TIMESSQUARE CAPITAL MANAGEMENT, LLC

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AMG TimesSquare Small Cap Growth Fund—Institutional Class

Quarterly Review — Fourth Quarter 2015

Across the globe in the fourth quarter of 2015, most equity markets generally recovered from their late summer swoons although many failed to end the year in positive territory. The broad U.S. equity indexes rose in the range of 6% to 7% for the quarter to end the year with a sliver of gains, which was more than a step ahead of overseas developed markets in 2015 and well above the weakness in emerging markets. The Chinese economy, the world's second largest following the U.S., grew at a steadily slower rate while number three Japan saw its economy contract. Europe's export-oriented economies also slowed, and the final reading for the most recent quarter's U.S. GDP growth was revised down to 2.0%. The U.S. stood out on monetary policy as the Federal Reserve began its well-telegraphed tightening with the first shift to interest rate increases in over a decade, ending seven years of its zero interest rate policy. In contrast, central banks in every other developed market—as well as most emerging markets—continued monetary easing. That disparity contributed to the ongoing strength of the U.S. dollar relative to the world's other major currencies.

Quarterly Update

Across U.S. stocks, returns flowed in different directions. In the fourth quarter, as well as for the calendar year, there was a preference for large vs. small along the market capitalization spectrum, and for growth vs. value among styles. Within small-to-mid capitalization growth stocks—again for both the quarter and the year—Health Care was one of the best performing sectors while Energy stocks had significantly negative returns. Also during the quarter there were notable preferences for high valuation stocks and those with higher risk—as defined by their betas.

Fund Update

In this environment, the Fund underperformed the Russell 2000® Growth Index on a relative basis for the quarter, though outperformed for the full year. During the quarter there were challenges from the Health Care and Consumer Discretionary sectors. Results were notably better in the Producer Durables and Financial Services sectors.

The Health Care sector provided no salve to the Fund in the quarter. The Fund's greatest detractor was the biotechnology company Clovis Oncology. Clovis develops treatments for non-small cell lung cancer and the company reported that its lead drug candidate Rociletinib had materially worse response rates than previously disclosed. That put its FDA "breakthrough" designation in jeopardy, postponed the expected near-term commercialization of Rociletinib, sent Clovis's price down -67% since the beginning of the fourth quarter, and we sold the position in November. While the stock price for Team Heath Holdings (1.34% of the Fund) was also weak—down -19%—we were more positively disposed to this provider of outsourced professional staffing and administrative services to healthcare systems. Team Health closed its acquisition of IPC Healthcare, a provider of hospitalist services, and a short-lived takeover offer from AmSurg was withdrawn. That led to concerns regarding Team Health's higher debt level and disappointment at the lack of a takeover, neither of which we believed to be well-founded. Offsetting those influences was a 49% gain for Cynosure, Inc. (1.08% of the Fund), the developer of minimally and non-invasive aesthetic treatments. Revenues and earnings both bested expectations and the company anticipated a full U.S. launch in early 2016 for its SculpSure hyperthermic laser treatment for non-invasive fat reduction—the first of its type approved by the FDA. Globus Medical (1.37% of the Fund) also exceeded revenues and earnings expectations, and raised guidance on each for the remainder of its fiscal year. At an analyst day later in the quarter, this manufacturer of spinal implants provided long-term guidance that was better than expected. Globus gained market share from competitors and its business was growing faster than the overall spinal implant market, bolstered by new products, such as a robotic system for minimally invasive surgeries, and an increased salesforce. That combined to lead Globus's stock price up by 35%.

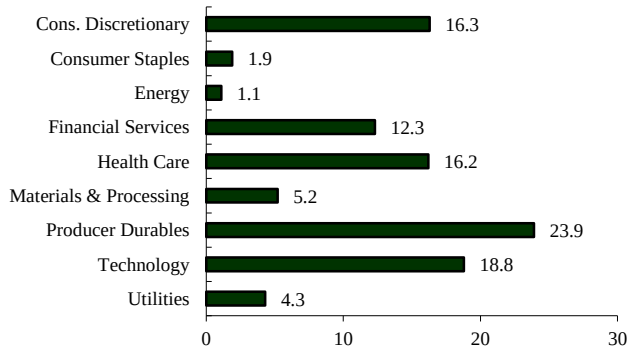
The Consumer Discretionary sector was also a source of challenges for the Fund this quarter. The glassware and tableware manufacturer Libbey Inc. (0.31% of the Fund) reported disappointing revenues and earnings, along with lower forward guidance. While its core food service business performed well, Libbey faced far greater challenges overseas and in its retail sales. In our evaluation, Libbey may see a further slowdown outside its core business that would lead to additional guidance reductions, so we began to exit our position as its stock price declined by -34%. Warm weather had an adverse effect on G-III Apparel Group (0.78% of the Fund), which produces an extensive range of apparel under brand names such as Calvin Klein, Sean John, Kenneth Cole, Jones New York, Cole Haan, and Tommy Hilfiger. G-III's stock price was under pressure in the first part of the quarter on concerns over higher inventory levels for outerwear as a result of the mild start to winter. The stock recovered later when G-III reported better-than-expected earnings, and while management lowered its forward guidance, that reduction was less than investors had feared. Still, the net effect pushed G-III's stock price down by -28%. A better showing came from the motion picture technology company IMAX Corporation (1.60% of the Fund) with a 5% gain. A greater-than-expected number of system sales and upgrades led revenues higher than expected, though earnings were slightly lower. Projecting forward, IMAX announced more screen installations were expected this year than previously thought, and an impressive list of new movies in theaters at the end of the year was expected to translate into solid box office results for the IMAX versions.

Profile as of 12/31/15

	Fund	Russell 2000® Growth Index
Weighted Average Market Cap	$2.3 bil	$2.1 bil
Weighted Median Market Cap	$2.1 bil	$1.9 bil
P/E (FY1 Forecast)*	21.6x	20.0x
Forecast EPS Growth*	18.7%	18.0%
Number of Holdings	97	1,194
Percent Cash	6.0%	-

** Source: FactSet Estimates (see disclosures)*

Fund Sector Allocation (%) as of 12/31/15



Total Returns

For Periods Ended 12/31/15	Fund-Institutional	Russell 2000® Growth Index
One Month	-3.85%	-4.77%
4th Qtr. 2015	3.95%	4.32%
One Year	1.03%	-1.38%
Three Year*	13.32%	14.28%
Five Year*	11.04%	10.67%
Seven Year*	16.52%	16.33%
Ten Year*	9.73%	7.95%
Since Inception (01/21/00)*	8.41%	3.48%

**Average Annual Total Returns*

Total Operating Expense Ratio (Gross/Net): 1.03% / 1.03%

Annual expense ratio as of May 1, 2015. Please refer to the fund's prospectus for additional information on the fund's expenses.

Performance data quoted represents past performance. Past performance does not guarantee future results. Your investment return and principal value of your investment will fluctuate so that your shares in the Fund, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the performance data quoted. Please call toll free at 1.800.835.3879 to obtain performance data current to the most recent month-end.

Performance data reflects waivers of all or a portion of the advisory fees and/or reimbursement of other expenses. Without these waivers and reimbursements, investment performance would have been lower. At times, certain funds' performance may be extraordinarily high due to investing in sectors that achieved unprecedented returns. There can be no assurance that this performance can be repeated in the future.

An area of strength was the Producer Durables sector. Case in point was Albany International (1.90% of the Fund) with its 28% gain. The technical materials and textile producer reported results that outpaced expectations following growth from both its Machine Clothing and Albany Engineered Composites divisions; the latter was Albany's high margin business that supplied composite materials for the new generation of aircraft engines. Descending by -22% was the low-cost airline Allegiant Travel (1.24% of the Fund). Even though reported revenues and earnings were in line with expectations, investors seemed concerned with management's comments regarding its views on operating margins, which some interpreted as leading to a future reduction. Based on our evaluations, we believed those worries were misplaced. Also declining was FARO Technologies (0.42% of the Fund), a 3-dimensional measurement and surface inspection technology company. FARO's end markets were the automotive, aerospace, light manufacturing, and heavy manufacturing industries—many of which saw macroeconomic weakness this year, especially its clients in Latin America and China. Lower resulting revenues led FARO's stock down by -16%. Better was the 22% gain from On Assignment (2.13% of the Fund), which provides short- and long-term contracts for in-demand professionals in areas such as finance, business services, technology, and health care. On Assignment reported revenues and earnings that surpassed expectations, supported by broad-based reaccelerating growth, especially from its Oxford and Apex divisions that provide information technology staffing.

The best credit to the Fund was the Financial Services sector. Strongest was the Fund's top contributor Heartland Payment Systems (1.00% of the Fund) with its 51% gain. Mid-quarter the payment processor reported revenues and earnings that bested prior estimates, and increased its guidance for the remainder of the fiscal year. Heartland also announced the acquisition of privately-held Digital Dining, a restaurant point-of-sale management system. Toward the end of the quarter, Heartland agreed to be acquired by a larger industry peer, Global Payments, and we began to exit the position. Weaker was our re-initiation of BOFI Holdings (1.15% of the Fund). We had exited our position in this internet-based savings bank—also known as Bank of the Internet—earlier in the year when it reached our price target. Subsequently its price climbed, but then retreated sharply on an alleged whistle-blower complaint. Looking into the matter we believed the concerns were groundless and despite the growing short interest, which continued to pressure BOFI's shares by -12% since we purchased it again, we continued to build the position. Lastly was the 15% gain for Financial Engines (0.70% of the Fund), the provider of portfolio management services focused on retirement plan participants. During the quarter Financial Engines reported inline results and announced the planned acquisition of The Mutual Fund Store, a nationwide registered investment advisory that should provide additional channels for growth.

The slightly positive returns of the broad U.S. equity markets in 2015, which were lifted out of negative territory by a narrow section of stocks, may foreshadow challenges for the coming year. Weakness overseas, especially in Europe and China, should produce headwinds for those companies with significant revenue sources in foreign markets. That said, one cloud of uncertainty finally cleared as the Fed raised the federal funds rate to shift the monetary environment's dynamic. As usual, however, we believe no matter what 2016 brings that our disciplined bottom-up analysis of business models and management teams should find superior opportunities for investment. For the New Year, we remain dedicated to adding value to the assets you have entrusted to us, and look forward to working with you throughout 2016.

Note: Small capitalization securities are subject to market, liquidity and information risk. Small company securities may underperform, as compared to the securities of larger companies, and may also pose greater risk due to narrow product lines, limited financial resources, less depth in management or a limited trading market for their stocks. Also, growth stocks may be more volatile than other types of stocks.

Top Ten Holdings as of 12/31/15

(Excluding Money Market Investments)

Holding	Description	% of Total
On Assignment	Provides flexible & permanent staffing solutions, primarily for the Health Care sector, in the U.S., Europe, Canada, Australia, & New Zealand	2.13
Bright Horizons Family Solutions	Provides employer-onsite child care, early education & other services to support employees' families	2.07
j2 Global	Provides Internet-based messaging & communication services to individuals & businesses throughout the world	2.06
Ultimate Software Group	Designs, markets, implements, & supports Web-based & client/server cross-industry human resource management & payroll software solutions	2.01
PolyOne	Develops specialty & customized polymer materials for a variety of industrial, health care & consumer end markets worldwide	1.90
Albany International	Manufactures fabrics, belts & composite materials for industrial machinery & aerospace use worldwide	1.90
ExlService Holdings	Provides transformation & outsourcing services	1.89
MKS Instruments	Manufactures subsystems for the semiconductor capital equipment industry	1.87
Tyler Technologies	Provides automated billing, filing and other technology services for local governments in the U.S. & internationally	1.62
IMAX Corporation	Designs & manufactures advanced motion picture technologies, from production to presentation	1.60
	Total:	**19.05**

Disclosures

In choosing a Fund, investors should carefully consider the amount they plan to invest, their investment objectives, the Fund's investment objectives, risks, charges and expenses before investing. For this and other information, please call 1.800.835.3879, or visit www.amgfunds.com for a free prospectus. Read it carefully before investing or sending money.

Forecast EPS Growth is the annualized percentage change between the most recent actual fiscal year EPS and the 5-year EPS consensus forecast from FactSet Estimates as calculated by FactSet Research System's Portfolio Analysis Workstation. P/E (FY1 Forecast) is the current price divided by the FactSet Estimates consensus earnings per share estimate for the next reported fiscal year as calculated by FactSet's Portfolio Analysis Workstation. Sector classifications are Russell Investment Group sector classifications and the data is un-audited. Please note that the Fund uses different industry classifications for purposes of determining concentrations.

The top ten holdings, sector allocation, market capitalization, price to earnings and forecasted earnings per share growth are presented to illustrate examples of the securities that the Fund has bought and the diversity of areas in which the Fund may invest, and may not be representative of the Fund's current or future investments. The figures presented are as of date shown and may change at any time.

Mention of a specific security should not be considered a recommendation to buy or a solicitation to sell that security.

Fund is measured against the Russell 2000® Growth Index – a market capitalization-weighted index that measures the performance of those Russell 2000® companies with higher price-to-book ratios and higher forecasted growth rates. Russell Investment Group is the source and owner of the Russell Index data contained herein and all trademarks and copyrights related thereto. Unlike the Fund, the Russell 2000® Growth Index is unmanaged, is not available for investment, and does not incur expenses.

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