Keep Calm and Remain Diversified

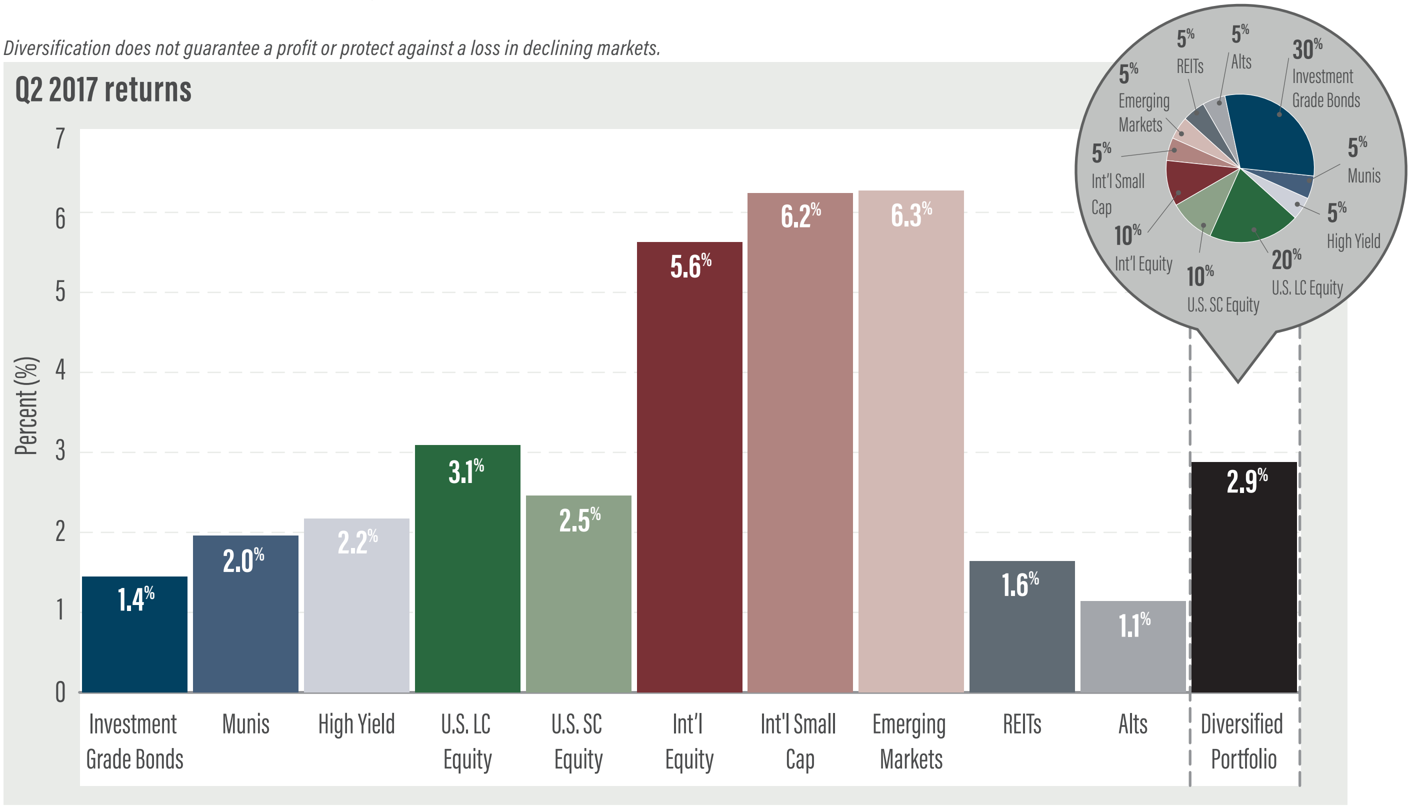
A short- and long-term review of the power of diversification

Q2 2017 market returns review

After strong returns in the first quarter, global equities continued to rally in the second quarter on improved economic data, strong corporate earnings and reduced global political concerns. Emerging market, international small-cap and foreign developed equities continued to outpace domestic stocks. Fixed income and real estate assets generated positive returns despite the U.S. Federal Reserve (the "Fed") raising rates a quarter percentage point. Additional highlights for the quarter include:

- Emerging market stocks led all categories as the upturn in global growth, reduced fears of a China slowdown and lack of follow-through on protectionist trade from the Trump administration enthused investors.
- International small-cap and foreign developed equities outperformed U.S. equities on improving Eurozone economic data, U.S. Dollar retrenchment, and receding political concerns, particularly in France where the pro-Euro candidate Emmanuel Macron was elected President.
- In U.S. markets, the S&P 500 Growth Index (4.4%) continued to outpace the S&P 500 Value Index (1.5%) as the healthcare and information technology sectors outperformed.
- U.S. high yield bonds and real estate outperformed U.S. government bonds as the yield on the U.S. 10-year Treasury note declined from 2.31% to 2.27%.
- Despite lowering inflation expectations from 1.9% to 1.6% in 2017, the Fed raised their benchmark interest rate by 25 basis points to a range of 1% to 1.25% due to improved employment and broad economic statistics.

Diversification does not guarantee a profit or protect against a loss in declining markets.



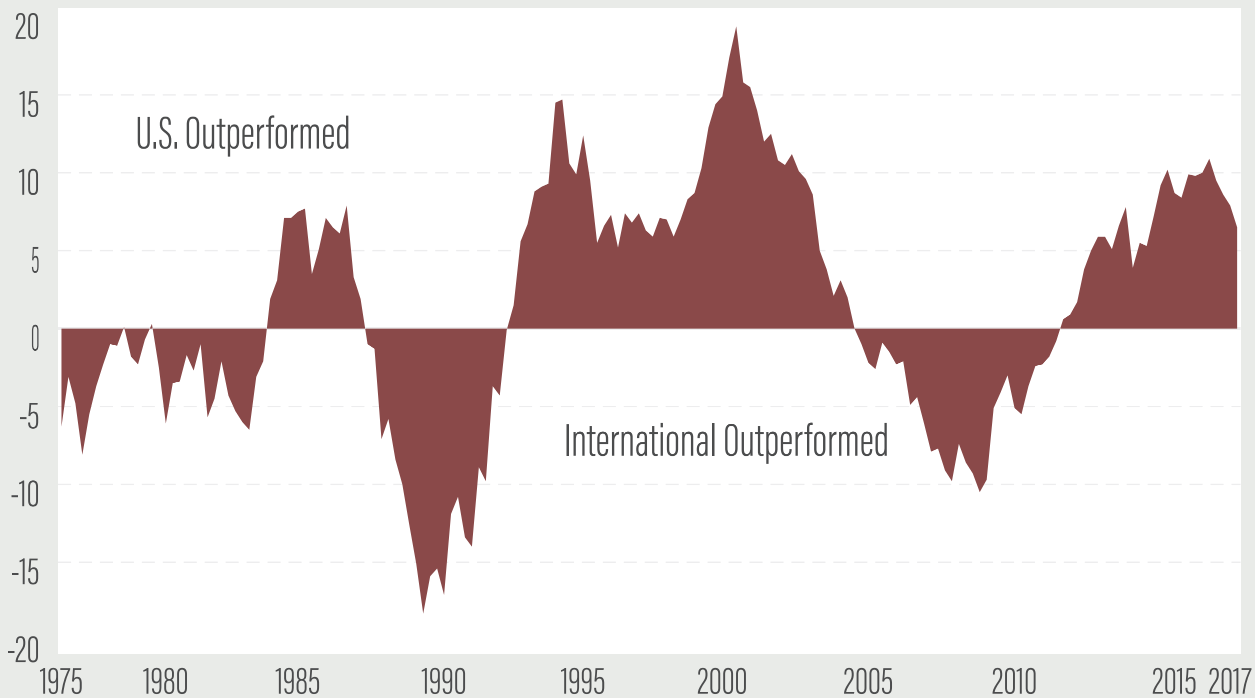
Source: Barclays, Bloomberg, Dow Jones, FactSet, MSCI Russell, Standard & Poor's. See back cover for representative indices.
Past performance is no guarantee of future results.
The indices are unmanaged, are not available for investment and do not incur expenses.
The performance shown is not indicative of the performance of any mutual fund or other investment product.

* Diversified portfolio: Alternatives (Alts): 5%, U.S. Large Cap Equity: 20%, U.S. Small Cap: 10%, International Equity: 10%, International Small Cap: 5%, Emerging Market Equity: 5%, Investment Grade Bond: 30%, U.S. Muni Bonds: 5%, U.S. High Yield: 5%, U.S. Real Estate (REITs): 5%.

Will international equities continue to outperform domestic stocks?

After seven years of U.S. equities outperforming foreign equities, diversified investors are likely wondering if/when their foreign equities will catch up with their U.S. stocks. During the first half of 2017, international equities have significantly outperformed U.S. stocks as investors have favored the lower valuations, improving fundamentals and receding political risks associated with foreign equities. It is difficult to predict if the 2017 trend will continue; however, history suggests that the average cycle of U.S. and international equity out- or underperformance is 6.8 years, so 2017 may be the beginning of a longer-term trend if history is an accurate guide.

6.8 years: The average cycle of U.S. and international equity out- or underperformance.
A 30-year look at U.S. and International Return Cycles[1]



Source: MSCI, Standard and Poor's Corporation, FactSet as of June 30, 2017. S&P 500 and MSCI ACWI ex USA Indices shown.
[1] Rolling 5-year annualized performance.
Past performance is no guarantee of future results.

Valuations for international and emerging market equities are more attractive than U.S. equities

Valuation	U.S.	EAFE	Emerging Markets
Shiller Price to Earnings (P/E)[2]	25.3x	18.0x	11.5x
Historical CAPE Percentile[2]	100th	56th	25th
Price/Book (P/B)[3]	2.9x	1.6x	1.5x
Historical P/B Percentile[3]	93rd	45th	52nd

Source: Thomson Reuters, Robert Shiller, Factset.
Cyclically adjusted price-to-earnings ratio (CAPE) is a valuation measure that is defined as price divided by the average of ten years or earnings, adjusted for inflation.

[2] Shiller and CAPE data as of 05/31/17. Data for MSCI US, MSCI EAFE & MSCI EM from 12/04–05/17.
[3] P/B data is as of 06/30/17. Data for MSCI US from 02/2001, EAFE from 09/97, EM from 06/00–06/17.

Diversified investors focused on the long term have been rewarded with superior returns relative to the S&P 500 Index as well as less risk, which is a winning combination. As the recent extreme market volatility has demonstrated, a key to successful investing is to keep calm and remain diversified.

Think beyond the S&P 500 Index

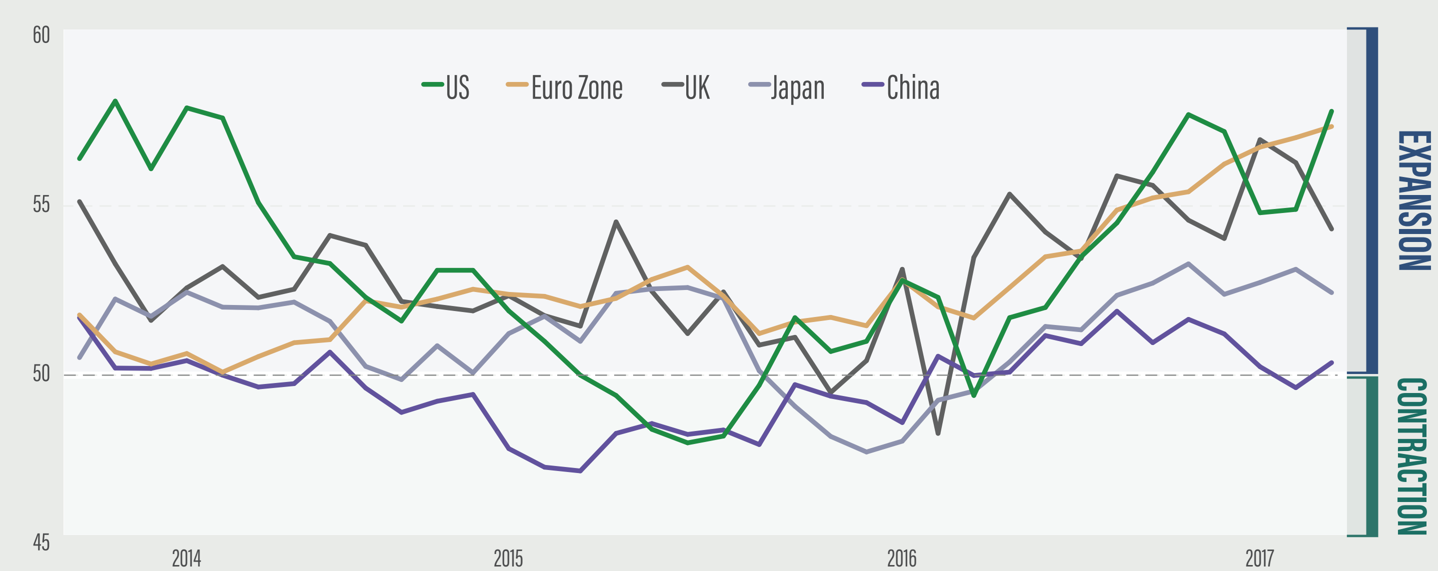
1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
					IG Bond 10.3%				
					Muni 9.6%				
				US REIT 12.3%	US REIT 3.6%				
			US REIT 31.0%	IG Bond 8.4%	US HYB -1.4%		US REIT 33.2%		
			Muni 11.7%	US HYB 5.3%	Alts -1.5%	Intl SC 57.6%	Intl SC 29.3%	EM 34.0%	
		EM 66.4%	IG Bond 11.6%	Muni 5.1%	Div Port -5.1%	EM 55.8%	EM 25.6%	Intl SC 22.6%	US REIT 36.0%
		Intl SC 32.7%	Alts 5.0%	Alts 4.6%	Intl SC -5.7%	US SC 47.3%	For Dev 20.4%	For Dev 14.5%	EM 32.1%
		Alts 31.3%	Div Port -0.3%	US SC 2.5%	EM -6.2%	For Dev 39.4%	US SC 18.3%	US REIT 13.8%	Intl SC 26.9%
		For Dev 27.9%	US SC -3.0%	Div Port -1.2%	For Dev -15.8%	US REIT 36.2%	Div Port 13.0%	Alts 9.3%	For Dev 25.7%
		US SC 21.3%	US HYB -5.9%	EM -2.6%	US SC -20.5%	US HYB 29.0%	US HYB 11.1%	Div Port 7.9%	US SC 18.4%
US LC 33.4%	US LC 28.6%	US LC 21.0%	US LC -9.1%	US LC -11.9%	US LC -22.1%	US LC 28.7%	US LC 10.9%	US LC 4.9%	US LC 15.8%
US SC 22.4%	For Dev 18.8%	Div Port 15.3%	For Dev -13.4%	Intl SC -14.6%		Div Port 25.8%	Alts 9.0%	US SC 4.6%	Div Port 15.1%
US REIT 19.7%	IG Bond 8.7%	US HYB 2.4%	Intl SC -18.1%	For Dev -21.4%		Alts 19.5%	Muni 4.5%	Muni 3.5%	Alts 12.9%
Alts 16.8%	Div Port 8.6%	IG Bond -0.8%	EM -30.6%			Muni 5.3%	IG Bond 4.3%	US HYB 2.7%	US HYB 11.8%
Div Port 13.4%	Muni 6.5%	Muni -2.1%				IG Bond 4.1%		IG Bond 2.4%	Muni 4.8%
US HYB 12.8%	Intl SC 5.0%	US REIT -2.6%							IG Bond 4.3%
IG Bond 9.7%	Alts 2.6%								
Muni 9.2%	US HYB 1.9%								
For Dev 2.3%	US SC -2.6%								
EM -11.6%	US REIT -17.0%								
Intl SC -18.7%	EM -25.3%								

A diversified portfolio has historically smoothed out the ride over the long term without sacrificing returns

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD (as of 06/30/17)
EM 39.4%	IG Bond 5.2%	EM 78.5%								
For Dev 12.4%	Muni -2.5%	Intl SC 62.9%	US REIT 28.1%		Intl SC 18.5%					
Intl SC 10.8%	Alts -19.0%	US HYB 58.2%	US SC 26.9%	Muni 10.7%	EM 18.2%					
Alts 10.0%	Div Port -23.1%	For Dev 33.7%	Intl SC 25.2%	US REIT 9.4%	US REIT 17.1%			US REIT 4.5%		EM 18.4%
IG Bond 7.0%	US HYB -26.2%	US REIT 28.5%	EM 18.9%	IG Bond 7.8%	For Dev 16.4%			Muni 3.3%	US SC 21.3%	Intl SC 15.6%
Div Port 6.7%	US SC -33.8%	US SC 27.2%	US HYB 15.1%	US HYB 5.0%	US SC 16.3%	US SC 38.8%	US REIT 32.0%	Intl SC 2.6%	US HYB 17.1%	For Dev 12.8%
US LC 5.5%	US LC -37.0%	US LC 26.5%	US LC 15.1%	US LC 2.1%	US LC 16.0%	US LC 32.4%	US LC 13.7%	US LC 1.4%	US LC 12.0%	US LC 9.3%
Muni 3.4%	US REIT -39.2%	Div Port 26.2%	Div Port 13.6%	Div Port 0.3%	US HYB 15.8%	For Dev 21.0%	Muni 9.1%	IG Bond 0.5%	EM 11.2%	Div Port 6.7%
US HYB 1.9%	For Dev -43.6%	Alts 20.0%	Alts 10.2%	US SC -4.2%	Div Port 11.9%	Intl SC 19.7%	Div Port 6.6%	Div Port -0.8%	Div Port 7.8%	US SC 5.0%
US SC -1.6%	Intl SC -50.2%	Muni 12.9%	For Dev 8.9%	Alts -5.3%	Muni 6.8%	Div Port 13.5%	IG Bond 6.0%	Alts -1.1%	US REIT 6.7%	US HYB 4.9%
US REIT -17.6%	EM -53.3%	IG Bond 5.9%	IG Bond 6.5%	For Dev -12.2%	Alts 6.4%	Alts 9.1%	US SC 4.9%	For Dev -3.0%	Alts 5.4%	Alts 3.7%
			Muni 2.4%	EM -18.4%	IG Bond 4.2%	US HYB 7.4%	Alts 3.0%	US SC -4.4%	Intl SC 3.9%	Muni 3.6%
				Intl SC -18.5%		US REIT 1.2%	US HYB 2.5%	US HYB -4.5%	For Dev 2.7%	IG Bond 2.3%
						IG Bond -2.0%	EM -2.2%	EM -14.9%	IG Bond 2.6%	US REIT 1.4%
						Muni -2.6%	Intl SC -4.0%		Muni 0.2%	
						EM -2.6%	For Dev -4.3%			

The diversified portfolio is rebalanced to the original allocation annually.
See back cover for representative indices. **Past performance is no guarantee of future results.** [1] As of June 30, 2017.

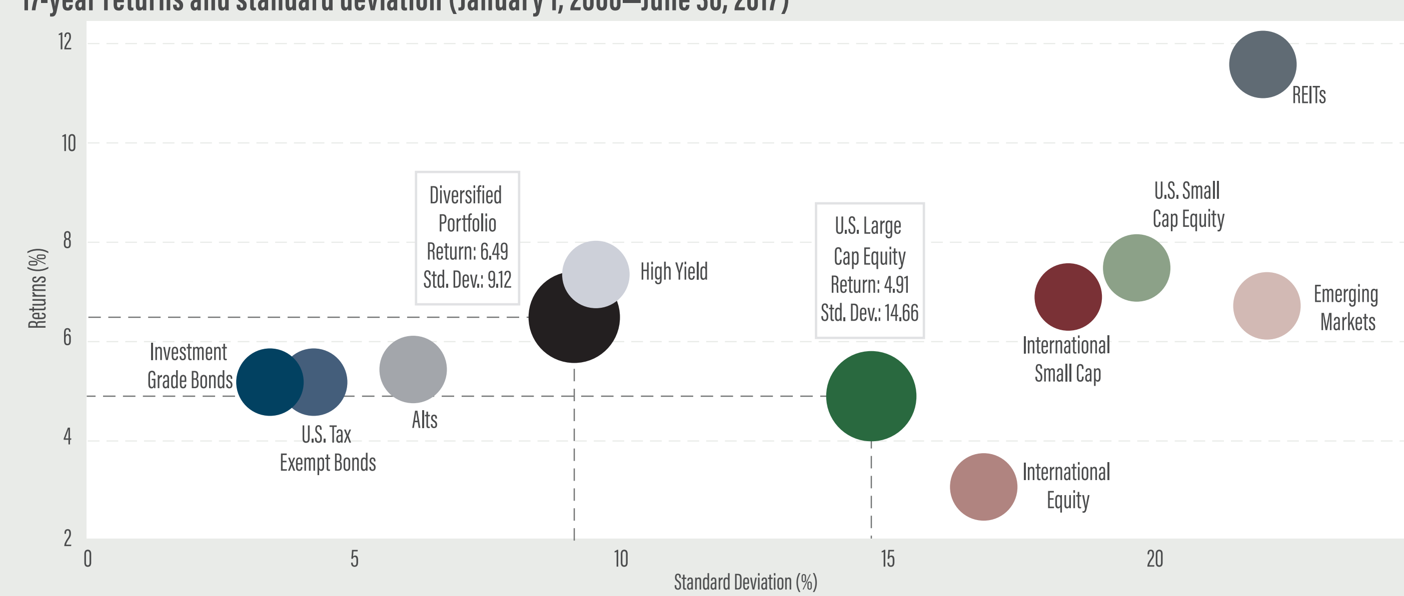
Foreign purchasing managers' indices (PMI) suggest improving economic fundamentals



As of June 30, 2017.
Source: FactSet, ISM, Markit Economics.

Looking long-term a diversified portfolio has outperformed with less risk

17-year returns and standard deviation (January 1, 2000—June 30, 2017)



Source: FactSet, S&P Dow Jones Indices. See back cover for representative indices. **Past performance is no guarantee of future results.**
Standard Deviation (SD): A measure of risk; it calculates the variability of returns by comparing the Fund's return in each period with the average Fund return across all periods.

Summary

- 2017 has continued the 2016 trend of providing diversified investors with positive returns.
- Despite continuing to underperform the S&P 500 Index, the diversified portfolio benefitted from robust returns from several other asset classes including international equities.
- History continues to support diversified investors focused on the long term as they have been rewarded with superior returns relative to the S&P 500 Index as well as less risk.

A key to successful investing remains keeping calm and remaining diversified.

Please talk to your advisor about how diversification may help you achieve your investment goals.

About AMG Funds

The **largest network** of institutional quality boutique investment solutions through a single point of access

More than 100 actively managed products **covering the risk spectrum** for investors searching beyond the index

The **unrivaled insights** of over 30 independent and autonomous investment managers

Investments in debt securities are subject to credit and interest rate risk. 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. Factors unique to the municipal bond market may negatively affect the value in municipal bonds.

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.

Investments in small-capitalization companies are subject to greater price volatility, lower trading volume and less liquidity than investing in larger, more established companies.

Real estate investments are subject to factors such as changing general and local economic, financial, competitive and environmental conditions.

Alternative investments are speculative, subject to high return volatility and involve a high degree of risk including, but not limited to, the risks associated with leverage, derivative instruments such as options and futures, distressed securities, may be illiquid on a long term basis and short sales. There can be no assurance that these types of strategies will achieve their objectives or avoid substantial losses. Alternative investments may also be subject to significant fees and expenses.

Effective August 24, 2016, the Barclays indices were renamed Bloomberg Barclays indices.

The Bloomberg Barclays U.S. Corporate High Yield Bond Index (Representing U.S. High Yield) is a total return performance benchmark for fixed income securities having a maximum quality rating of Ba1 (as determined by Moody's Investors Service).

Bloomberg Barclays U.S. Aggregate Bond Index (Representing Investment Grade Bonds): The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Bloomberg Barclays U.S. Municipal Bond Index (representing U.S. Muni Bonds) is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed tax exempt bond market. The index includes state and local general obligation, revenue, insured, and pre-refunded bonds.

The HFRI Fund Weighted Composite Index (Representing Alternatives): is a global, equal-weighted index of over 2,000 single-manager funds that report to HFR Database. Constituent funds report monthly net of all fees performance in US Dollar and have a minimum of $50 Million under management or a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds.

MSCI World Index Ex USA (Representing International Equity): The MSCI World ex USA Index captures large and mid cap representation across 22 of 23 developed markets countries*—excluding the United States. With 1,021 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets Index (Representing Emerging Market Equity): The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 24 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and the United Arab Emirates.

The MSCI All Country World Index (ACWI) ex USA Small Cap (representing International Small Cap) captures small cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries*. With 4,329 constituents, the index covers approximately 14% of the global equity opportunity set outside the US.

Russell 2000® Index (Representing U.S. Small Cap Equity) Measures the performance of approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The Russell 2000 serves as a benchmark for small-cap stocks in the United States.

The Dow Jones U.S. Select REIT Index (representing U.S. Real Estate) tracks the performance of publicly traded REITs and REIT-like securities and is designed to serve as a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

The S&P 500 Index (Representing U.S. Large Cap Equity) 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 S&P 500 Index is proprietary data of Standard & Poor's, a division of McGraw-Hill Companies, Inc. All rights reserved.

The S&P 500 Growth Index is a market-capitalization-weighted index consisting of those stocks within the S&P 500 Index that exhibit strong growth characteristics.

The S&P 500 Value Index is also a market-capitalization-weighted index consisting of those stocks within the S&P 500 Index that exhibit strong value characteristics.

The indices are unmanaged, are not available for investment and do not incur expenses.

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