AMG Yacktman Special Opportunities Fund - Year End Update - Dec 31, 2017

SEMI-ANNUAL INVESTOR LETTER

Class I | YASSX | Class Z | YASLX

YACKTMAN ASSET MANAGEMENT

2017 Year-End Commentary

For the twelve months ending December 31, 2017, the AMG Yacktman Special Opportunities Fund (the "Fund") returned 34.7% compared to 24.0% (Class I) for the MSCI All Country World Index All Cap, outperforming our benchmark by 10.7%. 2017 was a successful year and builds on a strong 2016. Importantly, the Fund continues to trade at less than half of the market on an enterprise value/earnings before interest and taxes (EV/EBIT) basis without sacrificing quality. This valuation disparity is notable in a period where most investment options are expensive.

One byproduct of our go-anywhere approach is a tendency to gravitate toward investments that are unpopular or undiscovered. While many managers are limited by a long list of artificial constraints, we believe investing with freedom is a competitive advantage. Our flexibility leads us to a unique set of opportunities. While we believe being different is necessary for long-term outperformance, it sometimes produces results that vary widely (both up and down) from the benchmark in any given year. To us, the true measuring stick is the value embedded within our holdings relative to their business quality and growth potential. We are pleased with the Fund's positioning on this measure as we head into 2018.

Fund Portfolio Review

2017's strong performance led to trimming or exiting holdings where the forward rate of return was less attractive, and replacing those closed positions with new opportunities. Valuation discipline and investment process are even more critical during periods of good performance. Our focus remains sharp.

We had four positions that were acquired or announced pending mergers during 2017. It is satisfying when third parties recognize the value in our companies, especially when the offer is at a significant premium to our average price. While we do not count on acquisitions, they will continue to be an avenue to unlock value, although a repeat of 2017's success rate is unlikely. These acquisitions leave cash to redeploy and only reinforce our appreciation of a broad investment universe.

Financial Metrics

	YASLX/YASSX	MSCI ACWI All-Cap	S&P 500	Russell 2000
P/E	13.04x	19.25x	23.05x	22.92x
Price/Book Value	1.40x	22.2x	3.17x	2.21x
P/Cash Flow	8.12x	11.39x	14.06x	12.11x
P/Sales	0.99x	1.77x	2.51x	1.70x
EV/EBIT	7.64x	16.10x	16.90x	16.39x
Debt to Equity	63.1%	86.4%	94.5%	75.8%
ROA%	5.6%	6.4%	7.9%	3.8%

We have shown the above metrics in the past several letters as a way to compare the businesses we own relative to the market. The Fund continues to trade at a 30-50% valuation discount while maintaining our emphasis on quality businesses with conservative leverage. While these numbers are attractive at face value, we believe the underlying metrics are even better. Two nuances from the above table are explained below:

1) Many of our businesses avoid debt and hold large net cash positions. Cash earning close to zero does not flatter a return on assets (ROA%) calculation. Adjusted for excess cash, our portfolio companies' return on operating assets is far higher than average. This is consistent with our goal of owning high-quality businesses.

2) The table above only reports the past, but investing is about the future. We spend a great deal of time understanding the financials of our companies to estimate their future earnings potential. On our forecasts, many holdings are under-earning versus their "normalized" profit potential (for example, due to growth investments for the future). We applaud management teams who sacrifice short-term profits for long-term shareholder gain.

The valuation of Bentham IMF ("Bentham") illustrates this second point. Bentham is a litigation finance company in Australia and our largest holding at year-end. The company provides funding for lawsuits in exchange for a percentage of any winning legal judgments. The business relies on the cycle of the justice system, leading to lumpy and unpredictable settlement results. Case outcomes therefore have a material impact on Bentham's short-term profit figures. On traditional metrics like a price-to-earnings ratio ("P/E"), Bentham appears expensive—but this trailing P/E number can swing wildly on a single case win or loss. In our view, the key metric underpinning Bentham's business is management's value of the case portfolio. This portfolio is a direct investment in future profits as Bentham's cases mature over an average of 2–3 years. The value of Bentham's case portfolio has doubled since we initiated the investment 3.5 years ago, and despite strong performance, the stock price is up slightly less. Therefore, the value we are paying for each dollar of cases has declined. Despite a higher P/E, Bentham now is cheaper relative to its future earnings potential. Paying less for a dollar of future earnings is the essence of value investing. The Fund holds 50 investments with the ten largest positions representing 43% of capital. We have a sizable commitment to our top ideas with the balance of the Fund rounded out by positions with smaller weightings. Our hope is some

of these smaller investments will upgrade to larger weightings if the discount to our calculation of business value increases. (A period of lower prices would help in this area!) Investments hail from more than a dozen countries, including Norway, Finland, Malaysia, New Zealand and South Africa. We have searched far and wide for the best opportunities and this geographic diversity showcases the value of our flexible approach.

Another advantage of our Fund is the ability to invest in both equity and debt. One of the biggest contributors to our gains in the past several years was our investment in the bonds of Emeco Holdings ("Emeco"). 7% of the Fund is invested in fixed income securities at the end of 2017 and we believe our debt investments offer equity-like rates of return with much less risk. Accounting for downside risk is always important, but especially in today's expensive markets.

Deep Value in Japan - A Basket Approach

We believe concentration is a key to long-term success, so why do we hold 50 positions? Many of the companies in the lower half of the Fund's portfolio are smaller and less liquid, which may limit the amount of capital in some positions. However, the combination of smaller opportunities with similar themes can add up to a meaningful weighting of the Fund.

Our investments in Japan demonstrate the value of this approach. We believe the Japanese stock market is one of the cheapest in the world, thanks to a mixture of a decades-long bear market, stagnant economic growth and poor demographic trends. Japan also features hundreds of domestic-oriented businesses that are too small for index funds but languish as forgotten small-caps. We have invested in a number of these stocks and have grouped five of our current Japanese companies into a mini-portfolio, the "Japan Deep Value" basket. This basket, representing roughly 5% of the Fund, is aggregated below (all figures in U.S. Dollars).

Japan Deep Value		Valuations		Growth % - 10YR CAGR		Returns	
Market Cap	$872m	Price/TBV	1.42x	Sales	2.5%	Asset ex-cash	$509m
Net Cash	$440m	TEV/EBIT	4.58x	EBITDA	4.1%	EBIT	$84m
% of Mkt. Cap	50.4%	Payout Yield	1.3%	TBV	7.6%	Pre-tax ROA%	16.4%

The aggregated holdings are growing, returning capital to shareholders (via dividends and share repurchases), and earning attractive returns on operating assets. The median gain in 2017 for these stocks was 40%, outperforming both the Japanese stock market and our benchmark by a wide margin. Despite these positive attributes, this basket of stocks trades at approximately 4.5x operating profits when adjusted for net cash. We believe there is more room to go, as owning good businesses at such low valuations makes it easy to be patient.

Contributors/Detractors

Among our largest contributors were holdings of Bentham, Emeco Holdings 2020/2022 bonds, and Samsung Electronics Pfd. ("Samsung"). It would be hard for the top performers to be more diverse—a fixed income security in a mining equipment company, a litigation finance company in Australia and one of the largest technology companies in the world. Investable ideas do not always follow the same pattern.

Bentham entered the year as one of our largest positions and rewarded shareholders with a total return of more than 80%. After struggling with a period of uncharacteristic case losses in 2015, the company reverted to historical averages with several wins. Bentham's most important news was the launch of two investment fund to leverage third party capital for case investments. This adds a more stable revenue stream via management fees and reduces Bentham's requirements to hold excess cash. As investments under the old model mature, this new structure should allow greater returns to shareholders. We have trimmed back the position, but believe Bentham continues to trade at an attractive valuation relative to the earnings potential of its case portfolio.

This past year was a pivotal one for our investment in Emeco. Management completed its ambitious recapitalization and merger plan with two mining equipment rental companies. The merger coincided with an upswing in the mining cycle and improved earnings, allowing Emeco to raise fresh equity and strengthen the company's balance sheet. Emeco's market capitalization responded by increasing over 16-fold in 2017. We reduced our position in the bonds as they now trade at a premium to par value.

Samsung's business continues to perform well as it rides a strong semiconductor cycle. While the stock was up more than 60% in U.S. Dollar terms in 2017, operating profit increased more than 70%. The majority of the profit increase is due to Samsung's leadership position in memory. The number of competitors in the memory market has shrunk considerably over the last decade. At the same time, semiconductor complexity has only increased, meaning fewer companies are competitive in leading-edge memory. While we remain conscious of the "boom/bust" dynamic of semiconductor markets, structural changes in the competitive landscape may moderate future cycles. Demand should continue to grow, as it is hard to envision a future where the number of computer chips in the world is lower than today. We believe Samsung remains one of the cheapest large-cap stocks in the world.

Among our largest detractors were holdings of Master Drilling Limited, CB Industrial Product Holding and the JAKKS Pacific 4.875% 2020 convertible bonds. The combined impact on performance was less than 0.5%. Given such a nominal loss, we will chalk this up to normal market movements. Several other holdings underperformed a strong benchmark despite generating positive returns. We added capital to these positions where appropriate.

Conclusion

We are closing in on nine years since the market bottom in 2009, yet the market continues its upward ascent. 2017 was the first time in history that the S&P 500® Index showed a positive total return in every calendar month. Volatility is at historical lows and market valuations are near all-time highs. The market's optimism causes us to be cautious rather than

euphoric. It is hard to predict what will trigger the next market decline, but we are confident that that such a downturn will arrive at some point. We take comfort in owning quality businesses at a steep discount to the broader market.

We feel that our Fund's structure provides the greatest possible advantage in uncovering opportunities to deploy capital in a measured and disciplined fashion. This unconstrained approach not only helps us navigate through an expensive market but should serve us well in sorting through the rubble in the next bear market. Another key attribute is a like-minded and patient investor base that sees the merits of investing with our unique approach.

Thank you for your continued support.

This commentary reflects the viewpoints of the Yacktman Asset Management LP as of December 31, 2017 and is not intended as a forecast or guarantee of future results.

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's investment management fees are subject to a performance adjustment, which could increase or reduce the investment management fees paid by the Fund. The prospect of a positive or negative performance adjustment may create an incentive for the Fund's portfolio manager to take greater risks with the Fund's portfolio. In addition, because performance adjustments are based upon past performance, a shareholder may pay a higher or lower management fee for performance that occurred prior to the shareholder's investment in the Fund. The performance adjustment could increase the Investment Manager's fee (and, in turn, the Subadvisor's fee) even if the Fund's shares lose value during the performance period provided that the Fund outperformed its benchmark index, and could decrease the Investment Manager's fee (and, in turn, the Subadvisor's fee) even if the Fund's shares increase in value during the performance period provided that the Fund underperformed its benchmark index.

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 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.

The Fund may invest in derivatives such as options and futures; the complexity and rapidly changing structure of derivatives markets may increase the possibility of market losses.

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.

High-yield bonds (also known as "junk bonds") may be subject to greater levels of interest rate, credit, and liquidity risk than investments in higher rated securities. These securities are considered predominantly speculative with respect to the issuer's continuing ability to make principal and interest payments. The issuers of the Fund's holdings may be involved in bankruptcy proceedings, reorganizations, or financial restructurings, and are not as strong financially as higher-rated issuers.

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 the special risks associated with investments in micro-cap companies, such as relatively short earnings history competitive conditions, less publicly available corporate information, and reliance on a limited number of products.

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.

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 may suffer significant losses on assets that it sells short. 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.

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.

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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.

Price/earnings (or P/E) ratio is a comparison of the company's closing stock price and its trailing 12-month earnings per share.

Price/book (or P/B) ratio is calculated by dividing the market price of a company's outstanding stock by its book value (total assets of a company less liabilities) and then adjusting for the number of shares outstanding. Stocks with negative book values are usually excluded from this calculation.

The price-to-cash-flow (or P/CF) ratio is a stock valuation indicator that measures the value of a stock's price to its cash flow per share. The ratio takes into consideration a stock's operating cash flow (OCF), which adds non-cash earnings such as depreciation and amortization to net income.

The price-to-sales (or P/Sales) ratio is a valuation ratio that compares a company's stock price to its revenues. The price-to-sales ratio is an indicator of the value placed on each dollar of a company's sales or revenues.

EV/EBIT equals a company's enterprise value (market capitalization plus debt, minority interest and preferred shares, minus total cash and cash equivalents) divided by earnings before interest and tax.

Debt/Equity (D/E) Ratio, calculated by dividing a company's total liabilities by its stockholders' equity, is a debt ratio used to measure a company's financial leverage.

Return on assets (ROA) is the percentage a company earns on its assets in a given year. The calculation is net income divided by average total assets. The better the company, the more profit it generates as a percentage of its assets

The MSCI ACWI All Cap Index captures large, mid, small and micro cap representation across 23 Developed Markets (DM) countries and large, mid and small cap representation across 24 Emerging Markets (EM) countries. The index is comprehensive, covering approximately 99% of the global equity investment opportunity set. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the U.K. and the U.S. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Russia, Qatar, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. Please go to msci.com for most current list of countries represented by the index. Unlike the Fund, the MSCI ACWI All Cap Index is unmanaged, is not available for investment and does not incur expenses. All MSCI data is provided 'as is.' The product described herein is not sponsored or endorsed and has not been reviewed or passed on by MSCI. In no event shall MSCI, its affiliates, or any MSCI data provider have any liability of any kind in connection with the MSCI data or the product described herein. Copying or redistributing the MSCI data is strictly prohibited.

The S&P 500 Index is a 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 2000® Index is composed of the 2000 smallest stocks in the Russell 3000® Index and is widely regarded in the industry as the premier measure of small-cap stock performance. Unlike the Fund, the Indices are unmanaged, are not available for investment and do not incur expenses

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