Q2 | 2023 AMG Yacktman Fund

COMMENTARY | ASSET CLASS | LARGE CAP

Class I | YACKX

YACKTMAN ASSET MANAGEMENT

Average Annual Returns (%)[1,2] (as of 06/30/23)

	Q2	YTD	1 yr	3 yr	5 yr	10 yr	15 Yr	20 Yr	Since Incpt.[3]
YACKX (Class I)	3.32	6.01	12.48	14.25	9.72	9.49	11.73	10.23	10.28
Russell 1000® Value Index[4]	4.07	5.12	11.54	14.30	8.11	9.22	8.36	8.50	9.59
S&P 500® Index[4]	8.74	16.89	19.59	14.60	12.31	12.86	10.88	10.04	10.11

YACKX (Class I) Expense Ratio (Gross/Net): 0.72%/0.72%

The performance data shown represents past performance. Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. 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 amgfunds.com. From time to time the advisor has waived fees or reimbursed expenses, which may have resulted in higher returns.

For the 12 months ending June 30, 2023, the **AMG Yacktman Fund** (the "Fund") Class I shares returned 12.48%, outperforming the Russell 1000® Value Index and lagging the S&P 500® Index.

So far this year, market and sector performance was largely the reverse of 2022. A small handful of technology stocks have rebounded after a brutal year in 2022. On the other hand, last year's strong sector performers such as energy have lagged. The concentration of technology companies in the S&P 500® Index represents a level similar to late 1999. While the promise of AI has commanded the news cycle, we believe many stocks are at valuations that are unsustainable, and investors will need to select more carefully from here to achieve results. There is the potential for significant disruption with new AI technology, but predicting the exact winners and losers at this stage is difficult, so we will continue to monitor the space.

Contributors to performance in the first half of 2023 include Microsoft, Alphabet, Samsung, and Bolloré. The tech companies benefited from the sector's leadership and Bolloré announced the sale of its freight forwarding business at an attractive valuation and continued to aggressively reduce the net share count via share repurchases. Detractors to performance are largely due to sector underperformance in health care, financials, and industrials: Charles Schwab, Northrup Grumman, and U-Haul.

Although the energy sector lagged in the first half of 2023, our longer-term thesis remains intact. Price fluctuations in the underlying commodity often occur based on short-term macroeconomic trends and sentiment, but the fundamental supply/demand mismatch is the driver for long-term price trends. On the supply side, energy companies have dramatically curtailed capital expenditures and investment in new production for nearly a decade. Capital allocation has been rerouted to de-levering balance sheets and paying dividends to shareholders. On the demand side, despite a strong push toward renewables, we believe that the dependence on fossil fuels will be much more durable and persistent than headlines may suggest.

Another area of strong conviction is family-owned businesses that are taking steps to unlock value. Bolloré is one of our favorite examples. Bolloré's management has continued to make moves that could reduce or unwind its "conglomerate discount." One significant step was the sale of the company's port and logistics business in Africa last year. More recently, another simplification step was taken with the signing of a purchase agreement to sell the freight forwarding business at an attractive price. Once the logistics deal closes (we believe it is likely over the next several quarters), Bolloré will have transformed into a media company via its ownership stakes in Universal Music Group and Vivendi, plus a large net cash position. The family has a successful track record of intelligent capital allocation and value creation. We note that while Bolloré is a French-domiciled entity, its core business exposure is to Universal Music Group, a company that was built in the U.S. and that continues to have attributes of a U.S. business. The value of the Universal Music Group shares is already more than Bolloré's market cap. Upon closure of the freight forwarding divestiture, net cash will also approach the company's market capitalization.

The combination of Universal Music Group and net cash post-sale means Bolloré's share price trades at well less than fifty cents on the dollar by our estimates. At such a steep discount, we believe aggressive share repurchases are by far the most attractive capital allocation option, especially on a risk-

[1] Returns for periods less than one year are not annualized.

[2] The performance information shown for periods prior to June 29, 2012, is that of the predecessor to the Fund, The Yacktman Fund, which was reorganized into the AMG Yacktman Fund on June 29, 2012, and was managed by Yacktman Asset Management LP with the same investment policies as those of the predecessor Fund.

[3] Since the inception of the Fund on July 6, 1992.

[4] Effective June 30, 2020, the Fund's primary and secondary benchmarks were changed. The Russell 1000® Value Index became the primary benchmark and S&P 500® Index the secondary benchmark; previously the S&P 500 was the primary benchmark and the Russell 1000® Value Index was the secondary benchmark.

adjusted basis. Bolloré has already repurchased more than 10% of the net share count in the last 18 months and we believe that continuing the share count reduction is the smartest use of capital.

To illustrate this point, the history of Teledyne and its famed CEO Henry Singleton is an interesting parallel, as Singleton set the standard for share issuance and repurchase. Over his tenure at Teledyne, Singleton made 130 acquisitions (128 with stock when his stock was highly valued). However, when Teledyne shares were cheap, he executed a series of eight tender offers, ultimately repurchasing 90% of the company. He understood that when his stock was undervalued the best use of capital was to repurchase shares. Bolloré has started along a path with a similar playbook with its recent tender offer. Bolloré's deeply discounted share price should serve as a measuring stick for all future capital allocation decisions, and we expect the family to take advantage of this dynamic to the benefit of all shareholders.

Artificial intelligence has been a frequent participant in the news cycle since the release of ChatGPT-4 in mid-March. While many stocks like NVIDIA have surged to new heights on the back of this technology hype cycle, a company like our long-time holding Samsung Electronics should also be a beneficiary, yet it trades at a low valuation. Rather than rushing into the newest and hottest beneficiary of this AI boom, getting exposure to exciting upside—but without paying for it—has been one of the hallmarks of the Yacktman approach over our three decades and often runs counter to many market participants. As Sir John Templeton said, "If you want to have better performance than the crowd, you must do things differently from the crowd." We have used flexibility in positions like Samsung and Bolloré, which have large U.S. dollar-exposed businesses but sell at drastically lower valuations, to express investments utilizing a different lens. This approach worked well in other periods of high valuations—the end of the dot-com bubble, for example—and we believe it could be critical to future success and managing risk today.

We are enthusiastic about our portfolio, and we believe in the fundamentals of the companies we own. Our focus remains on achieving strong, risk-adjusted returns over time.

To hear more from the Fund's portfolio managers, financial advisors can visit our website **here** to listen to Yacktman Asset Management's second quarter update call.

The views expressed represent the opinions of Yacktman Asset Management LP, as of June 30, 2023, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

[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.

Top Ten Holdings (%)[5] (as of 06/30/23)

Holding	% of Net Assets
Bolloré SE	7.33
Samsung Electronics Co Ltd Preferred	6.13
Canadian Natural Resources Ltd	5.71
Microsoft Corp	3.74
PepsiCo Inc	3.28
Alphabet Inc, Class C	3.28
Procter & Gamble Co	2.69
Brenntag SE	2.38
Charles Schwab Corp	2.35
Bookings Holdings Inc	2.31
TOTAL %	39.21

Disclosure

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.

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.

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.

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 Russell 1000® Index measures the performance of approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000® represents approximately 92% of the U.S. market.

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.

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.

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.

102423 FC043