Keep Calm and Remain Diversified

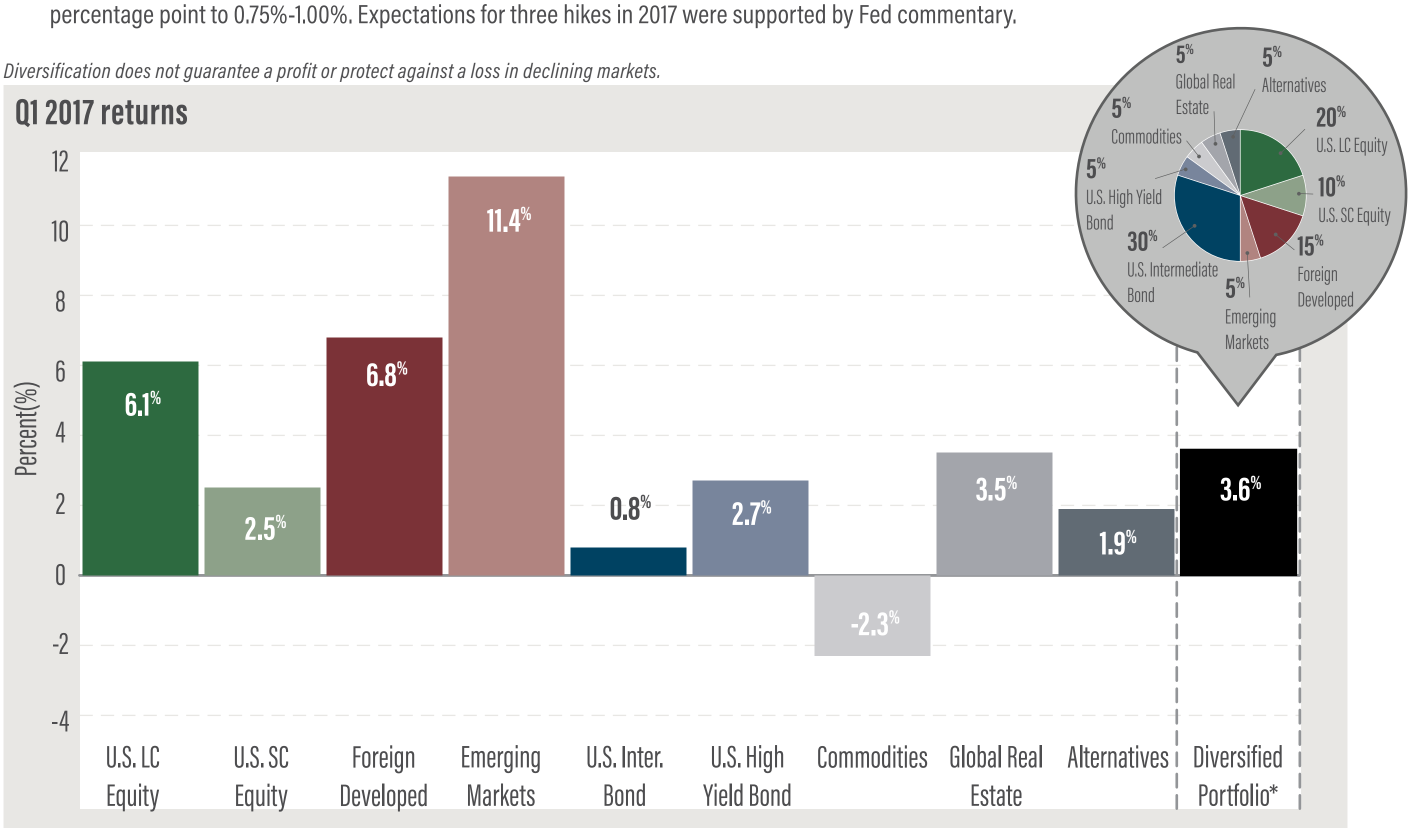
A short- and long-term review of the power of diversification

Q1 2017 market returns review

After a strong finish for equities in 2016, global equities rallied in the first quarter on improved economic data, strong corporate earnings, and continued expectations for lower taxes and regulations in the U.S. However, several trends within equities reversed: Emerging market and foreign developed equities outperformed U.S. equities, growth outperformed value, and large-caps outperformed small-caps. Fixed income, commodities and real estate assets continued to underperform equities as the U.S. Federal Reserve (the "Fed") raised rates a quarter percentage point. Additional highlights for the quarter included:

- 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.
- Foreign developed equities outperformed U.S. equities on improving Eurozone economic data, receding political worries, and U.S. Dollar retrenchment.
- After underperformance of 9.3% in 2016, the S&P 500 Growth Index (9.1%) outperformed the S&P Value Index (4.9%) by 4.2% on a global basis led by the information technology sector.
- Global real estate and high yield bonds outperformed U.S. government bonds as the U.S. 10-year Treasury declined from 2.44% to 2.39%.
- The Fed used key economic data points related to employment, inflation and economic growth to raise the federal funds rate by a quarter percentage point to 0.75%-1.00%. Expectations for three hikes in 2017 were supported by Fed commentary.

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: 5%, U.S. Large Cap Equity: 20%, U.S. Small Cap: 10%, Foreign Developed Equity: 15%, Emerging Market Equity: 5%, U.S. Intermediate Bond: 30%, U.S. High Yield: 5%, Commodities: 5%, Global Real Estate: 5%.

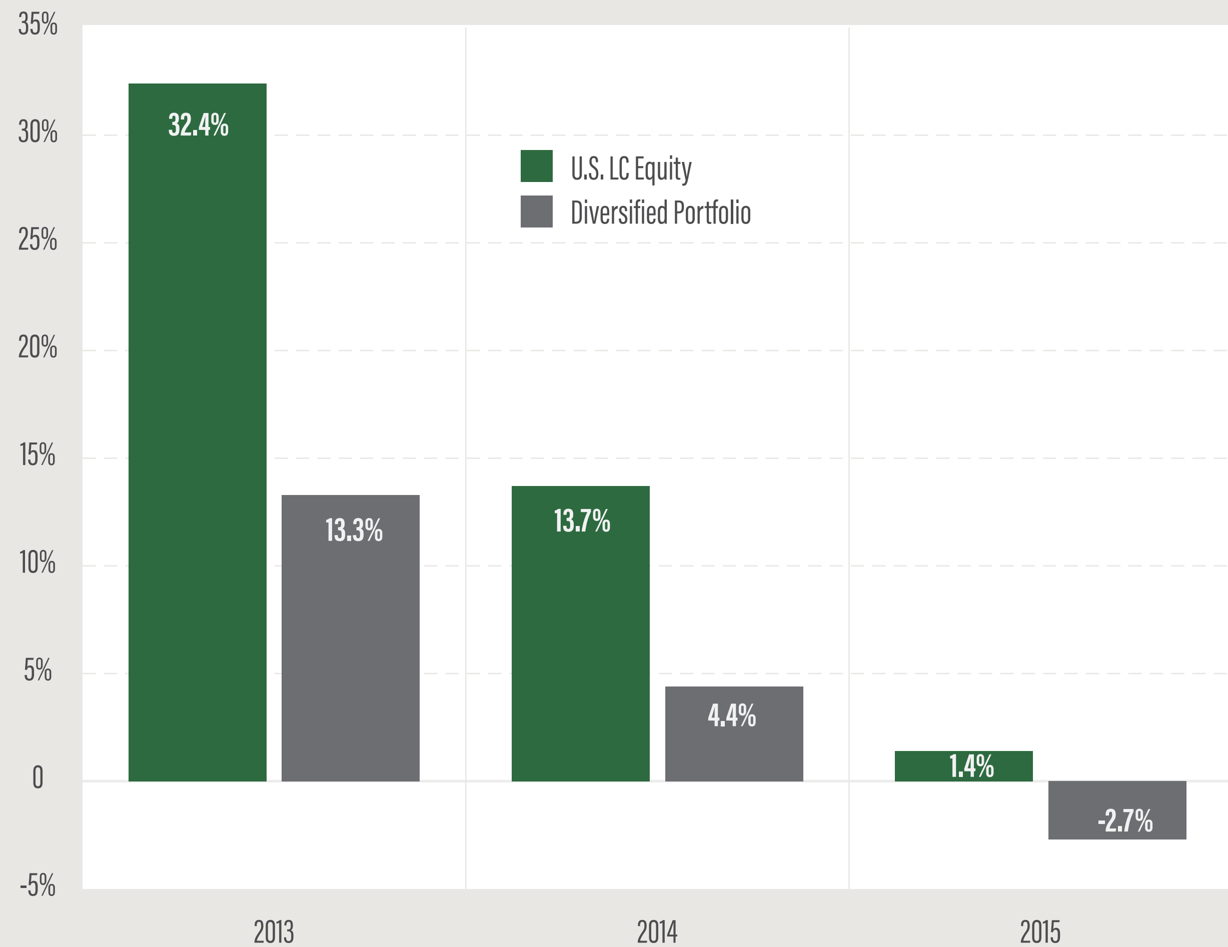
Are the last four years testing the power of diversification?

Since 2013, U.S. equities have significantly outperformed all other major asset classes. Investors may be wondering why they should remain diversified; however, historical asset class performance analysis may give investors more confidence in a diversified portfolio:

- A longer-term perspective reveals that from January 2001 to March 2017, a diversified portfolio outperformed the S&P 500 Index by 0.5% annually, with a standard deviation of 10.6% vs. 16.2% for the Index.
- A diversified portfolio dramatically outperformed the S&P 500 Index during 2008 with a decline of -24.9% vs. -37.0% for the Index.
- Similarly, after the technology bubble popped in 2000, a diversified portfolio greatly outperformed the S&P 500 Index in 2000, 2001 and 2002 by 9.9%, 8.1%, and 17.1%, respectively.
- Interestingly, the last time the S&P 500 Index outperformed all other asset classes for four consecutive years was 1995 – 1998.

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.

2013-2015 S&P 500 Index returns caused many investors to question a diversified portfolio



Source: FactSet, S&P Dow Jones Indices. See back cover for representative indices. **Past performance is no guarantee of future results.**

Think beyond the S&P 500 Index

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
							Comm 25.9%				
							US Inter 10.3%				
						US Inter 8.4%	Glo RE 1.4%		Glo RE 34.8%		
					Comm 31.8%	US HYB 5.3%	US HYB -1.4%	EM 55.8%	EM 25.6%	EM 34.0%	
					US Inter 11.6%	US SC 2.5%	Div Port* -5.0%	US SC 47.3%	For Dev 20.4%	Comm 21.4%	Glo RE 40.4%
				For Dev 27.9%	Div Port* 0.8%	Glo RE 0.3%	EM -6.2%	Glo RE 39.6%	US SC 18.3%	For Dev 14.5%	EM 32.1%
				Comm 24.3%	US SC -3.0%	EM -2.6%	For Dev -15.8%	For Dev 39.4%	Div Port* 13.1%	Glo RE 14.1%	For Dev 25.7%
	Comm 23.2%			US SC 21.3%	US HYB -5.7%	Div Port* -3.8%	US SC -20.5%	US HYB 29.0%	US HYB 11.1%	Div Port* 8.4%	US SC 18.4%
US LC 37.6%	US LC 23.0%	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 28.5%	US SC 16.5%	US SC 22.4%	For Dev 18.8%	Div Port* 13.7%	For Dev -13.4%	Comm -19.5%		Div Port* 26.3%	Comm 9.1%	US SC 4.6%	Div Port* 15.2%
Div Port* 22.8%	Div Port* 11.9%	Div Port* 14.8%	Div Port* 11.3%	US HYB 2.4%		For Dev -21.4%		Comm 23.9%	US Inter 4.3%	US HYB 2.7%	US HYB 11.8%
US HYB 19.3%	US HYB 11.3%	US HYB 12.8%	US Inter 8.7%	US Inter -0.8%				US Inter 4.1%		US Inter 2.4%	US Inter 4.3%
US Inter 18.5%	For Dev 6.9%	US Inter 9.7%	US HYB 1.9%								Comm 2.1%
Comm 15.2%	US Inter 3.6%	For Dev 2.3%	US SC -2.5%								
For Dev 11.4%		Comm -3.4%	Comm -27.0%								

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	Q117[1]
	US Inter 5.2%									
EM 39.4%	Alts -19.1%	EM 78.5%	US SC 26.9%							
Comm 16.2%	Div Port* -24.9%	US HYB 58.2%	Glo RE 19.7%		Glo RE 30.3%					
For Dev 12.4%	US HYB -26.2%	Glo RE 39.9%	EM 18.9%		EM 18.2%					
Div Port* 7.9%	US SC -33.8%	For Dev 33.7%	Comm 16.8%	US Inter 7.8%	For Dev 16.4%				US SC 21.3%	EM 11.4%
US Inter 7.0%	Comm -35.6%	US SC 27.2%	US HYB 15.1%	US HYB 5.0%	US SC 16.3%	US SC 38.8%			US HYB 17.1%	For Dev 6.8%
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 6.1%
US HYB 1.9%	For Dev -43.6%	Div Port 25.6%	Div Port 13.1%	Div Port -1.3%	US HYB 15.8%	For Dev 21.0%	Glo RE 12.7%	US Inter 0.5%	Comm 11.8%	Div Port 3.6%
US SC -1.6%	Glo RE -49.3%	Comm 18.9%	Alts 10.7%	Alts -2.1%	Div Port 12.1%	Div Port 13.3%	US Inter 6.0%	Alts -0.1%	EM 11.2%	Glo RE 3.5%
Glo RE -5.3%	EM -53.3%	Alts 18.7%	For Dev 8.9%	US SC -4.2%	Alts 6.6%	Alts 9.5%	US SC 4.9%	Glo RE -0.7%	Div Port 8.1%	US HYB 2.7%
		US Inter 5.9%	US Inter 6.5%	Glo RE -8.2%	US Inter 4.2%	US HYB 7.4%	Alts 4.5%	Div Port -2.7%	Glo RE 4.1%	US SC 2.5%
				For Dev -12.2%	Comm -1.1%	Glo RE 3.0%	Div Port 4.4%	For Dev -3.0%	Alts 3.0%	Alts 1.9%
				Comm -13.3%		US Inter -2.0%	US HYB 2.5%	US SC -4.4%	For Dev 2.7%	US Inter 0.8%
				EM -18.4%		EM -2.6%	EM -2.2%	US HYB -4.5%	US Inter 2.6%	Comm -2.3%
						Comm -9.5%	For Dev -4.3%	EM -14.9%		
							Comm -17.0%	Comm -24.7%		

See back cover for representative indices. **Past performance is no guarantee of future results.** [1] As of March 31, 2017.
The S&P Global Property Index (Representing Global Real Estate) and the MSCI Emerging Markets Index (Representing Emerging Markets) are not represented prior to 2001 because the data is not available. The HFRI Asset Weighted Composite Index (Representing Alternatives) is not represented prior to 2008 because the data is not available.
* The composition of the diversified portfolio varied over time due to inception dates of the representative indices. For details on the exact allocations from 1995-2016, please refer to the disclosure on the last page. The diversified portfolio is rebalanced to the original allocation annually.

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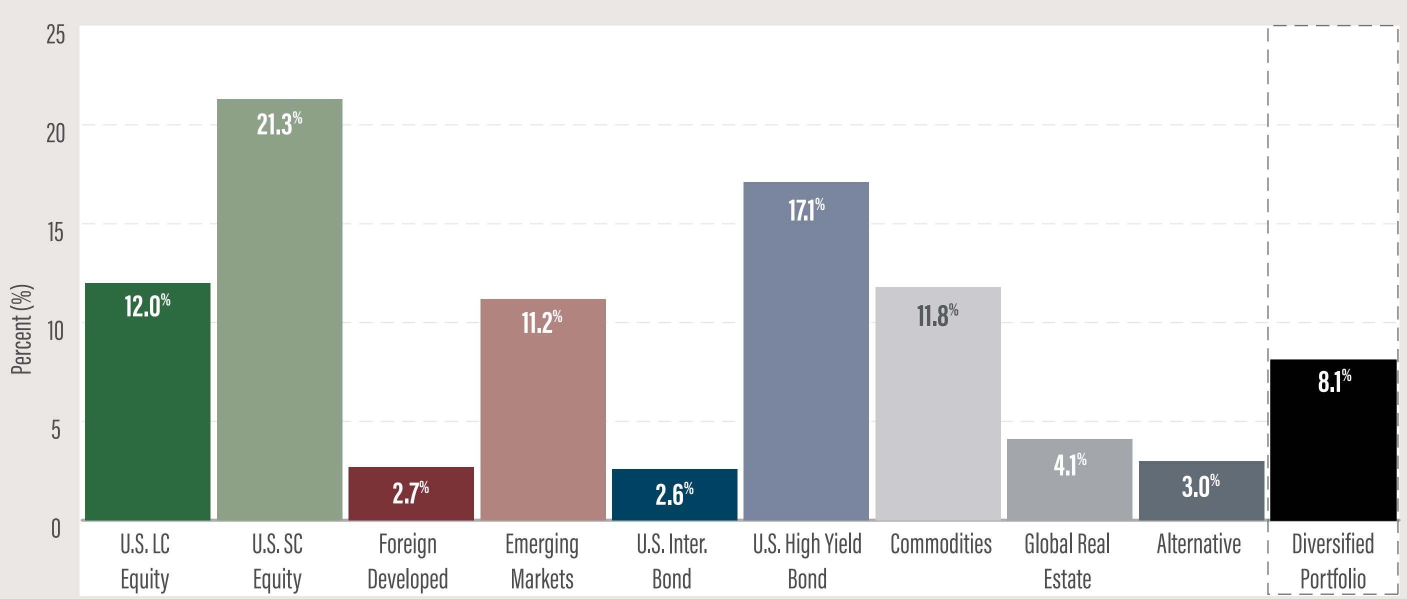
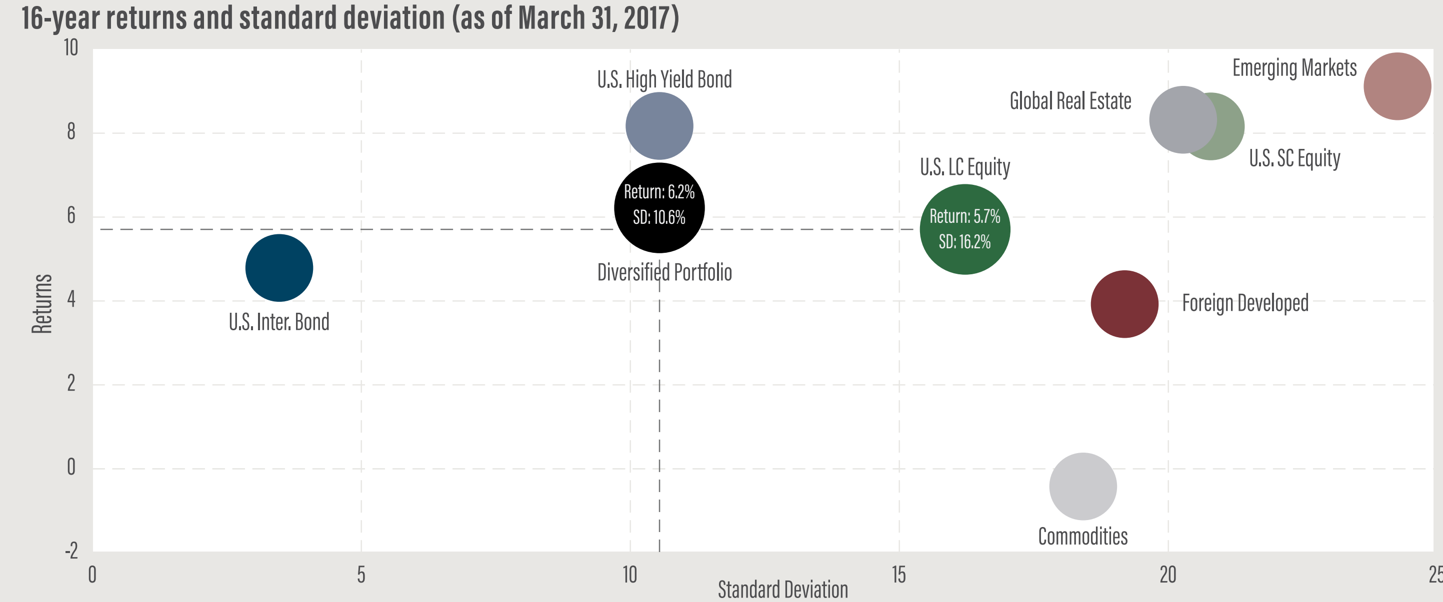
A diversified portfolio performed well in 2016—in line with historical averages



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

16-year returns and standard deviation (as of March 31, 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

- After a few down years, 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 developed and emerging 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

AMG Funds provides access to premier asset managers through a **unique partnership** where the investment managers are truly independent.

AMG Funds is not beholden to a single investment approach or a single manager in delivering quality investment solutions. This **innovative approach** leverages each manager's specific expertise to deliver products that cover the complete asset class spectrum.

Delivering the talents of all of these portfolio managers under a consolidated platform allows AMG Funds to offer **unmatched access** to specialized investment expertise.

The specific allocations for the diversified portfolio are as follows:

1995-2001: U.S. Large Cap Equity: 23.5%, U.S. Small Cap Equity: 11.8%, Foreign Developed: 17.6%, Emerging Markets: 0%, U.S. Intermediate Bond: 35.3%, U.S. High Yield Bond: 5.9%, Commodities: 5.9%, Global Real Estate: 0%, Alternatives: 0%.

2002-2008: U.S. Large Cap Equity: 21.05%, U.S. Small Cap Equity: 10.53%, Foreign Developed: 15.79%, Emerging Markets: 5.26%, U.S. Intermediate Bond: 31.58%, U.S. High Yield Bond: 5.26%, Commodities: 5.26%, Global Real Estate: 5.26%, Alternatives: 0%.

2009-2015: U.S. Large Cap Equity: 20%, U.S. Small Cap Equity: 10%, Foreign Developed: 15%, Emerging Markets: 5%, U.S. Intermediate Bond: 30%, U.S. High Yield Bond: 5%, Commodities: 5%, Global Real Estate: 5%, Alternatives: 5%.

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.

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 Bond) 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 U.S. Intermediate Bond): 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.

Bloomberg Commodity Index (Representing Commodities): Bloomberg Commodity Index is composed of futures contracts on physical commodities. The Index is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight caps are applied at the commodity, sector and group level for diversification.

HFRI Asset Weighted Composite Index (Representing Alternatives): The HFRI Asset Weighted Composite Index is a global, asset-weighted index comprised of over 2,000 single-manager funds that report to Hedge Fund Research (HFR) Database. Constituent funds report monthly net of all fees performance in U.S. Dollars and have a minimum of $50 million under management or a twelve (12) month track record of active performance. The HFRI Asset Weighted Composite Index does not include funds of hedge funds. The constituent funds of the HFRI Asset Weighted Composite Index are weighted according to the AUM reported by each fund for the prior month.

MSCI All Country World Index: The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes.

The MSCI EMU Index (European Economic and Monetary Union): Captures large and mid cap representation across the 10 developed markets countries in the EMU. With 241 constituents, the index covers approximately 85% of the free float-adjusted market capitalization of the EMU.

MSCI World Index Ex USA (Representing Foreign Developed): 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 Markets): 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 consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey.

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.

S&P Global Property Index (Representing Global Real Estate): The Index defines and measures the investable universe of publicly traded property companies. The index divides into two sub-indices: S&P Developed Property and S&P Emerging Property.

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.

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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.

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