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Miller Income Fund

Ruminations on Returns, Rates, and the World's Biggest Buyer

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The Miller Income Fund (Class I) returned 2.30% in the fourth quarter of 2021 versus 0.66% for its benchmark, the ICE BofA US High Yield Index. Since the Strategy's inception, we designed it to provide a functional benefit—namely, a high level of income while maintaining flexibility to navigate a variety of investing environments. Though the lack of constraints around asset classes presents a hurdle for investors who want to operate in neatly constrained style boxes, it is proving especially important today with inflation hitting a 40-year high of 7% in 2021.

In previous shareholder letters, we have often noted that diversified fixed income is not a great place to be when held up against the macroeconomic data and valuations. Last year's returns substantiate this perspective. In 2021, the high-yield index did a 5.36% total return. However, it is not possible to invest in the index, as it represents a collection of 2,123 different bond issues, many of which do not trade often enough to buy. The two most liquid passive high yield ETFs returned between 3.75% and 3.99% last year. Not only are these returns

Average Annual Total Returns and Expenses (%) as of 12/31/21

	Without Sales Charges					With Maximum Sales Charges					Expenses[2]		30-Day SEC Yield	
	QTD	1 Yr	3 Yr	5 Yr	Inception[1]	QTD	1 Yr	3 Yr	5 Yr	Inception[1]	Gross	Net	with Waiver	w/o Waiver
Class A (LMCJX)	2.34	28.72	15.91	10.73	6.23	-3.51	21.30	13.64	9.42	5.43	1.31	1.23	4.58	4.57
Class C (LCMNX)	2.15	27.82	15.06	9.90	5.46	1.15	26.82	15.06	9.90	5.46	2.05	1.97	4.13	4.11
Class FI (LMCKX)	2.23	28.48	15.97	10.76	6.19	2.23	28.48	15.97	10.76	6.19	1.26	1.20	4.84	4.82
Class I (LMCLX)	2.30	29.12	16.22	11.05	6.50	2.30	29.12	16.22	11.05	6.50	1.05	0.95	5.13	5.11
Class IS (LMCMX)	2.43	29.21	16.31	11.15	6.58	2.43	29.21	16.31	11.15	6.58	0.99	0.88	5.19	5.17
ICE BofA US High Yield Index	0.66	5.36	8.57	6.10	5.33	0.66	5.36	8.57	6.10	5.33				

Performance shown represents past performance and is no guarantee of future results. *Current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate so shares, when redeemed, may be worth more or less than the original cost. Class A shares have a maximum front end sales charge of 5.75%. Class C shares have a one year contingent deferred sales charge (CDSC) of 1.0%. If sales charges were included, performance shown would be lower. Total returns assume the reinvestment of all distributions at net asset value and the deduction of all Fund expenses. Total return figures are based on the NAV per share applied to shareholder subscriptions and redemptions, which may differ from the NAV per share disclosed in Fund shareholder reports. Performance would have been lower if fees had not been waived in various periods. Numbers may be the same due to rounding. YTD is calculated from January 1 of the reporting year. All classes of shares may not be available to all investors or through all distribution channels. For the most recent month-end information, please call 888-593-5110 or visit millervaluefunds.com.*

[1]Inception date is 2/28/14.

[2]*Miller Value Partners, LLC (the Adviser) has contractually agreed to waive certain fees and/or reimburse certain expenses through 1/31/2022. Please reference the prospectus for detailed information.*

significantly worse than the index, but these ETFs, as well as the index, all returned less than the inflation rate in 2021, meaning that those invested in these assets lost purchasing power by owning them last year; for most people, losing purchasing power in a supposedly "safe" asset – bonds – is not the name of the game.

Investors appear to be waking up to the reality that the contextual backdrop for fixed income has not improved all that much. On the first trading day of 2022, over a billion dollars came out of the iShares long-dated treasury ETF (TLT), almost 7% of the entire fund, representing the third-biggest outflow in its nearly 20-year history. High-yield ETFs are also seeing very large outflows. Still, neither government bonds nor diversified high yield are assets we want to own. The ten-year US government bond yields just 1.74% today, so if you own the ten-year bond and its valuation does not change over the next year, your purchasing power will go down by approximately 5% if inflation remains at the current level. Our high-yield benchmark is priced to yield 4.5%, so if there are no defaults and no fees, a holder will lose approximately 2.5% per year in purchasing power if inflation stays at 7%.

The key question now is, "Will the inflation be transitory, or can the Federal Reserve still rein it in?" The best starting point from which to consider this is the bond market's current expectations, which are for the Fed to indeed stick the landing; in other words, the market thinks that inflation is most likely to recede over the coming years and be close to 2% annually in five years. Perhaps it is the huge collection of assets sitting on the Fed's balance sheet providing the market comfort that a path to quickly remove liquidity exists if need be.

Though the market thinks the Fed has everything under control, it is possible that the Fed underestimates the reflexivity of the demand response to all the monetary and fiscal stimulus. They have signaled their intention to continue dumping liquidity into the market for another few months even with inflation hitting a 40-year high and unemployment approaching previous lows. The flipside to the Fed's unprecedented asset holdings is that the Fed is not an economically motivated buyer, which means that their massive influence on the bond market is likely distorting pricing signals.

Why do we pay so much attention to the Fed? Because they are the driving marginal influence on the "risk free" rate, or the cost of capital off of which asset prices derive. Monetary policy is an immensely powerful and flexible tool which helps set the course for the economy. We focus on the Fed so our shareholders don't have to, as our strategy provides flexibility to source what we believe are the most compelling opportunities for income across the capital structure based on valuation. This means it is important to understand not only the mechanics behind varying capital costs, but also how the mechanics are likely to impact the cash flows our holdings will likely generate. Over the past few quarters, we have cut back on bonds where the investment thesis had a lot to do with relative valuation disparities and replaced them with holdings where we think the cash flows and distributions are likely to grow with the economy.

As always, we remain the largest shareholders of the fund, and we appreciate our fellow shareholders' support, questions and comments.

Bill Miller IV, CFA, CMT
January 18, 2022

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FUND HIGHLIGHTS

Top Contributors

Top 10 by Issuer as of 12/31/21

Name	% of Portfolio
Pitney Bowes Inc.[1]	6.5%
Geo Group Inc.[2]	6.1
Endo International PLC	5.1
The Chemours Co.	4.6
Viatris Inc.	4.3
Bed Bath & Beyond Inc.	4.1
H&R Block Inc.	3.8
Vale S.A.	3.6
Chimera Investment Corp.	3.3
OneMain Holdings Inc	3.3
Total	**44.7%**

[1]Exposure includes 2.8% common stock and 3.7% fixed income
[2]Exposure includes 2 bond positions totaling 5.2% and 0.9% common stock

- **Preferred Apartment Communities (APTS)** was the top contributor over the quarter, advancing 49.5%. The company reported Q3 Funds from Operations (FFO) of $0.28, nicely ahead of consensus of $0.17, and the quarterly dividend of $0.175/share (4.0% annualized yield), driven by higher net operating income (NOI). Multifamily same-store revenue rose +7.5% year-over-year (Y/Y) with same-store NOI +8% and occupancy improving to 97.1%. Management raised Fiscal Year 2021 (FY21) FFO guidance by 8.9% at the midpoint to $1.00-$1.07. The company continued its asset recycling strategy over the period with the announced sale of an office property in Alabama for $55M.
- **The Chemours Co (CC)** rose 16.4% over the period after reporting Q3 revenue of $1.68Bn, +36% Y/Y and +4% ahead of consensus driven by 25% volume growth while pricing added +11%. Earnings Before Income, Taxes, Depreciation, and Amortization (EBITDA) of $372M rose +77% and beat estimates by 9% as higher top-line results more than offset incremental cost headwinds. Chemours raised FY21 guidance, including EBITDA of $1.3Bn-$1.34Bn (from $1.1Bn-$1.25Bn), Earnings Per Share (EPS) of $3.93-$4.13 (from $2.84-$3.56), and free cash flow (FCF) of at least $500M (from >$450M). Additionally, Chemours announced the closing of the previously announced sale of the Mining Solutions business for $520M.
- **Apollo Global Management (APO)** rose 18.4% during the quarter. The company reported Q3 distributable earnings (DE) of $1.71, well ahead of consensus of $1.10 and the quarterly dividend of $0.50/share (2.8% annualized yield). Fee-related earnings of $300M beat by 7% while realized net performance fees of $312M topped estimates by 23%. Total assets under management (AUM) of $481.1Bn and fee-earning AUM of $361.3Bn both rose +2% sequentially on the back of robust capital raising with $18.1Bn of inflows over the period. Additionally, Apollo hosted their 2021 Investor Day, outlining long-term financial targets including over $9/share in distributable earnings by 2026 (14% Compound Annual Growth Rate (CAGR) from $5.50 pro-forma 2022E) and fee-related earnings of $4.50-$4.75 (18% CAGR). Management expects to roughly double AUM by 2026 to $1trn from $481Bn currently with a 2.25x increase in fee-related revenues to $4.6Bn.

Top Detractors

- **Sculptor Capital Management (SCU)** was the top detractor over the quarter, falling 22.5% despite reporting solid Q3 results. The company reported Q3 distributable earnings of $0.58, ahead of consensus of $0.52 driven by incentive income of $27M and lower compensation expense. Accrued incentive income rose 13% to $252.6M on strong quarterly performance while net flows totaled $417M. The company declared a quarterly dividend of $0.28/share (5.2% annualized yield).
- **Sberbank (SBER LI)** declined 14.7% during the period despite posting a Q3 beat and FY21 guidance raise. Sberbank reported Q3 net profit of RUB 348Bn, +28% Y/Y and ahead of consensus by 3% for an Return On Equity (ROE) of 26.8%. Net interest income of RUB 470Bn beat consensus on net interest margin of 5.36% (+14bps quarter-over-quarter (Q/Q)) while net fee and commission income of RUB 164Bn remained solid on growth in bank card operations. Management raised guidance for FY21 ROE to over 23% (from 22%). Additionally, the company hosted an investor event on their mortgage business, highlighting their expectation to deliver a 15%+ CAGR from 2021-2023 in the lending portfolio while also maintaining over 50% market share. Shares dropped, however, in sympathy with Russian indices after the US warned its European Union allies that Moscow may be weighing a potential invasion of Ukraine.

- **OneMain Holdings (OMF)** dropped 8.4% over the period. The company reported Q3 EPS of $2.37, +9% Y/Y and ahead of consensus of $2.30 driven by interest income of $1.1Bn and a portfolio yield of 23.77%. Originations of $3.9Bn rose +34% Y/Y, driving end of period receivables to $18.9Bn while net charge-offs of 3.5% improved 167bps. Management maintained FY21 strategic priorities, including managed receivables growth of 8%-10%, a stable yield (>24%), and net charge-offs of 4.2%. Additionally, the company repurchased $100M of stock as part of Apollo Global Management's 10.01M secondary offering while also increasing their current buyback authorization to $300M (from $200M).

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MILLER VALUE FUNDS

We are value investors focused on generating long-term performance by investing in undervalued companies we find at the intersection of our understanding of human behavior and markets.

The **ICE BofA US High Yield Index** tracks the performance of below-investment-grade, but not in default, U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P. Unmanaged index returns do not reflect any fees, expenses or sales charges. An investor cannot invest directly in an index. The **30-Day SEC yield** is based on dividends accrued by the Fund's investments over a 30-Day period, and not on the dividends paid by the fund, which may differ and are subject to change. **Basis point** is one hundredth of one percent. The **compound annual growth rate (CAGR)** is the rate of return that would be required for an investment to grow from its beginning balance to its ending one. **Distributable Earnings (DE)** represents Segment DE less estimated current corporate, local and non-U.S. taxes as well as the current payable under Apollo's tax receivable agreement. DE is net of preferred dividends, if any, to the Series A and Series B Preferred Stockholders. DE excludes the impacts of the remeasurement of deferred tax assets and liabilities which arises from changes in estimated future tax rates. The economic assumptions and methodologies that impact the implied income tax provision are similar to those methodologies and certain assumption used in calculating the income tax provision for Apollo's consolidated statements of operations under U.S. GAAP. Specifically, certain deductions considered in the income tax provisions under the U.S. GAAP such as the deduction for transaction related charges and equity-based compensation are taken into account for the purposes of the implied tax provision. Management believes that excluding the remeasurement of the tax receivable agreement and deferred taxes from segment DE and DE, respectively, is meaningful as it increases comparability between periods. Remeasurement of the tax receivable agreement and deferred taxes are estimates that may change due to changes in interpretations of tax law. **EBITDA** is earnings before interest, taxes, depreciation and amortization and is a calculation of a company's financial health. **Free cash flow** is earnings before depreciation, amortization, and non-cash charges minus maintenance capital expenditures. **Earnings per share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock and serves as an indicator of a company's profitability. **Portfolio yield** is interest income divided by average net receivables. **Return on equity (ROE)** is calculated by dividing net income by shareholders' equity and is a measure of financial performance.

Earnings growth is not representative of the Fund's future performance.

Equity securities are subject to price fluctuation and possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. Real estate investment trusts (REITs) are closely linked to the performance of the real estate markets. REITs are subject to illiquidity, credit and interest rate risks, and risks associated with small and mid-cap investments. Asset-backed, mortgage-backed or mortgage-related securities are subject to prepayment and extension risks. Investments in MLP securities are subject to unique risks, including the risks of MLPs and the energy sector, including the risks of declines in energy and commodity prices, decreases in energy demand, adverse weather conditions, natural or other disasters, changes in government regulation, and changes in tax laws. Short selling is a speculative strategy. 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. International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in emerging markets. Fixed-income securities involve interest rate, credit, inflation, and reinvestment risks; and possible loss of principal. As interest rates rise, the value of fixed-income securities falls. High yield bonds are subject to greater price volatility, illiquidity, and possibility of default. As a non-diversified Fund, it is permitted to invest a higher percentage of its assets in any one issuer than a diversified fund, which may magnify the Fund's losses from events affecting a particular issuer. Derivatives, such as options and futures, can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance.

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