AMG Veritas China N MMCFX
The team’s experience and a distinct approach should help the strategy outperform in the long run.

Morningstar’s Take MMCFX

Morningstar Rating

Morningstar Analyst Rating

Morningstar Pillars
Process | Above Average
Performance —
People | High
Parent | Average
Price —

Role In Portfolio
Supporting Player

Fund Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Return (%)</th>
<th>+/- Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD</td>
<td>-13.99</td>
<td>0.00</td>
</tr>
<tr>
<td>2021</td>
<td>-1.19</td>
<td>6.25</td>
</tr>
<tr>
<td>2020</td>
<td>17.79</td>
<td>-19.31</td>
</tr>
<tr>
<td>2019</td>
<td>27.40</td>
<td>1.54</td>
</tr>
<tr>
<td>2018</td>
<td>-5.34</td>
<td>15.35</td>
</tr>
</tbody>
</table>

Data through 6-30-22

4-13-22 | by Lena Tsymbaluk

There was a change of subadvisor and a complete overhaul to this strategy on 21 May 2021. Prior to that date it was a US micro-cap fund with a multimanager structure in place. It has since been renamed AMG Veritas China, subadvised by Veritas Asset Management, a London-based investment boutique majority-owned by AMG. The strategy benefits from a seasoned manager, a stable and experienced team, and a differentiated approach. The Morningstar Analyst Rating for both share classes is Silver.

The new portfolio manager is Ezra Sun, who has successfully managed the European-sold UCITS version of Veritas’ Asia strategy since 2004 and the firm’s China strategy (which this fund replicates) since its October 2018 inception. Before joining Veritas, Sun spent nine years at Newton, where he managed that firm’s Asia-Pacific funds and developed his theme-based approach.

The manager is aided by three analysts, each of whom has been with the team for more than a decade and has at least 20 years of industry experience. A new hire is joining in July 2022, with 15 years of experience in Asian equities and has a background in environmental, social, and governance investing. This is a long-term succession plan for Sun, although there are no near-term plans to retire.

The approach is differentiated, adopting a thematic approach and by focusing on selecting companies that benefit from structural trends across China. Sun tries to temper the risk inherent in Chinese stocks by seeking out high-quality companies--those having strong balance sheets and cash flows and exercising valuation discipline. But it’s also a high-conviction strategy, with only 20-40 holdings, so a few stocks can have a big effect on returns.

Sun has built an impressive track record for the Asia strategy, placing in the top decile of the Asia-Pacific ex Japan Morningstar Category over the trailing three, five, 10, and 15 years. The record for the China strategy is shorter, but from 1 Oct 2018 through 31 March 2022, the fund has also significantly outperformed both the MSCI China index and the China equity category.

The manager’s longevity in Asian markets, the experience of the supporting team, and a differentiated approach should help the strategy outperform its peers and benchmark over the long haul.

Process Pillar | Above Average | Lena Tsymbaluk 04/11/2022
The new manager Ezra Sun uses a thematically driven process that's thorough and time-tested, earning the Process Above Average rating.

Sun’s strategy on this fund is essentially the same one he has employed over the past 20 years on Veritas Asian and other Asia-Pacific funds he has managed. It’s a differentiated, high-conviction approach that has been proved over time, combining top-down and bottom-up research. To narrow down the investment universe, Sun and his team focus on five themes: Green Asia (environmental protection and renewable energy), Healthy Asia (healthcare and pharmaceuticals), Connected Asia (Internet and e-commerce), Efficient Asia (automation, reform, and deregulation), and Aspirational Asia (premium products, leisure, and travel). Within these themes, he looks for companies that can achieve an internal rate of return of 15% a year for five years, through high levels of recurring revenue and cash flows, strong balance sheets, and barriers to entry. His rigorous valuation process is based on a variety of metrics, including discounted cash flow models and price/book ratio.

The manager defines risk as permanent loss of capital rather than under/overweighting certain sectors or stocks. This mindset frames the valuation work of the team to calculate an entry price to give a margin of safety to protect capital and deliver a real return.

Manager Ezra Sun will hold only 20-40 stocks in this fund, and while his goal is to beat the MSCI China Index over time, he doesn’t pay much attention to it and isn’t constrained by its stock or sector weights.

The portfolio held 22 stocks as of 28 Feb 2022, in line with the planned limits for this fund. It’s a high-conviction portfolio, but not a particularly top-heavy one. The top 10 holdings took up 55% of assets, with each position not far off the 5% mark. The fact that no single stock dominates the portfolio should help to temper the stock-specific risks somewhat, which is always a potential problem in concentrated funds.

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Sector tilts are a result of Sun’s thematic investment style. As of 28 Feb 2022, industrials was the largest overweighting (24% vs. 6% in the MSCI China Index), with Shenzhen Innovation Technology, Estun Automation, and Sungrow Power Supply among the top five names. Conversely, consumer discretionary was the largest underweighting (15% vs. 28% in the MSCI China Index), as the portfolio didn’t own Alibaba and Meituan, given uncertainty associated with regulatory changes.

Sun sometimes holds cash when he can’t find enough good investment ideas. As of 28 Feb 2022, the portfolio had 18% in cash, reflecting the volatile environment.

**Performance Pillar | Lena Tsymbaluk 04/11/2022**

The fund’s track record prior to 21 May 2021 is largely irrelevant given the change in strategy and subadvisor. As there is not a long enough record for the US-domiciled AMG China fund, the most relevant mirror vehicle is the Ireland-domiciled Veritas Asia fund, which became a long-only strategy on 30 Sep 2018.

From 1 Oct 2018 through 31 March 2022, the fund’s 8.5% (in USD) annualized return has beaten both the MSCI China Index’s return of negative 1.2% and the China equity category’s return of 2.2%.

In 2019, the fund trailed the index and peers, with large cash exposure the key detractor. It bounced in 2020, outperforming both comparators by more than 30 percentage points. Stock selection in consumer staples, healthcare, and consumer discretionary was very strong.

In 2021, the fund lost 12.5%, which was ahead of the MSCI China Index’s 21.7% return and the category average return of negative 15.6%. The overweighting in industrials was the key positive contributor, with names such as Sungrow Power Supply and Shenzhen Innovation Technology contributing the most. Stock selection in consumer discretionary was also positive, especially the large underweighting in Alibaba (1.5% vs. 6.9% in the MSCI China Index), and the stake in Zhejiang Shuanghuan Driveline.

**People Pillar | Lena Tsymbaluk 04/11/2022**

The seasoned manager and an experienced and stable supporting cast lead to a People Pillar rating of High.

On 21 May 2021, AMG replaced this fund’s three subadvisors with Veritas Asset Management, a London-based investment boutique majority-owned by AMG. The new portfolio manager is Ezra Sun, who has managed Veritas’ Asia strategy since 2004 and the firm’s China strategy (which will underlie this fund) since its October 2018 inception.

Sun is a savvy investor who has consistently stuck to his high-conviction, contrarian approach. The European-sold UCITS version of the Asia strategy (Veritas Asian) has compiled one of the best track records in its category over the past 15 years. Before joining Veritas, Sun spent nine years at Newton Investment Management, where he managed that firm’s Asia-Pacific funds and developed his theme-based approach.

Sun is aided by three analysts (Raymond Foo, Jaewon Bae, and Victor Chu), each of whom has been with the team for more than a decade and has at least 20 years of industry experience. Although Sun is based in London and the analysts are based in Hong Kong, they have regular weekly conference calls.

A new hire is joining in July 2022, with 15 years of experience in Asian equities and an ESG background. This is a long-term succession plan for Sun, although there are no near-term plans to retire.

**Price Pillar | Lena Tsymbaluk 04/11/2022**

It’s critical to evaluate expenses, as they come directly out of returns. The share class on this report levies a fee that ranks in its Morningstar category’s second-costliest quintile. That’s poor, but based on our assessment of the fund’s People, Process and Parent pillars in the context of these fees, we still think this share class will be able to overcome its high fees and deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Silver.

**Parent Pillar | Linda Abu Mushrefova 11/04/2020**

AMG Funds has some strong affiliates, but a lack of consistency in its offerings and recent lineup changes damp conviction. It maintains an Average Parent rating.

While AMG’s stronger affiliates have held up relatively well, net outflows have caused the firm and its affiliates to liquidate or merge subscale offerings, including AMG GW&K US Small Cap Growth and AMG River Road Dividend All Cap Value. In another instance, affiliate Chicago Equity Partners shuttered its business entirely, spurring a subadvisor and name change on AMG GW&K Global Allocation. Recent challenges in AMG’s quantitative offerings have contributed most substantially to outflows, with shops such as AQR suffering the most.

Historically, AMG has grown by acquisition, but the firm has seen a dry spell in new partnerships, and it has thus recently closed far more offerings than it has introduced. Leadership at the firm plans to change that, though, and it has made some smaller investments more recently. It acquired a minority equity interest in Comvest Partners, a middle-market private equity and credit investment firm, in 2020. It also made an investment in startup Inclusive Capital Partners (a firm with an environmental, social, and governance focus), founded by ValueAct (another affiliate) founder Jeff Ubben. AMG’s recent investments reflect its continued focus on alternative strategies and newer emphasis on ESG.
As of May 21, 2021, the Fund's subadvisor was changed to Veritas Asset Management LLP. Prior to May 21, 2021, the Fund was known as the AMG Managers Emerging Opportunities Fund and had different principal investment strategies and corresponding risks. Performance shown for periods prior to May 21, 2021, reflects the performance and investment strategies of the Fund's previous subadvisors, Next Century Growth Investors LLC, WEDGE Capital Management L.L.P. and RBC Global Asset Management (U.S.) Inc. The Fund's past performance would have been different if the Fund were managed by the current subadvisor and strategy, and the Fund's prior performance record might be less pertinent for investors considering whether to purchase shares of the Fund.

Returns for periods less than one year are not annualized.

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 performance data shown represents past performance. Past performance is not a 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.

### Average annual returns (%)\textsuperscript{1,2} (as of 06/30/22)

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Inception</th>
<th>Q2</th>
<th>YTD</th>
<th>1 Yr</th>
<th>3 Yr</th>
<th>5 Yr</th>
<th>10 Yr</th>
<th>Since Incpt</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMCFX (Class N)</td>
<td>06/30/94</td>
<td>7.47</td>
<td>-13.99</td>
<td>-29.72</td>
<td>1.85</td>
<td>6.72</td>
<td>10.24</td>
<td>11.69</td>
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<tr>
<td>MIMFX (Class I)</td>
<td>10/01/11</td>
<td>7.51</td>
<td>-13.92</td>
<td>-29.60</td>
<td>2.08</td>
<td>6.97</td>
<td>10.50</td>
<td>12.33</td>
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<tr>
<td>MSCI China Index</td>
<td>-</td>
<td>3.41</td>
<td>-11.26</td>
<td>-31.79</td>
<td>-0.57</td>
<td>2.14</td>
<td>5.49</td>
<td>-</td>
</tr>
</tbody>
</table>

**Expense Ratios (gross/net):** Class N 1.21% / 1.16%, Class I 0.98% / 0.93%

### Top ten holdings (%)\textsuperscript{3}

<table>
<thead>
<tr>
<th>Holding</th>
<th>% of Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zhejiang Shuanghuan Driveline Co Ltd</td>
<td>9.00</td>
</tr>
<tr>
<td>JD.Com Inc, Class A</td>
<td>8.71</td>
</tr>
<tr>
<td>Shenzhen Inovance Technology Co Ltd</td>
<td>7.70</td>
</tr>
<tr>
<td>Meituan, Class B 144A</td>
<td>6.67</td>
</tr>
<tr>
<td>Kweichow Moutai Co Ltd, Class A</td>
<td>6.29</td>
</tr>
<tr>
<td>ENN Energy Holdings Ltd</td>
<td>5.51</td>
</tr>
<tr>
<td>Estun Automation Co Ltd, Class A</td>
<td>5.40</td>
</tr>
<tr>
<td>JD Health International Inc 144A</td>
<td>5.28</td>
</tr>
<tr>
<td>Wuxi Lead Intelligent Equipment Co Ltd, Class A</td>
<td>5.25</td>
</tr>
<tr>
<td>Hangzhou First Applied Material Co Ltd, Class A</td>
<td>4.93</td>
</tr>
<tr>
<td><strong>TOTAL %</strong></td>
<td>64.74</td>
</tr>
</tbody>
</table>

\textsuperscript{1} As of May 21, 2021, the Fund’s subadvisor was changed to Veritas Asset Management LLP. Prior to May 21, 2021, the Fund was known as the AMG Managers Emerging Opportunities Fund and had different principal investment strategies and corresponding risks. Performance shown for periods prior to May 21, 2021, reflects the performance and investment strategies of the Fund’s previous subadvisors, Next Century Growth Investors LLC, WEDGE Capital Management L.L.P. and RBC Global Asset Management (U.S.) Inc. The Fund’s past performance would have been different if the Fund were managed by the current subadvisor and strategy, and the Fund’s prior performance record might be less pertinent for investors considering whether to purchase shares of the Fund.

\textsuperscript{2} Returns for periods less than one year are not annualized.

\textsuperscript{3} 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.
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.

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.

Investing in initial public offerings (IPOs) is risky and the prices of stocks purchased in IPOs tend to fluctuate more widely than stocks of companies that have been publicly traded for a longer period of time. Stocks purchased in IPOs generally do not have a trading history, and information about the companies may be available for very limited periods.

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 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 investment when converted back to U.S. Dollars.

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.

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.

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 invests in large-capitalization companies that may underperform other stock funds (such as funds that focus on small- and medium-capitalization companies) when stocks of large-capitalization companies are out of favor.

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.

To the extent the Fund focuses its investments in a particular country, group of countries or geographic region, the Fund is particularly susceptible to economic, political, regulatory or other events or conditions affecting such countries or region, and the Fund’s NAV may be more volatile than the NAV of a more geographically diversified fund and may result in losses.
When the Fund has a significant cash balance for a sustained period, the benefit to the Fund of any market upswing may likely be reduced, and the Fund’s performance may be adversely affected.

An investment in participatory notes is subject to market risk. The performance results of participatory notes may not exactly replicate the performance of the underlying securities. An investment in participatory notes is also subject to counterparty risk, relating to the non-U.S. bank or broker-dealer that issues the participatory notes, and may be subject to liquidity risk.

Changes in the general political and social environment of a country can have substantial effects on the value of investments exposed to that country.

The application of the tax laws and regulations of the PRC to income, including capital gains, derived from certain investments of the Fund remains unclear, and may well continue to evolve, possibly with retroactive effect. Any taxes imposed on the investments of the Fund pursuant to such laws and regulations will reduce the Fund’s overall returns.

Trading in China A-Shares through Stock Connect is subject to sudden changes in quota limitations, application of trading suspensions, differences in trading days between the People's Republic of China and Stock Connect, operational risk, clearing and settlement risk and regulatory and taxation risk.

The Fund may not be able to value its investments in a manner that accurately reflects their market values, and the Fund may not be able to sell an investment at a price equal to the valuation ascribed to that investment by the Fund.

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