AMG Yacktman Special Opportunities Fund Year-End Commentary December 31, 2018

SEMI-ANNUAL INVESTOR LETTER

Class I | YASSX   Class Z | YASLX

YACKTMAN ASSET MANAGEMENT

Average Annual Returns (%)[1] (as of 12/31/18)

	QTD	YTD	1 yr	3 yr	5 yr	Since Incpt.
YASSX (Class I)	-9.05	-10.26	-10.26	14.76	-	7.94[2]
YASLX (Class Z)	-9.01	-10.14	-10.14	14.85	-	4.69[3]
MSCI All Country World Index All Cap	-13.34	-10.17	-10.17	6.49	4.16	3.23[3]

YASSX (Class I) Expense Ratio (Gross/Net): 1.26%/2.34%
YASLX (Class Z) Expense Ratio (Gross/Net[1]): 2.50%/2.24%

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 year ending December 31, 2018, the AMG Yacktman Special Opportunities Fund Class Z (the "Fund") returned -10.14%, just above the -10.17% return for the MSCI All Country World All Cap Index (ACWI).

Key Highlights

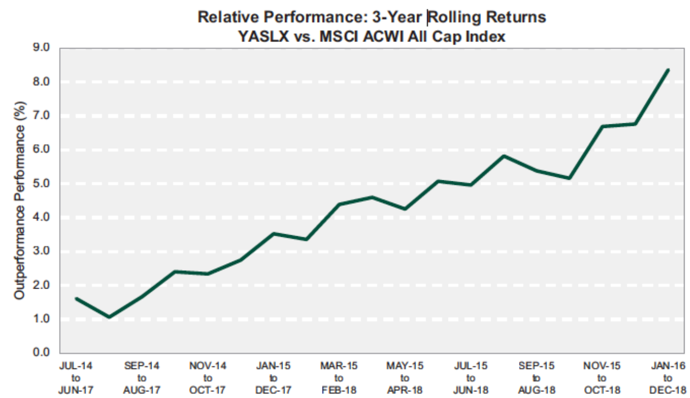
- Outperformed the benchmark in 100% of the 19 rolling three-year performance periods since inception
- Invested in portfolio of companies at aggregate 30–50% discount to the index, representing upside potential
- Positioned conservatively in above-average businesses with little financial debt, with concentrated investments in "best" ideas (top ten at 45.5% of the Fund)

Performance Commentary

Stock markets declined sharply in December, with the S&P 500® Index falling over 14% at the month low before rallying into year-end. December was still one of the worst months on record, with the S&P 500® Index and ACWI declining by -9.03% and -7.25%, respectively. By comparison, the Fund fell -3.06% for the month to improve its relative standing versus the benchmark. Our focus remains on long-term absolute performance.

Several holdings fell materially during the fourth quarter despite little fundamental change to the businesses. We view this as the best kind of decline. All else equal, lower prices imply the potential for higher future returns, and we jumped at the opportunity to add incremental capital to current investments.

A calendar year is a convenient time to review performance, but it is a somewhat arbitrary measurement period. The chart below shows the compound annual return of the Fund relative to the benchmark over rolling three-year periods to capture performance from multiple starting points:



Source: AMG Funds, FactSet. As of 12/31/2018.

The Fund has outperformed the benchmark in 100% of the 19 distinct three-year periods. The most recent data point (the three years ended December 31, 2018) saw the Fund's largest outperformance to date with a return of 14.85% versus 6.49% for the benchmark. Performance results over a full business cycle (including a recession) will be the true test of the strategy, but this rolling three-year comparison does illustrate the benefit of a patient, value-oriented strategy over longer time horizons.

Fund Overview

Financial Metrics	YASLX/ YASSX	MSCI ACWI All-Cap	S&P 500®	Russell 2000®
Price/Earnings (P/E)	10.08	14.66	17.40	15.31
Price/Book Value (P/BV)	1.20	1.89	2.84	1.78
Price/Cash Flow (CF)	6.10	9.79	12.76	10.16
Price/Sales (P/S)	0.90	1.54	2.19	1.50
Enterprise Value/EBIT	7.81	16.12	17.25	15.72
Debt to Equity	38.7%	86.8%	99.1%	72.7%
ROA%	7.1%	6.8%	7.9%	3.7%

Source: AMG Funds, FactSet, as of 12/31/18

Aggregated financial metrics for the Fund are included above. Once again, the Fund maintained its large discount to the valuation of the overall market. Our preferred valuation metric is enterprise value/earnings before interest and taxes (EV/EBIT). Unlike the price to earnings (P/E) ratio, EV/EBIT also factors in the amount of debt on the company's balance

[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.

sheet. The gap of over 50% between the Fund's EV/EBIT of 7.81 and the ACWI's 16.12 showcases the upside potential embedded in our holdings at current prices.

The top ten positions make up 45.5% of the portfolio, a slightly higher degree of concentration than previous updates. We are still finding value opportunities that meet our criteria, adding a record number of positions to the Fund in 2018. These new positions help "refresh" the portfolio as other ideas mature. This portfolio rebalancing is a continual, evolving process with the goal of maximizing risk-adjusted returns. During the volatile fourth quarter, we focused most of our attention on existing holdings. Our current investments benefit from our in-depth knowledge and familiarity built up over years of ownership. This allows more aggressive responses to share price declines, as we understand the business and underlying value well.

The Fund remains close to fully invested with cash at 0.64% of the portfolio, along with another 2.36% in Twenty-First Century Fox (FOX) and WEQ Holdings 6.25% 2020 Convertible Bonds, both of which received takeover offers last year (we view these positions as "cash-like" given the pending mergers). WEQ bonds were bought out at par (100 cents on the Dollar) and resulted in an attractive rate of return since initiating the position 18 months ago. Our WEQ fixed income investment follows our success in Emeco Holdings bonds, at one time the largest position in the Fund. We will continue to search for select, niche opportunities in this area.

Valuation as Defense in an Expensive Market

While it is hard to escape the constant drumbeat of negative news, investors have enjoyed relatively calm markets over the past decade. The shift to passive investing has brought in more buyers who ignore valuation levels, causing more capital to flow into the largest and most liquid companies. Ultra-low interest rates have boosted investors' appetite for riskier assets. Even traditional defensive sectors are under assault by competition and technology, with the pace of change only accelerating. What is left for a cautious investor? There is little choice in these markets and many investors have capitulated. The good times have sucked many into an offensive mindset, as the fear of missing out is a fixture of human psychology. The painful lessons of prior cycles have been forgotten. We believe there is still room for an investment strategy built on the bedrock of value, but a flexible mandate is vital to find the few remaining pockets of opportunity. Having this freedom to invest wherever we can find the best ideas has always been and remains a competitive advantage for the Fund.

Even with the advantage of a wide-open universe of potential stocks, the recent run of good equity performance still calls for caution. Valuation is the crucial element of our investment process, with the belief that paying inexpensive prices is the best way to play defense in a pricy market. Despite all the change in the world, the key foundation of finance holds true—a business is still worth the value of its underlying cash flows discounted back to the present. The tricky part of paying high multiples for stocks is that the majority of the overall value is dependent on cash flows 15 or 20 years from now. All investing requires forecasting the future to some degree, but we believe predicting the next 18–36 months is much easier than guessing results in 2035 or 2045—yet investors are making an implicit wager on those out years when investing in the high-flying stocks leading the index. Some will go on to dominate an industry and reward investors handsomely, but the penalty for miscalculating those forecasts is dangerous (it's a long way down to our estimate of fair value).

Today's extreme multiples are combined with record leverage at the corporate level. Companies have succumbed to the siren song of low interest rates and piled on debt. Leverage supercharges returns on the upswing but can be painful in the other direction, with Q4 serving as the most recent, but long overdue, reminder. Stocks with a hint of cyclicality or leverage were punished, with many down 30–40% from their 2018 highs. While lopping off some excess in the market was much-needed, simple price declines do not indicate that something is cheap. Many of these companies trade at lower levels than twelve months ago but are still a far cry from looking inexpensive relative to a longer history or over multiple cycles. The combination of high leverage and expensive valuations can be a toxic mix, as any downturn risks the potential for a permanent loss of capital. Avoiding this "go-to-zero" risk leads us to invest in inexpensive companies with conservative balance sheets. Nearly two-thirds of equities in the Fund have zero net debt on the balance sheet, with only a handful having any meaningful leverage (and those are often backed by real estate or other saleable assets). We feel there is tremendous potential in our companies to generate strong risk-adjusted returns (there is plenty of upside when buying companies at ~50% off), but our priority is ensuring that we survive and thrive over the entire cycle. This means staying true to our core value investing principles, even when others run away.

Contributors/Detractors

Our top three contributors for 2018 were America's Car-Mart (Car-Mart), Computer Services (CSVI), and Twenty-First Century Fox, Inc. (FOX). We have held all three positions for several years, with both Car-Mart and CSVI in the Fund since inception.

Car-Mart gained more than 60% in 2018. The company is executing well on the basics of selling good cars and collecting on the loans, which is vital in the subprime auto industry. Car-Mart's reputation built over two decades, a customer list of over 70,000 active customers, and economies of scale as a large player in a fragmented industry all provide competitive advantages. A more benign competitive environment has improved our outlook.

Nearly all of FOX's performance contribution occurred during the first half of 2018 as the share price jumped on the acquisition by The Walt Disney Company (Disney). The deal is expected to close sometime in the first half of 2019. Post-merger, we will be left with cash or Disney stock, plus a holding in "New Fox" that include the remaining assets not purchased by Disney. We intend to reevaluate the resulting position post completion.

Until then, FOX remains a partially hedged equity with upside—not a bad place in today's market.

CSVI was a smaller contributor but chugged along selling mission-critical software to community banks. Fiscal 2018 was CSVI's 21st consecutive year of profit growth while cash dividends to shareholders have grown for 46 years in a row. Few companies in the world can point to such a track record; fewer still trade at an inexpensive valuation.

Our three largest detractors for the year were CB Industrial Product Holding (CBIP), Samsung Electronics Preferred (Samsung), and Catering International Services (CIS).

CBIP faced numerous headwinds in 2018 including a difficult local stock market (the FTSE Bursa Malaysia Small Cap Index was down more than 33%) and delays in orders for new mills due to falling palm oil prices. We expect palm oil prices to rebound from current extreme levels (the lowest since 2006), just as CBIP's own plantation is forecasted to turn cash flow positive. Meanwhile, the company is aggressively repurchasing shares (joined by the founder, who is personally buying shares on the open market), boasts a strong balance sheet, and pays a healthy dividend with a current yield over 3.5%.

Samsung's shares pulled back after a slowdown in the memory market impacted profits for 2018. Oversupply and pricing pressure will likely continue into 2019, but the competitive landscape in Samsung's key DRAM business has improved compared to prior cycles (with the top three players now controlling ~97% of supply). Samsung's valuation is near its lowest point in recent history despite an improved business mix and better balance sheet. In our view, the market has overly discounted the memory downturn. Meanwhile, Samsung is a globally diversified business with a strong competitive position and a well-regarded brand, yet is valued as one of the cheapest companies in the world (large or small). We expect this disconnect to resolve itself as its stock price catches up to the underlying value.

CIS is a family-owned company that offers catering, accommodation, and facility services for oil & gas and mining companies. While based in France, 95%+ of revenue is earned abroad, with operations in 20 countries. CIS specializes in handling food logistics in extreme environments. Picture the logistics of serving tens of thousands of meals a day in a remote mining site hundreds of miles from the closest major town—this is where CIS value proposition shines. The global commodity downturn affected CIS in 2015–2016, but the company has made progress in returning profitability to prior levels despite continued foreign currency headwinds depressing top-line growth. A turnover in management and general weakness in French small-caps caused the stock to fall 35% in Q4 on no major news. A strong order book and multi-year contracts should help underpin a turnaround.

Conclusion

The closing months of 2018 served as a rapid reminder that downside risks are heightened when starting at such elevated valuations. However markets fare in 2019 and beyond, we intend to cast a wide net in search of opportunities. We will invest regardless of market environment in opportunities that meet our criteria, but always with the goal of long term capital appreciation. We feel the AMG Yacktman Special Opportunities Fund is well-positioned to meet those objectives and thank our shareholders for their continued support.

This commentary reflects the viewpoints of the portfolio manager, Yacktman Asset Management, L.P. as of December 31, 2018 and is not intended as a forecast or guarantee of future results, and is subject to change without notice.

Top Ten Holdings (%)[4] (as of 12/31/18)

Holding	% of Net Assets
IMF Bentham Ltd	6.20
Ocean Wilsons Holdings Ltd	5.79
Samsung Electronics Co Ltd Preferred	5.59
Computer Services Inc	4.84
CB Industrial Product Holding Bhd	4.19
Colabor Group Inc Fixed 6.00% Oct 2021	4.04
Reading International Inc, Class A	3.95
Texhong Textile Group Ltd	3.88
Boustead Singapore Ltd	3.62
Pardee Resources Co Inc	3.39
TOTAL %	45.49

Average Annual Returns (%)[5] (as of 3/31/19)

	QTD	YTD	1 yr	3 yr	5 yr	Since Incpt.
YASSX (Class I)	7.13	7.13	-3.14	16.33	-	9.38[6]
YASLX (Class Z)	7.22	7.22	-3.01	16.45	-	5.99[7]
MSCI All Country World Index All Cap	12.27	12.27	1.75	10.57	6.31	5.60[3]

YASSX (Class I) Expense Ratio (Gross/Net): 2.60%/2.34%
YASLX (Class Z) Expense Ratio (Gross/Net[1]): 2.50%/2.24%

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

[4] 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.
[5] Returns for periods less than one year are not annualized.
[6] Since the inception of the Fund's Class I shares on June 30, 2015.
[7] Since the inception of the Fund's Class Z shares on June 30, 2014.

time to time the advisor has waived fees or reimbursed expenses, which may have resulted in higher returns.

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 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.