

AMG Yacktman Special Opportunities Fund Year-End Update

Q4 2024

Class N | **YASLX** Class I | **YASSX**

Average Annual Returns (%)¹

as of 12/31/24

	Q4	YTD	1 Yr	3 Yr	5 Yr	Since Inception
YASSX (Class I)	-2.88	5.95	5.95	-1.86	5.77	7.02 ²
YASLX (Class Z)	-2.85	5.95	5.95	-1.79	5.87	5.77 ³
MSCI ACWI All Cap Index	-1.24	16.29	16.29	4.83	9.63	8.29 ³

YASSX (Class I) Expense Ratio (Gross/Net)⁴: 1.19%/1.13%

YASLX (Class Z) Expense Ratio (Gross/Net)⁴: 1.09%/1.03%

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.

⁴ The Fund's Investment Manager has contractually agreed, through May 1, 2025, to limit fund operating expenses. The net expense ratio reflects this limitation, while the gross expense ratio does not. The Fund has no up-front sales charges or deferred sales charges. Please refer to the Fund's Prospectus for additional information on the Fund's expenses.

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 800.548.4539 or visit our website at wealth.amg.com. From time to time the advisor has waived fees or reimbursed expenses, which may have resulted in higher returns.

For the twelve months ending December 31, 2024, **AMG Yacktman Special Opportunities Fund** (the "Fund") Class I shares returned 5.95%, behind the 16.29% return of the MSCI ACWI All Cap Index (the "Index").

The Fund's performance lagged the market in 2024. However, December offered a glimmer of the relative return potential we feel is embedded in our investments—and fortune can change swiftly. Five years ago, we were finishing up our 2019 year-end report. By the time that letter went to print in 2020, the world was in the midst of a global pandemic, with March 2020 on record as one of the sharpest downturns in history. Despite the disruptions of the pandemic, the S&P 500[®] has risen by 14.53% annually over the past five years. This has only reinforced the belief that the U.S. market seems to be on an unshakable trajectory. Return expectations have ratcheted up to even more lofty levels.

As we looked back over the year leading up to the pandemic, we stumbled across an old article about mountain climbing. In 2019, The New York Times wrote an article on the problem of "traffic jams" on Mount Everest. Summitting Mount Everest, a feat once reserved for the true explorers and climbing elite, has become a business enterprise. The headline photo was by Nirmal Purja, an experienced

mountaineer who was attempting a summit of all fourteen mountains over 8,000 meters in a single year (he succeeded in that remarkable feat). Purja's viral picture showed dozens of climbers stuck in a single-file line up to the summit. Skies were clear, but sheer cliffs dropped off in every direction. Like these climbers, many investors are seeking the glory of a summit (reaching their investment goals) and lately, that has almost seemed too easy. On Everest, the temptation to abandon rules (such as turning around at the appointed time) is alluring to many climbers who are this close to the summit. Yet the consequences of being stuck in such a bottleneck when conditions deteriorate can be severe. Given the investor behavior all around us, we intend to keep our boots firmly planted on safer ground.

Over long periods (think decades or more), the market has delivered almost 10% annual returns. Yet the path to achieving these historical returns appears to be a narrow one from here, particularly for U.S. markets. While many market participants believe they may escape the worst consequences of falling short, we expect that the crowded markets of today could add complications. As such, we believe our collection of above average businesses trading at discounted valuations remains a prudent combination for the uncertain route ahead.

Portfolio Updates

U.S. markets have grown to dominate capital flows. Look at the return contribution by country of a “diversified” global index in 2024. Country-level return contributions are almost indistinguishable from the x-axis—except for the U.S., whose return overwhelms the chart. The sheer scale of such outperformance by a single market not only captures investor attention and capital but tests the patience of anyone doing something different. Yet, we believe going to such an extreme is a necessary part of creating such outsized opportunities elsewhere. Given the current set of opportunities beyond large-cap growth, the Fund remains concentrated in international small-cap value stocks. At December 31, 2024, the Fund holds 45 long-term investments with a median market cap of \$239 million, and 53.8% of the Fund’s net assets invested in its top ten holdings. This positioning—concentrated in small and often undiscovered companies—stands out relative to the Index or even our peers.

Why are we positioned in this way? The simple answer is that we feel that the risk reward remains exceptional compared to the alternatives on both an absolute and relative basis. While we are constantly trying to tweak and improve our investment strategy and decision-making, the core elements of our strategy have remained consistent. So, what hasn’t worked more recently?

One factor is an unusual lack of buyout activity in companies we have owned. Given the lack of market focus on smaller companies, acquisitions have been a key source of value unlock over time (either via private equity, strategic acquirers, or company management). As recently as 2021, five portfolio companies had either announced a transaction or been acquired in the previous twelve months. In the past three years? Zero. We feel that valuations in the Fund remain attractive on an absolute basis (relative comparisons are even more stark), that balance sheets remain overcapitalized in an over-leveraged world, and that our business models possess above-average attributes. While timing these value unlocking events is hard, we remain confident that activity will resume despite the current slump.

Another consideration relates to stock picking versus sector selection. As of December 31, 2024, the Fund’s second largest sector exposure was energy at 24.2%. Energy was one of the weakest sectors in the benchmark in 2024 as oil & gas prices were volatile. Correlation between oil & gas companies is also high given the outsized influence of energy prices—the sector tends to move together in good or bad years. Yet the average total return of the Fund’s eight companies in the energy sector was 21.5% in 2024, measured in U.S. Dollars. Compare the performance of this basket to the alternatives: crude oil (flat) or the XOP (-1.0%) or XLE (+5.5%). Several of the Fund’s positions including Total Energy Services, Hemisphere Energy Corporation, and Arrow Exploration increased by more than 35% despite a poor commodity price backdrop. There is evidence of solid stock selection, but in a sector facing significant headwinds during the year. What happens if there is an upswing in energy prices or a return of investor capital to an out of favor sector?

Alternatively, information technology was the worst performing sector of 2024. Most notably, Samsung and Bixolon Co were the worst performers, down 36% and 30% respectively for the year.

Plenty of charts have documented the one-way nature of the market since the 2008-2009 financial crisis. The last five years since the pandemic have been particularly acute. These periods can test the staying power of even the most patient investors while also setting up the absolute and relative bargains we see today. The delta between our investments and the market (whether measured on quality, balance sheet strength, or valuations) gives us confidence in the Fund’s positioning from here.

Contributors/Detractors

The largest contributors for the year were Total Energy Services (“Total Energy”), Omni Bridgeway (“Omni”), and Hargreaves Services (“Hargreaves”). Total Energy continues its recovery from the COVID-19 pandemic lows to reach recent highs in 2024. Capital spent on equipment upgrades should translate to further growth. Omni’s performance has been frustratingly slow in generating the steady earnings profile we’ve long predicted from its litigation finance investments. In mid-December, the company announced a transformational transaction to monetize some of those assets at an attractive payback. The deal allows Omni to pay off all of its debt and validates management’s valuation of the existing case book. In response, the stock jumped more than 40% in a single day, but we feel there is much more upside to come. Hargreaves has been in the Fund’s portfolio since inception. Management has transitioned the business away from its legacy coal division towards long-term service contracts and real estate operations. The market seems to be finally warming up to the newly revamped business.

The largest detractors were Delfi Limited (“Delfi”), America’s Car-Mart (“Car-Mart”), and Unit Corp (“Unit”). Delfi has suffered from raw material inflation impacting its market-leading chocolate business in Indonesia. Look at a chart of cocoa prices since the beginning of 2023—up 5x in a short period in a key input will test any business. We expect that the company will pass through the cost to consumers by adjusting its product mix and raising prices. Car-Mart was a strong contributor through much of 2023 but found itself overextended in 2024 as the difficult environment for buy-here-pay-here dealerships persisted, forcing a painful equity raise in October. Car-Mart underwriting of more recent loan vintages appears to be back to historic performance levels and should positively impact returns going forward. Unit Corp paid another special dividend to end the year. Profits were hit by falling energy prices (particularly natural gas) and weak rates in its rig division. We believe a pristine balance sheet should help to weather any further energy price volatility and ensure that the robust shareholder return program continues.

Conclusion

We feel that the Fund's unique characteristics can help sidestep the impact of investors continuing to herd into crowded trades despite the risks. We have no intention of marching over that cliff and will continue to seek out our own path that aligns with our investment philosophy. We believe shareholders will largely self-select into such a strategy. Our goal remains to produce attractive risk-adjusted returns over a full market cycle, and we appreciate the Fund's shareholders who entrust us with their capital to pursue this goal.

The views expressed represent the opinions of Yacktman Asset Management LP, as of December 31, 2024, are not intended as a forecast or guarantee of future results, and are subject to change without notice

Top Ten Holdings (%)⁵

as of 12/31/24

Holding	% of Net Assets
Omni Bridgeway Ltd	9.05
Arrow Exploration Corp	6.49
Cie de L'Odet SE	5.76
Total Energy Services Inc	5.59
Macfarlane Group PLC	5.08
Italian Wine Brands SpA	4.70
Fila SpA	4.62
Legacy Housing Corp	4.38
Texhong International Group Ltd	4.25
Delfi Ltd	3.89
TOTAL %	53.81

⁵ 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. For a list of all holdings within the fund, please visit wealth.amg.com.

Disclosures

Investors should carefully consider the fund's investment objectives, risks, charges, and expenses before investing. For this and other information, please call 800.548.4539 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.

Market prices of investments held by the Fund may fall rapidly or unpredictably due to a variety of economic or political factors, market conditions, disasters or public health issues, or in response to events that affect particular industries or 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 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.

Refer to the prospectus at wealth.amg.com to see the full list of applicable fund risks.

The MSCI ACWI All Cap Index captures large, mid, small and micro-cap representation across certain Developed Markets (DM) countries and large, mid and small cap representation across certain Emerging Markets (EM) countries. The index is comprehensive, covering a significant percentage of the global equity investment opportunity set. Please go to msci.com for the most current list of countries represented by the index. Unlike the Fund, the index is unmanaged, not available for investment, and does not incur expenses.

The MSCI ACWI ex USA Small Cap Index is a free float-adjusted market capitalization weighted index that is designed to measure the small capitalization equity market performance of certain developed (excluding the U.S.) and emerging markets. Please go to msci.com for the most current list of countries represented by the index.

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.

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.

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