

# AMG River Road Small Cap Value Fund

Q1 2025

Class N | **ARSVX**    Class I | **ARSIX**    Class Z | **ARZMX**

## Average Annual Returns (%)<sup>1</sup>

as of 03/31/25

	Q1	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
ARSVX (Class N)	-3.94	-3.94	1.30	6.69	16.64	9.12	8.23 <sup>2</sup>
ARSIX (Class I)	-3.83	-3.83	1.67	6.99	16.94	9.41	7.19 <sup>3</sup>
ARZMX (Class Z)	-3.83	-3.83	1.68	7.06	17.06	–	8.59 <sup>4</sup>
Russell 2000® Value Index	-7.74	-7.74	-3.12	0.05	15.31	6.07	6.60 <sup>2</sup>

ARSVX (Class N) Expense Ratio<sup>5</sup> (Gross/Net): 1.37%/1.37%

ARSIX (Class I) Expense Ratio<sup>5</sup> (Gross/Net): 1.11%/1.11%

ARZMX (Class Z) Expense Ratio<sup>5</sup> (Gross/Net): 1.02%/1.02%

<sup>1</sup> Returns for periods less than one year are not annualized.

<sup>2</sup> Since the inception of the Fund's Class N shares on June 28, 2005.

<sup>3</sup> Since the inception of the Fund's Class I shares on December 13, 2006.

<sup>4</sup> Since the inception of the Fund's Class Z shares on September 29, 2017.

<sup>5</sup> 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 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 [wealth.amg.com](http://wealth.amg.com). From time to time the advisor has waived fees or reimbursed expenses, which may have resulted in higher returns.**

The **AMG River Road Small Cap Value Fund (Class N)** returned -3.94% for the first quarter of 2025, outpacing the Russell 2000® Value Index, which returned -7.74%. For the 12-month period that ended March 31, 2025, the Fund returned 1.30%, compared to the Index return of -3.12%.

## Market Overview

Stocks declined in Q1 as fading growth expectations and trade policy uncertainty eroded the post-election surge in business, consumer, and investor sentiment—the remainder of which was obliterated following “Liberation Day.” The quarter began with encouraging earnings and inflation data that helped initially lift stocks. Yet, early cracks were evident, particularly among small caps. January is historically the strongest month for small cap stocks (both absolute and relative) but despite strong performance from mid caps and broadening performance among large caps, the Russell® 2000 Index (+2.62%) lagged the Russell 1000® (+3.18%). This

lack of a “January effect” is notable since it typically coincides with small caps underperforming for the full year.

On April 2, President Trump unveiled a sweeping list of tariffs targeting nearly every economy around the globe. The scope and magnitude of the increases far exceeded the reciprocal tariffs investors were expecting. More alarming was the lack of clarity around how the tariffs were calculated, which many described as non-sensical. CEOs, investors, and foreign leaders were left wondering whether the president was serious or employing a radical negotiating tactic.

Wall Street did not wait for answers. In the four trading sessions that followed, the S&P 500® and Russell 2000® plunged -12.12% and -13.90%, respectively, leaving the Indices -18.90% and -27.92% (based on price return) below their respective all-time highs. In the broader scope of financial markets, it was an orderly correction as there was no serious liquidity or default events. The president's initial reaction

to the decline was acceptance, likening the U.S. economy to a “sick patient” and the tariffs as “necessary medicine.”

Shortly after midnight on April 9, volatility spiked in the 10-year Treasury market, spooking Treasury Secretary Scott Bessent. Then, at 9:38 a.m., the president texted a characteristically bold proclamation on Truth Social, “THIS IS A GREAT TIME TO BUY!!!” At approximately 1:30 p.m., with the S&P 500 entering a bear market, the president announced a 90-day pause to kickstart trade negotiations. While he left in place a 10% baseline tariff, he doubled down on China, raising their punitive rate to 125%. China responded by raising its rate on the U.S. to 84%. Stocks exploded to the upside, with the Russell 2000® turning a -1.57% morning slump into a stunning 8.66% gain.

For Q1, the Russell 2000® tumbled -9.48%, significantly underperforming both the Russell 1000® (-4.49%) and S&P 500 (-4.27%). Within the S&P 500, information technology suffered its worst quarter relative to the broader S&P 500 since Q2 2006. Among the Russell indices, value outpaced growth across all cap tiers in Q1, with the Russell 2000® Value declining -7.74% versus -11.12% for its growth counterpart. Within the benchmark, utilities (+5.77%) delivered the only positive return in Q1, while information technology (-16.88%) returned the weakest.

Q1 was generally favorable for active managers, with 58% of the 3,700 funds tracked by Jefferies outperforming their benchmarks. Unfortunately, this was not the case in small cap value. After a strong showing in 2024, only 49% of active managers in the category outperformed—well below the 83% success rate in small cap core and 64% in small cap growth. The primary headwind for value managers was an underweight to bond proxies, such as utilities, real estate, and financials, all of which delivered strong relative returns.

## Portfolio Overview

The River Road Small Cap Value (SCV) Fund delivered strong relative performance in Q1. The Fund outperformed in every month of the quarter. From the benchmark’s recent peak on November 25 through the close on April 8, the Fund also delivered an attractive preliminary return. Performance during the drawdown was driven primarily by strong stock selection (+606 bps) and, to a lesser extent, positive sector allocation (+261 bps).

For Q1, the key drivers of relative performance were:

- ▶ Positive stock selection (+406 bps) in nine of 11 sectors, driven primarily by industrials (+182 bps), health care (+66 bps), financials (+61 bps), and information technology (+48 bps); only energy (-9 bps) was meaningfully negative
- ▶ Although allocation effect (+34 bps) was positive, results were most negatively impacted by an overweight to industrials (-57 bps) and underweight to financials (-49 bps)
- ▶ Within financials, a lack of exposure to banks (-46 bps) was more than offset by an overweight allocation to insurance (+83 bps)

## What worked...

The holding with the highest contribution to active return in the portfolio during Q1 was specialty insurer Axis Capital Holdings Limited (AXS). AXS delivered record operating earnings in 2024 driven by increased investment income from higher yields, improved underwriting, and general and administrative (G&A) cost reductions, which lifted book value per share 20.7% year over year.

Another top contributor during the quarter was fertility benefits manager Progyny, Inc. (PGNY). In late 2024, PGNY fell to record lows after the company lost its largest customer Amazon (AMZN), who accounted for ~12% of revenue. The portfolio initiated the position after the AMZN loss. The company subsequently reported strong Q4 2024 results, growing revenue 11% and earnings before interest, taxes, depreciation, and amortization (EBITDA) 10% year over year.

Another positive contributor was GEO Group, Inc. (GEO), an owner and operator of private prisons for federal, state, local, and foreign governments. GEO rallied significantly after the U.S. election victory of President Trump on the belief that GEO is poised to play a large role in the mass deportation of undocumented immigrants.

## What didn’t work...

The holding with the lowest contribution to active return in the portfolio during Q1 was Embecta Corp. (EMBC), the world’s #1 global provider of pen needles and syringes for insulin injections with more than eight billion units sold annually. EMBC reported better-than-expected F1Q25 results but lowered FY25 revenue guidance due to foreign exchange headwinds following the recent appreciation of the U.S. Dollar.

Another bottom contributor during the quarter was Atkore Inc. (ATKR), a branded manufacturer of products that protect and frame electric circuitry (including PVC conduit). ATKR had a difficult 2024, as steel conduit imports rose sharply, the ramp up of production at ATKR’s new solar torque facility took longer than expected, the slow roll-out of \$65B from the Beads Act resulted in less-than-expected demand for HDPE, and new supply of PVC conduit lowered pricing.

Another poor performer was LGI Homes Inc. (LGIH), the 15th largest homebuilder in the U.S. specializing in entry-level homes for first-time buyers. LGIH reported Q4 2024 results below expectations due to ongoing affordability challenges and elevated mortgage rates. Home sales revenue decreased -8.4% year over year, driven by a decline in home closings (-12.8% year over year) while the average sales price (ASP) rose 5.1% year over year to \$364k.

## Portfolio Positioning

Purchase and sale activity was moderate during the quarter with six positions added and five eliminated. New positions in Q1 include the following (market caps and convictions as of month end after purchase are in parenthesis): hematology solutions provider Haemonetics Corporation (HAE, \$3.3B market cap, 2.5 conviction),

construction materials distributor GMS, Inc. (GMS, \$3.3B, 3.0), infusion therapy products provider ICUI Medical, Inc. (ICUI, \$3.4B, 3.5), business records provider Dun & Bradstreet Holdings, Inc. (DNB, \$4.0B, 3.0), cleaning equipment manufacturer Tennant Co. (TNC, \$1.6B, 3.0), and owner of detention and E&P housing facilities Target Hospitality (TH, \$0.6B, 3.0).

Positions eliminated in Q1 were (market caps as of month end after sale and convictions at the time of sale are in parenthesis): air cargo services provider Air Transport Services Group Inc. (ATSG, \$1.5B market cap, 3.0 conviction), dental and animal health products distributor Patterson Companies, Inc. (PDCO, \$2.8B, 3.0), workplace safety products and identification solutions provider Brady Corporation (CI A) (BRC, \$3.2B, 3.0), information/analytics provider Clarivate Plc (CLVT, \$3.0B, 3.0), and vertically integrated construction materials company Summit Materials, Inc. (CI A) (SUM, \$9.2B, 3.0). Among the five positions eliminated, three were takeovers (ATSG, PDCO, SUM), one was exited due to exceeding its assessed valuation (BRC), and one was exited due to a negative change in fundamentals (CLVT).

Strategic trading was elevated in Q1, although mostly by trims with just six positions increased (net) but 15 decreased (net). The two largest net increases were (market cap and conviction as of month end are in parenthesis): ePlus Inc. (PLUS, \$1.7B, 3.0) and GXO Logistics, Inc. (GXO, \$4.7B, 3.0). The two largest decreases were: Talen Energy Corporation (TLN, \$9.0B, 2.5) and Progyny, Inc. (PGNY, \$1.9B, 3.5). Both TLN and PGNY were trimmed as they approached/exceeded their assessed valuations.

## Outlook

While the president's aggressive stance on trade reform may yield long-term economic benefits, its near- to intermediate-term effects are likely to weigh on a wide range of investment activity and growth. The president has openly embraced this trade-off, advocating short-term "medicine" in pursuit of long-term prosperity. However, his unilateral approach, confounding methodology, and unpredictable actions complicate the Federal Reserve Board's (the Fed's) ability to assess inflationary pressures, particularly as backward-looking data continue to moderate. More broadly, it also threatens to erode the global dominance of the United States, by weakening the dollar, reducing demand for our debt, and undermining our relationship with allies for years to come. These risks are causing investors to demand a higher equity risk premium, the longer-term impact of which could delay the market's recovery and diminish the wealth effect that has fueled consumer spending in recent years. For this reason, we believe it is prudent to remain near-term cautious in our overall outlook.

That said, periods of maximum uncertainty often create the greatest opportunities—particularly for those with steady hands, strong preparation, and some dry powder. Both absolute and relative valuations in small caps are attractive, signaling the time

for defense has mostly passed. We have winners to trim and cash to deploy into a growing number of emerging opportunities, notably beaten-down, higher quality stocks with limited leverage that can generate free cash flow in economic recessions. Our review of the portfolio also included an analysis of tariff impacts, focusing on 15 positions. Six of these show minimal risk, while nine—representing about 8% of the portfolio—will be impacted but we believe are well-positioned to pass along tariff costs due to their competitive advantages, though with a potential lag.

We recognize current valuations have yet to reflect the potential earnings impact of the president's proposal. As such, they may be somewhat misleading, on both an individual and aggregate basis. Additionally, we have not yet registered a level in our proprietary top 20 discount to value indicator that would indicate a durable bear market bottom is in place. The environment is also fragile enough that a crisis could still catalyze into a true market panic and/or deeper recession. Thus, we see no reason to chase any rallies. However, the time has come to begin thoughtfully positioning the portfolio for the rebound that will ultimately follow.

Whatever the near-term holds, we believe the portfolio remains well-positioned for most outcomes with (according to FactSet) an EV/EBITDA of 9.8x versus 9.8x for the benchmark, a five-year average return on equity of 12.2% versus just 5.5%, and a long-term growth forecast of 9.8% versus 8.8%.

Thank you for investing with River Road!

*The views expressed represent the opinions of River Road Asset Management, LLC, as of March 31, 2025, are not intended as a forecast or guarantee of future results, and are subject to change without notice.*

## Top Ten Holdings (%)<sup>5</sup>

as of 03/31/25

Holding	% of Net Assets
White Mountains Insurance Group Ltd	4.17
CoreCivic Inc	3.83
McGrath RentCorp	3.64
Murphy USA Inc	3.09
Axis Capital Holdings Ltd	3.01
UniFirst Corp	2.65
Genworth Financial Inc, Class A	2.50
GXO Logistics Inc	2.37
GEO Group Inc	2.30
Northwestern Energy Group Inc	2.02
TOTAL %	29.58

<sup>5</sup> 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](https://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.

Actively managed portfolios are subject to the risk that security selection or focus on securities in a particular style, market sector or group of companies may cause a portfolio to incur losses or underperform the market. There can be no guarantee that active management will produce the desired result.

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.

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 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 Fund is subject to special risk considerations similar to those associated with the direct ownership of real estate. Real estate valuations may be subject to factors such as changing general and local economic, financial, competitive, and environmental conditions.

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.

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.

Beta measures the relationship between the portfolio's excess return over T-bills (representing a risk-free rate) relative to the excess return of the portfolio's benchmark. A low beta does not imply that the portfolio has a low level of volatility; rather, a low beta means that the portfolio's market-related risk is low. Beta is often referred to as systematic risk.

Price/earnings (or P/E) ratio is a comparison of the company's closing stock price and its trailing 12-month earnings per share.

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.

ROE is the percentage a company earns on its total equity in a given year. A common way to calculate this ratio is to divide debt-free net income by average total equity. ROE shows how much profit a company generates on the money shareholders have invested in the firm.

Refer to the prospectus at [wealth.amg.com](http://wealth.amg.com) to see the full list of applicable fund risks.

The Russell Microcap® Index tracks the microcap segment of the U.S. equity market. It makes up less than 3% of the U.S. equity market and is represented by the smallest 1,000 securities in the small-cap Russell 2000® Index plus the next 1,000 securities.

The Russell 2000® Value Index is an unmanaged, market-value weighted, value-oriented index comprised of small stocks that have relatively low price-to-book ratios and lower forecasted growth values. Effective March 24, 2025, Russell U.S. Style Indexes apply the RIC 22.5/45 capping methodology if index weights breach the thresholds as of the quarterly review pricing dates.

The Russell 2000® Index is composed of the 2000 smallest stocks in the Russell 3000® Index and is widely regarded in the industry as the premier measure of small-cap stock performance.

The Russell 2000® Growth Index measures the performance of the Russell 2000® companies with higher price-to-book ratios and higher forecasted growth values. Unlike the Fund, the Russell 2000® Growth Index is unmanaged, is not available for investment, and does not incur expenses. Effective March 24, 2025, Russell U.S. Style Indexes apply the RIC 22.5/45 capping methodology if index weights breach the thresholds as of the quarterly review pricing dates.

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. Unlike the Fund, the Russell 1000® Index is unmanaged, is not available for investment, and does not incur expenses.

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.

A monthly indicator of US Economic activity based on a survey of more than 300 purchasing managers.

Alpha is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a security or mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the security or fund relative to the return of the benchmark index is a fund's alpha.

The enterprise value (EV) to earnings before interest, taxes, depreciation, and amortization (EBITDA) ratio (EV/EBITDA ratio) compares the value of a company—debt included—to the company's cash earnings less non-cash expenses.

Return on Equity (ROE) is the percentage a company earns on its total equity in a given year. A common way to calculate this ratio is to divide debt-free net income by average total equity. ROE shows how much profit a company generates on the money shareholders have invested in the firm.

Unlike the Fund, the Indices are unmanaged, are not available for investment, and do not incur expenses.

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