On Top of the Market 3Q 2015

Volatility Increases, Markets React

AMG

AMG Funds

About AMG Funds

Affiliated Managers Group ("AMG") is a global asset management company with equity investments in leading boutique investment management firms. AMG's innovative partnership approach allows each Affiliate's management team to own significant equity in their firm while maintaining operational autonomy. AMG Funds is a wholly owned subsidiary and the U.S. retail distribution arm of AMG. AMG Funds provides access to premier boutique 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 to help find the best investment solutions. This innovative approach leverages the independent manager's specific expertise to deliver products that cover the complete asset class spectrum. Delivering the talents of independent boutiques under a consolidated platform allows AMG Funds to offer unmatched access to specialized investment expertise..

AUM

$48.0 billion*

Asset classes

- Domestic Equities
- International Equities
- Emerging Markets
- Fixed Income
- Real Estate
- Alternatives
- Multi-Asset Class Strategies

Global reach

AMG's presence extends worldwide with wholly-owned subsidiary offices based in Australia, Canada, United Kingdom, Hong Kong, and Switzerland.

Unique

- Affiliates retain operational autonomy, preserving the entrepreneurial spirit
- 20+ year track record of successful partnerships

Innovative

- Partnerships with top boutique management companies around the world
- Highly focused investment processes

Efficient

- Access a distinctive array of actively managed, return-oriented investment strategies

* As of June 30, 2015

Markets at a glance

DOMESTIC MARKET

Economy: U.S. GDP growth, a broad measure of economic growth, accelerated to a 3.9% seasonally adjusted annualized growth rate during the second quarter, up from a 0.60% rate in the first quarter. According to the Commerce Department, the increase in GDP was due to stronger consumer spending, new construction, government spending and exports. Meanwhile, imports increased, which count against GDP. The unemployment rate dropped to 5.1% during the third quarter, down from 5.3%[1] in June. Despite the improvement in the unemployment rate, new job creation was a disappointment with less than 200,000 jobs created in August and September. Inflation, measured by the Core-CPI (excluding food and energy), remained steady at 1.8%[2] in August, while CPI fell significantly year over year, due in part to the decline in the price of oil. Low mortgage rates continued to provide a tailwind to the housing industry as new and existing home sales touched new cyclical high points in July. Similarly, sales of automobiles also revved up to the highest level in ten years during the quarter. During its September meeting, the Federal Reserve chose to delay an increase in the federal funds target rate. In a press conference, Federal Reserve Chair Janet Yellen stated "Most [Fed] participants continue to expect that economic conditions will make it appropriate to raise the target range for the federal funds rate later this year, although four participants now expect that such conditions will not be seen until next year or later."

Equities: The S&P 500 Index's impressive streak of 10 consecutive positive quarters came to an end in the third quarter as the Index delivered a -6.4% return. Volatility in global equity markets spiked as investors fixated on China's surprise currency devaluation and signs of slowing Chinese economic growth. Nine out of ten sectors were negative during the quarter, with the weakest returns from the energy, materials and health care sectors. Small-caps underperformed with a -11.9% return, as represented by the Russell 2000 Index. From a style perspective, large-cap growth stocks outperformed large-cap value, however, small-cap growth underperformed small-cap value in the third quarter.

[1] Department of Labor
[2] Bureau of Labor Statistics
[3] Eurostat
[4] FactSet

Fixed Income: U.S. bonds, as represented by the Barclays U.S. Aggregate Index, returned 1.2% in the third quarter as the 10-year U.S. Treasury yield fell 31 basis points (bps). Investment grade bonds also posted positive returns despite spreads widening, as measured by the Barclays Investment Grade Corporate Index. Investment grade spreads widened 24 basis points to end the quarter at 174 bps. High yield was worse off with a negative return of -4.9%, as represented by the Barclays U.S. Corporate High Yield Index. High yield spreads widened 158 bps to end the quarter at a 672 bps spread.

Commodities & Real Estate: The price of crude oil per barrel (WTI) slumped lower than $50 during the third quarter. Oil prices remain under pressure due to reduced global demand, oversupply, and OPEC's reluctance to cut production. The fall in the price of oil contributed to the -14.5% decline in the Bloomberg Commodity Index during the quarter. Meanwhile, REITs benefitted from the strengthening economy and continue to be impacted by interest rate fluctuations. The Dow Jones U.S. Select REIT Index returned 3.1% in the third quarter as the 10-year treasury yield fell.

FOREIGN DEVELOPED MARKETS

Economy: The GDP in the Euro Area expanded 0.4%[3] in the third quarter of 2015 over the previous quarter, and was 1.5% higher than the second quarter of 2014. Spain's economy expanded by 1%[3], while Germany, the Euro Zone's biggest economy, realized growth of 0.4%[3]. Italy grew at a slower pace of 0.2%[3], and France generated no growth. Economic growth in the Euro Area may be benefitting from the weakening Euro, lower oil prices and the European Central Bank's (ECB's) €60 billion per month asset purchase program. Greek banks could receive a €15 billion recapitalization from its creditors as long as Greece can complete the reform review by November 15th. Japan's economy shrank 1.2%[4] in the second quarter, less than the initial estimate of a 1.6% contraction, but significantly below the 3.9%[4] growth in the first quarter.

Equities: Developed foreign equities, as represented by the MSCI EAFE Index, underperformed the S&P 500 Index as global equity markets were impacted by concerns over Chinese economic growth. All countries in the MSCI EAFE Index posted negative returns during the third quarter (in local and USD). The weakest individual country performance within the MSCI EAFE Index was posted by those with strong economic ties to China, such as Singapore, Hong Kong and Australia.

Fixed Income: Global fixed income, as measured by the Barclays Global Aggregate Index ex US, returned 0.53% in the third quarter, but the Index is still down -4.21% on a year-to-date basis. Global bonds benefitted from increased volatility as investor demand shifted toward safety causing the 10 year yields to decline significantly in Germany and the UK.

EMERGING MARKETS

Economy: The Chinese economy grew by 7.0% in the second quarter; however, the Chinese stock market reacted negatively to the data likely due to the cooling property sector, industrial overcapacity, less infrastructure investment and weakening domestic demand. On August 11th, the People's Bank of China (PBOC) announced that it will change the calculation of the reference rate for the yuan, effectively allowing for significant devaluation of the local currency. Brazil's GDP contracted 1.9%[4] from the previous three months following a 0.7%[4] decline in the first quarter, which meets the technical definition of a recession. Russia's economy shrank the most since 2009 with a 4.6%[4] contraction in GDP over 12 months ending June 30, 2015, likely due to the decline in oil prices, currency concerns, elevated inflation and the impact of economic sanctions. India's central bank slashed interest rates by 0.5% to 6.75%[4], the fourth time in the past nine months, in an attempt to combat low inflation and a potentially slowing economy.

Equities: Emerging Market equities, as represented by the MSCI EM Index, were sharply negative with a -17.9% return in the third quarter. Like the MSCI EAFE Index, every country in the MSCI EM Index posted a negative return during the quarter. China's -22.7% return (in USD) had the major impact on the Index as it is the largest country with a 23% weight in the Index. Resource-rich Brazil was also sharply negative with a -33.6% return (in USD). The Brazilian Real weakened 19% versus the US Dollar which hurt returns in USD. The weakest individual performer was Greece, with a -35.8% return (in USD).

Note: Past Performance is no guarantee of future results.

Markets at a glance

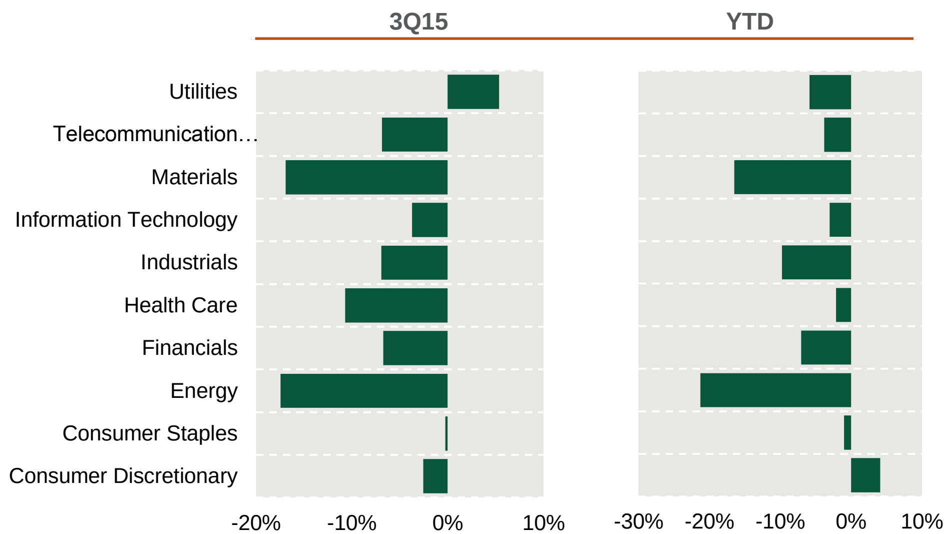
Index Returns	3Q15	YTD	1 Year
S&P 500 Index	-6.4%	-5.3%	-2.5%
Russell Midcap Index	-8.0%	-5.8%	-3.6%
Russell 2000 Index	-11.9%	-7.7%	-4.9%
MSCI EAFE Index	-10.2%	-5.3%	-5.1%
MSCI Emerging Markets Index	-17.9%	-15.5%	-3.0%
Barclays U.S. Aggregate Index	1.2%	1.1%	0.7%
Barclays U.S. Corporate Investment Grade Index	0.8%	-0.1%	0.7%
Barclays U.S. Corporate High Yield Index	-4.9%	-2.5%	-2.6%
Barclays Municipal Bond Index	1.7%	1.8%	0.7%
Dow Jones U.S. Select REIT Index	3.1%	-2.8%	3.4%

Markets	9/30/15	6/30/15	3/31/15
Oil	$45.2	$59.5	$47.7
Gold	$1,114	$1,171	$1,187
Bloomberg Commodity Index	87.8	102.69	98.12

Rates & Spread			
Fed Funds	0.25%	0.25%	0.25%
3M Libor	0.33%	0.28%	0.27%
2-Year Treasury	0.63%	0.64%	0.56%
10-Year Treasury	2.04%	2.35%	1.92%
IG Spreads (bps)	174	150	134
HY Spreads (bps)	672	514	501
30 Year Mortgage	3.86%	4.02%	3.69%
6 Month CD	0.37%	0.37%	0.40%

Source: Barclays, Bloomberg, Dow Jones, FactSet, MSCI, Russell, Standard & Poors

S&P 500 Index sector returns



Equity style

	QTD			YTD		
	Value	Core	Growth	Value	Core	Growth
Large	-8.4%	-6.8%	-5.3%	-9.0%	-5.2%	-1.5%
Mid	-8.0%	-8.0%	-8.0%	-7.7%	-5.8%	-4.1%
Small	-10.7%	-11.9%	-13.1%	-10.1%	-7.7%	-5.5%

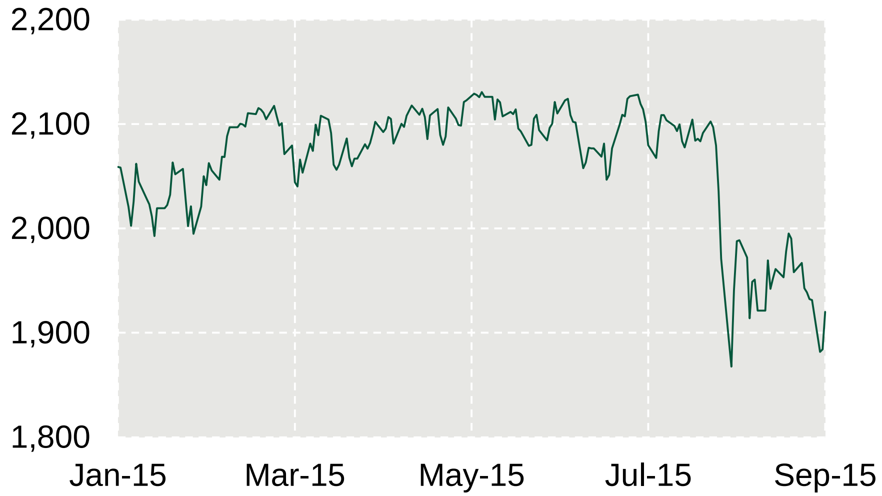
Currencies	9/30/15	6/30/15	3/31/15
$ per Euro	$1.12	$1.11	$1.07
$ per Pound	$1.51	$1.57	$1.48
$ per yen	$0.01	$0.01	$0.01

Note: Past Performance is no guarantee of future results.

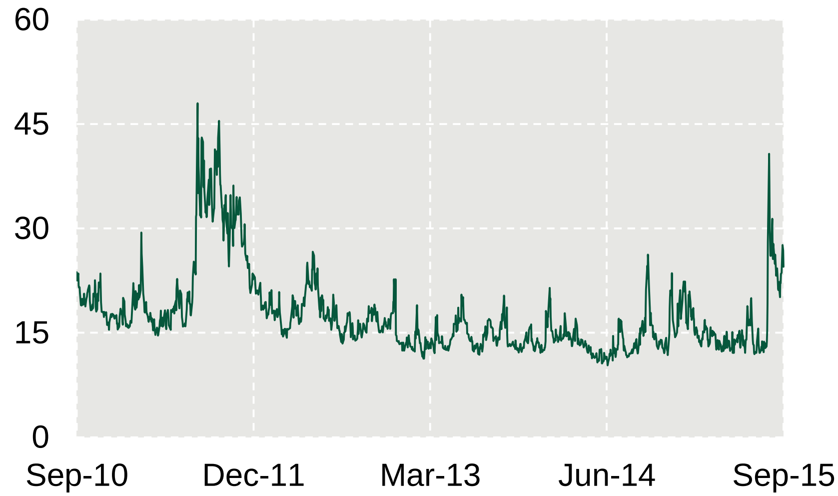
Global equity market volatility

Volatility spiked and global equities sold off following China's decision to devalue their currency in mid-August. At one point, the S&P 500 (Price Index) had a peak-to-trough return between July 20th and August 25th of -12.4%, which is the sharpest drawdown since August 2011. Equity markets remained turbulent through September and the S&P 500 ended the quarter with a -6.4% return. The third quarter wiped out this year's modest YTD gains and the Index stands down -5.3% for the year through September 30, 2015.

S&P 500 – Price index



CBOE Volatility Index (VIX)



Source: CBOE, FactSet, Standard & Poors
As of September 30, 2015.

Note: Past Performance is no guarantee of future results.

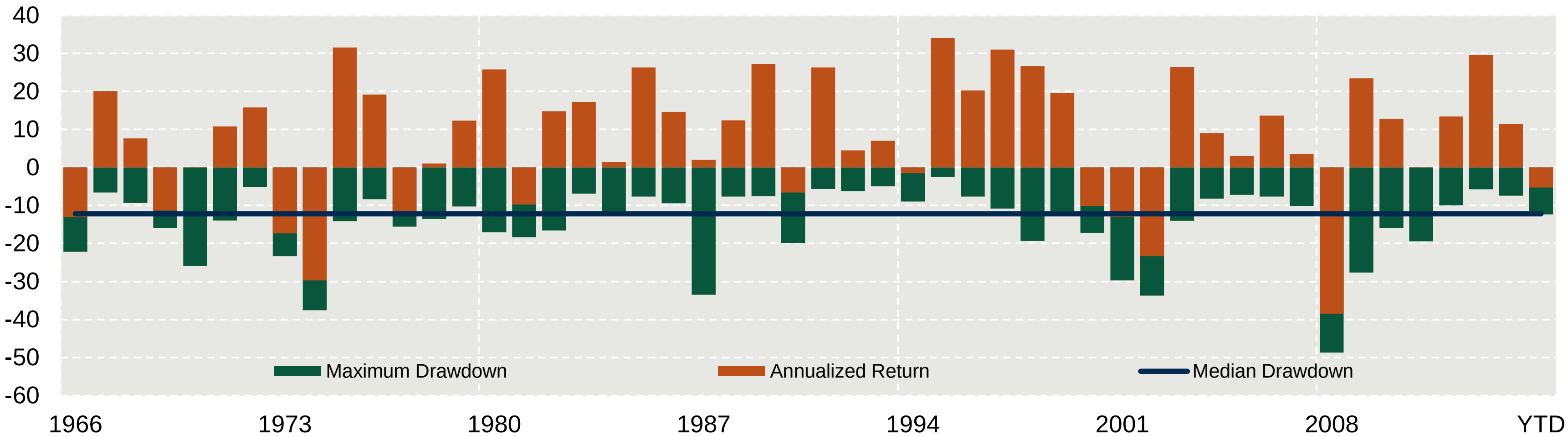
Historical drawdowns of the S&P 500 Index

Maximum drawdown per calendar year

Analysis Period: January 1, 1966 to August 31, 2015

The third quarter's sharp equity pullback surprised many investors, but history suggests a drawdown of this severity is par for the course. The chart below shows the max drawdown of the S&P 500 Index per calendar year for the past 50 years (based on price returns, excluding dividends). The average max drawdown is -14.7% and the median is -12.2%. In 25 of the past 50 years, the max drawdown was worse than the -12.4% drawdown experienced in 2015. In the 25 years with a drawdown that was worse than -12.4%, the max drawdown for 2015 YTD, 11 ended with a positive annualized return. In the 29 years with a drawdown exceeding -10%, 15 ended with a positive annualized return.

Maximum drawdown vs. annualized return

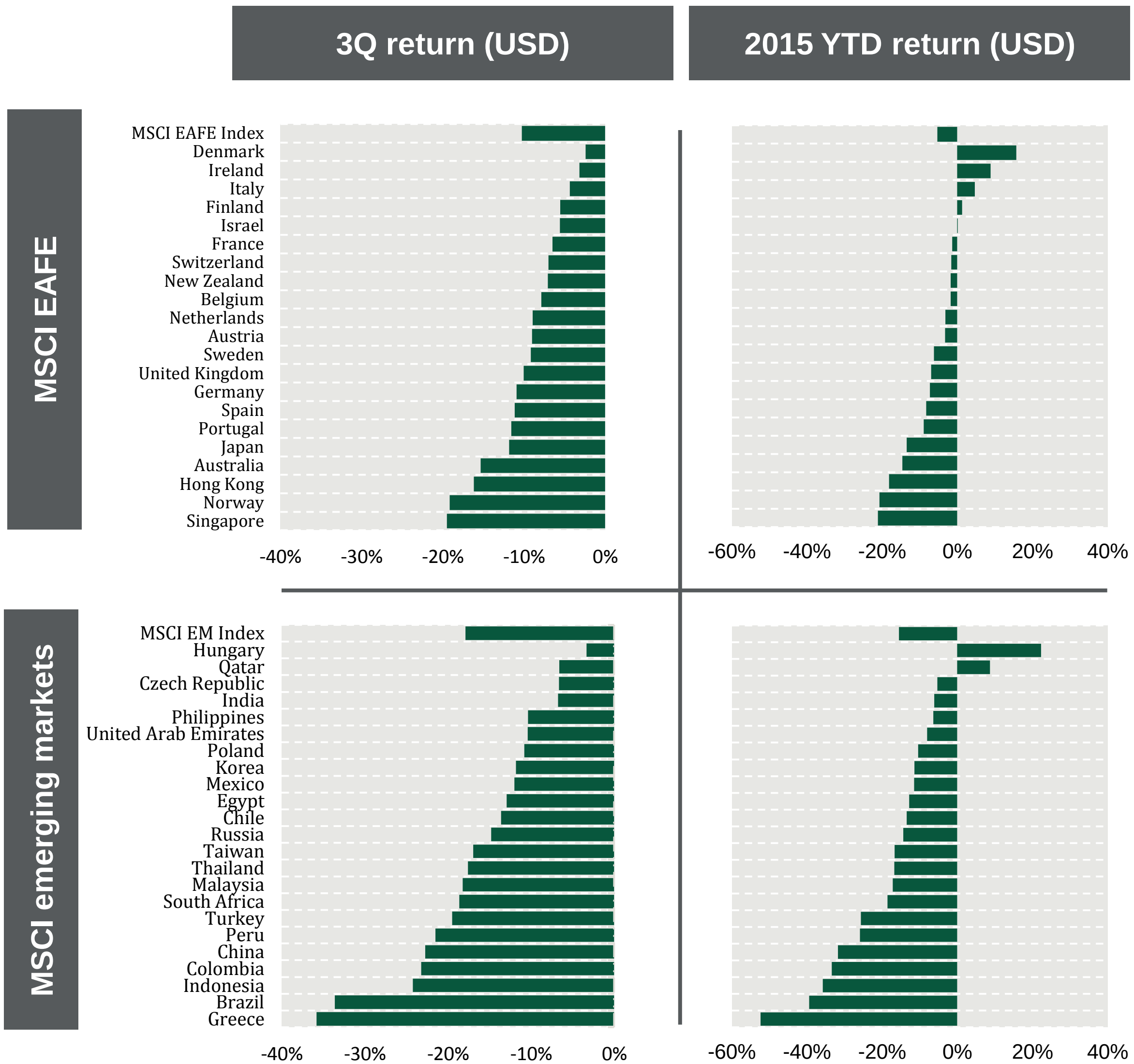


Source: CBOE, FactSet, Standard & Poors

Note: Past Performance is no guarantee of future results.

International equity markets underperform

- International equities performed worse than U.S. equities in the third quarter with the MSCI EAFE Index and MSCI Emerging Markets Index down -10.2% and -17.9%, respectively.
- Every country in the indexes generated negative returns in local currency and USD during the third quarter.
- A strengthening U.S. Dollar also hurt returns in USD, particularly in Emerging Markets such as Brazil, Columbia, Malaysia, Russia, Turkey and South Africa.
- Within developed markets, Denmark, Ireland and Italy led individual country performance, while Hong Kong, Norway and Singapore disappointed.
- Within emerging markets, Hungary, Qatar and the Czech Republic were the top performers, while Indonesia, Brazil and Greece underperformed.



Source: FactSet, MSCI
As of September 30, 2015.

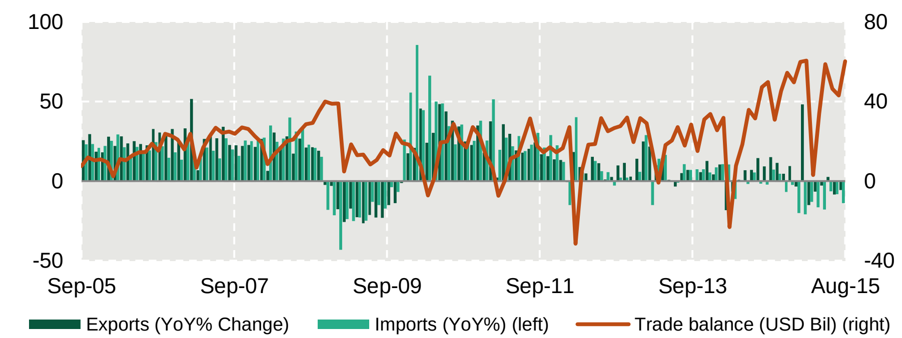
Note: Past Performance is no guarantee of future results.

Chinese stock market tumbles on growth concerns

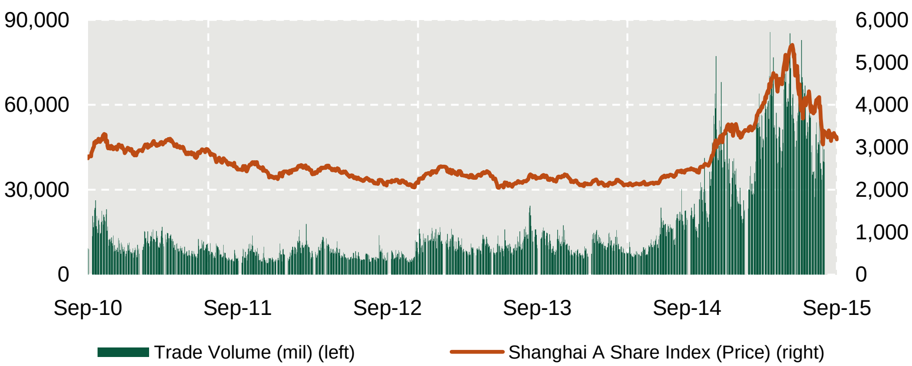
Despite China reporting 7% GDP growth in the second quarter, investors' cautiousness increased as the Chinese A-share market tumbled. Following weak international trade reports of plummeting imports, China surprised investors by devaluing its currency (floating peg to USD), in an attempt to boost exports as exported goods' prices become relatively cheaper in the global economy. This signaled to the world that the economy is slowing, and caused significant volatility in global markets. Meanwhile, China's local A-share market continued to decline throughout the third quarter, erasing earlier gains in 2015.

China GDP

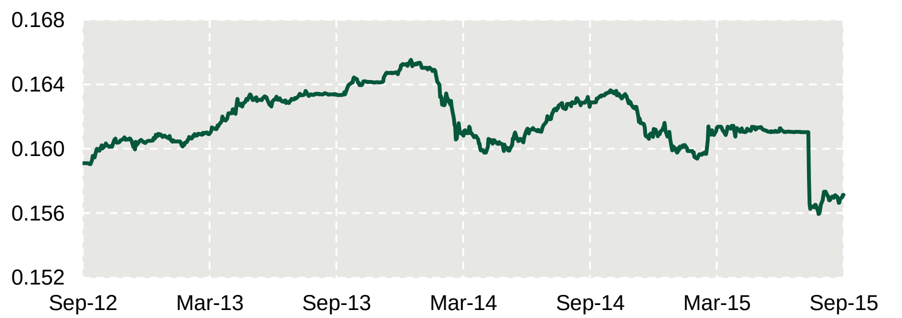
China's trade balance



China A-shares



Chinese Yuan Renminbi to US Dollar exchange rate

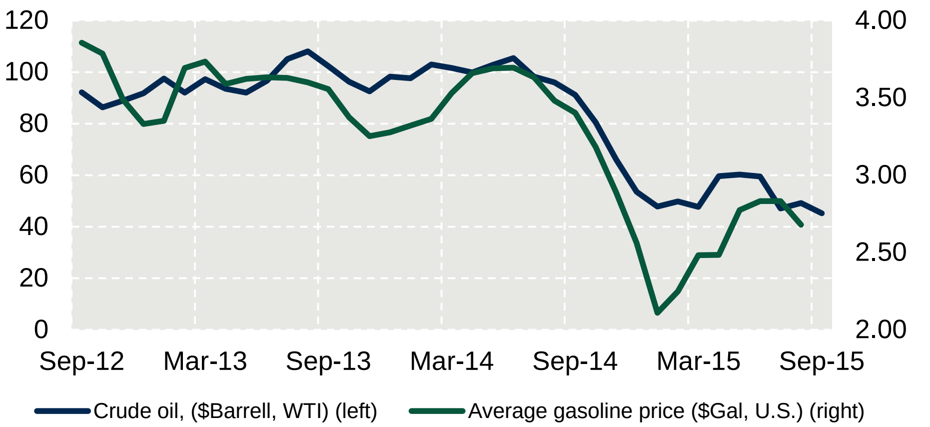


Source: FactSet, National Bureau of Statistics of China, Reuters, Shanghai Stock Exchange
China PMI, China A-shares, and Chinese Yean Renminbi to US Dollare exchange rate as of September 30, 2015, China's trade balance as of August 31, 2015.

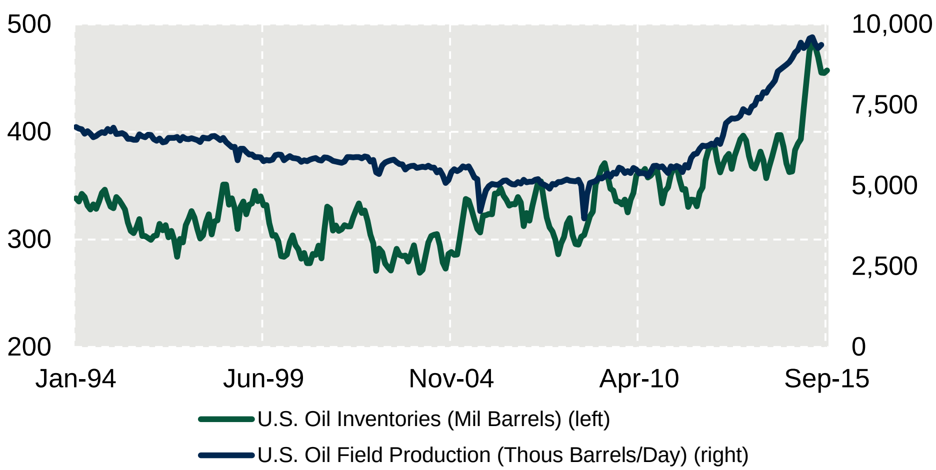
Note: Past Performance is no guarantee of future results.

Oil prices fall

Oil and gasoline prices



U.S. oil production and inventories



- During the third quarter, oil (WTI) prices fell 24% from $59.48 to $45.15 as excess supply persisted, the dollar continued to strengthen and global growth expectations declined. Gasoline also fell from $2.83 per gallon at the end of June to $2.68 per gallon as of August 31st, 2015.
- After steadily increasing for five years, both U.S. oil production and inventories began to decline in the third quarter as producers become less incentivized to continue existing operations or begin new operations that are not profitable with oil priced as low as $45.

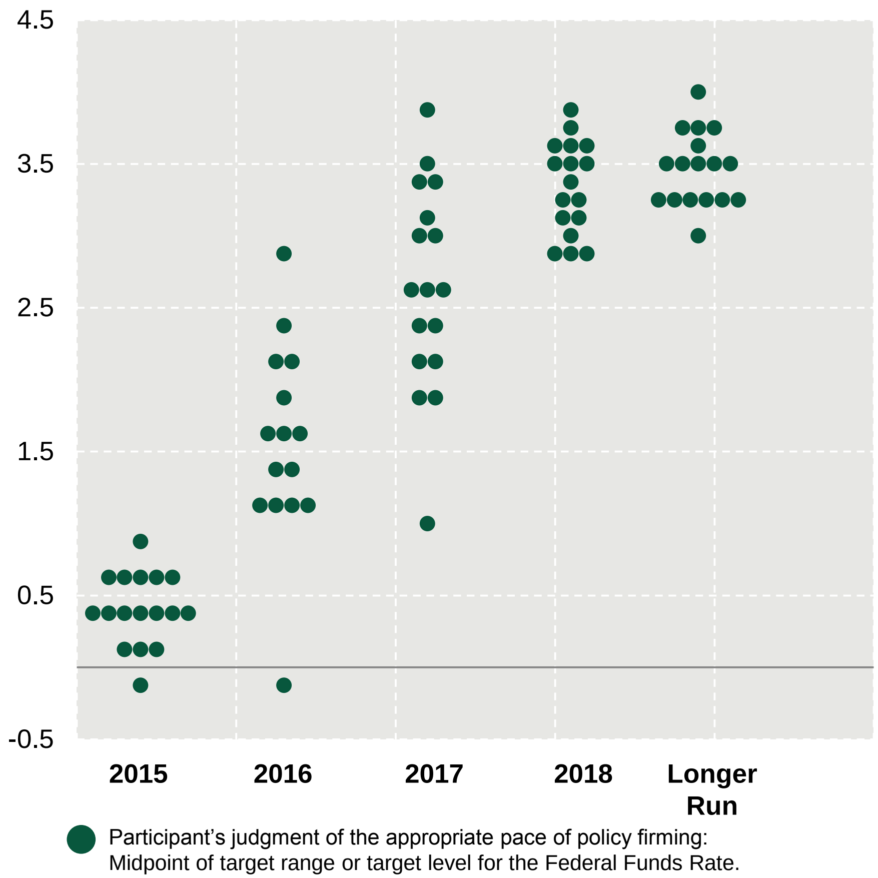
Source: FactSet, Dept. of Labor, Dow Jones (top); FactSet, U.S. Energy Information Administration (bottom)
As of September 30, 2015

Note: Past Performance is no guarantee of future results.

Federal Reserve holds rates again

Overview of FOMC participants' assessments of appropriate monetary policy

As of September 17, 2015



- On September 17th, the Federal Reserve (Fed) announced that it had kept interest rates unchanged due to concerns about the global economy, financial market volatility and low domestic inflation. The Fed did maintain its bias toward a rate hike sometime this year, while lowering its long-term outlook for the US economy.
- 13 of the 17 Fed policymakers foresee raising rates at least once in 2015, down from 15 at the last meeting in June. In deciding when to hike rates, the Fed repeated it wanted to see "some further improvement in the labor market," and be "reasonably confident" that inflation will increase. The Fed's next meeting is in October and the final meeting of 2015 is in December.

Note: Each circle indicates the value (rounded to the nearest 1/8 percentage point) of an individual participant's judgment of the midpoint of the appropriate target range for the Federal Funds Rate or the appropriate target level for the Federal Funds Rate at the end of the specified calendar year or over the longer run.

Source: Federal Reserve

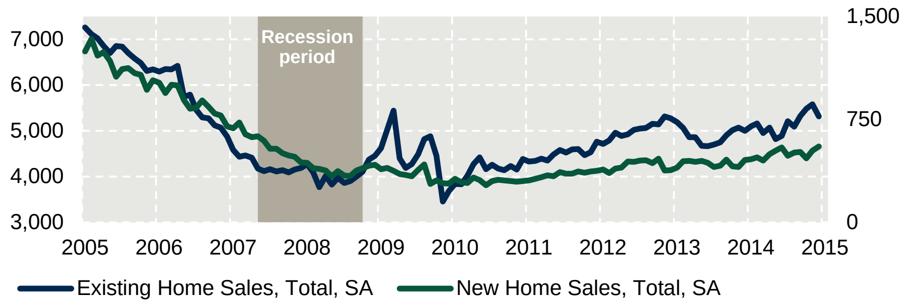
Second quarter strength in U.S. GDP, home sales & auto sales

- U.S. GDP growth, a broad measure of economic growth, accelerated to a 3.9% seasonally adjusted (SA) annualized growth rate during the second quarter, up from a 0.60% rate in the first quarter. According to the Commerce Department, the increase in GDP was due to stronger consumer spending, new construction, government spending and exports.

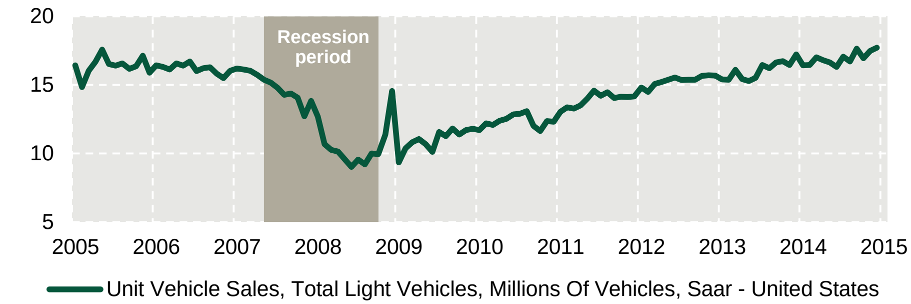
- In July, new home and existing home sales reached new highs since 2009 as consumers likely benefitted from low mortgage rates, improving job market, and healthy wage levels. Auto sales continue to trend near cyclical highs of 17.7 million vehicles sold on an annual basis in August.

- In September, the ISM Manufacturing PMI Index declined slightly to 50.2 from 51.1 in August, while the ISM non-Manufacturing Index also fell from 60.3 in July to 59.0 in August. Both Indexes continue to indicate economic expansion (a reading above 50% indicates economic expansion). According to the September 2015 Manufacturing ISM Report, the overall economy grew for the 76th consecutive month in September.

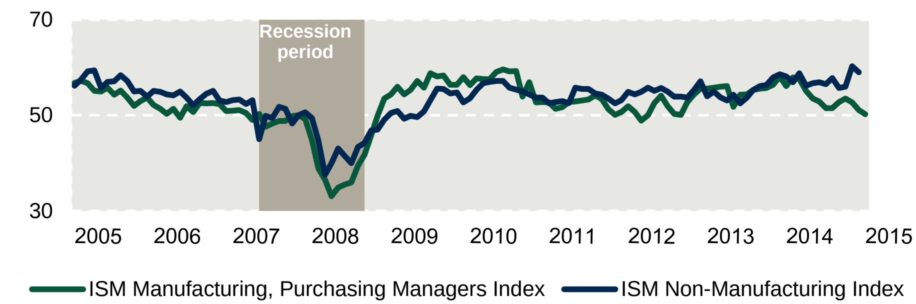
New & existing home sales



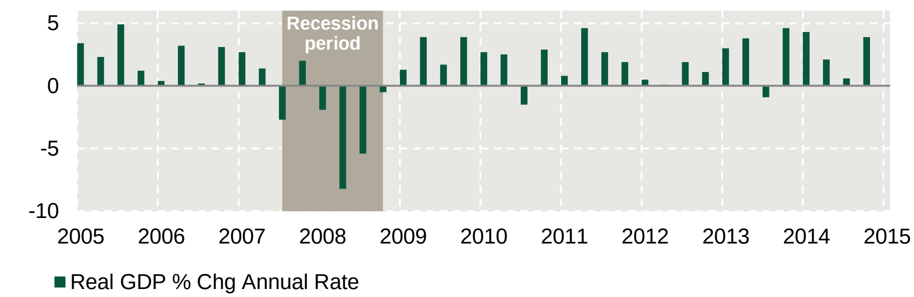
Auto sales



ISM



GDP growth



Source: FactSet (all); National Association of Realtors, U.S. Census Bureau (top L); U.S. Bureau of Economic Analysis (top R); Institute for Supply Management (bottom L); U.S. Bureau of Economic Analysis (bottom R)
As of August 30, 2015

Note: Past Performance is no guarantee of future results.

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Bloomberg Commodity Index: 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.

MSCI EAFE Index: The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. The MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

MSCI Emerging Markets Index: 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 1000® Index: Measures the performance of the 1,000 largest companies in the Russell 3000® Index, which represents approximately 90% of the total market capitalization of the Russell 3000® Index.

Russell 2000® Index: Measures the performance of the 2,000 largest companies in the Russell 3000® Index, which represents approximately 90% of the total market capitalization of the Russell 3000® Index.

Russell Midcap® Index: Measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

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