

# BLUE CHIP Portfolio Strategy

## Stock Selection

The AMG Capital Management (ACM) Blue Chip Portfolio Strategy provides clients with a diversified portfolio of large, financially strong and well-managed companies that we believe are selling at attractive valuations. The companies in “blue chip” portfolios are often highly recognizable industry leaders with successful business models, long financial performance histories and a record of creating wealth for shareholders. We believe portfolios constructed with stocks of this nature will produce superior long-term performance.

## Portfolio Construction and Risk Control

ACM searches through more than 1,000 companies to construct diversified portfolios of large capitalization domestic stocks. We use conservative, time-tested and disciplined portfolio construction rules in order to reduce excess portfolio exposure to any one industry or stock. The typical ACM-managed Blue Chip portfolio will hold between 30 and 40 stocks spread across a majority of market sectors.

At the stock level, we use detailed methods to identify potential problems with company cash flows and the balance sheet. We are also mindful of both positive and negative catalysts, including such events as changes in key leadership positions.

### Model Portfolio Metrics\*

	ACM Blue Chip
Weighted Average Market Cap	\$60.7B
Price-to-Earnings (trailing)	9.3
Price-to-Book Value	1.1
Dividend Yield (trailing)	3.6%
Standard Deviation (5 Year Annualized)	16.0%

As of 3/31/2020

\*Source: Bloomberg, Morningstar, and Russell

### Client Composite Performance

	ACM Blue Chip Strategy* (gross of fees)	ACM Blue Chip Strategy* (net of fees)**	R1000V
3 Months	-28.7%	-28.8%	-26.7%
YTD	-28.7%	-28.8%	-26.7%
One Year	-20.5%	-21.2%	-17.2%
Three Years	-5.3%	-6.1%	-2.2%
Five Years	0.6%	-0.3%	1.9%
Ten Years	5.6%	4.7%	7.7%
<b>Since Inception (1/1/2004)</b>	<b>4.6%</b>	<b>3.7%</b>	<b>6.0%</b>

As of 3/31/2020

\*Returns annualized for periods greater than 1 year.  
\*\*Returns are shown net of maximum ACM portfolio management fee. Past performance is no guarantee of future results.

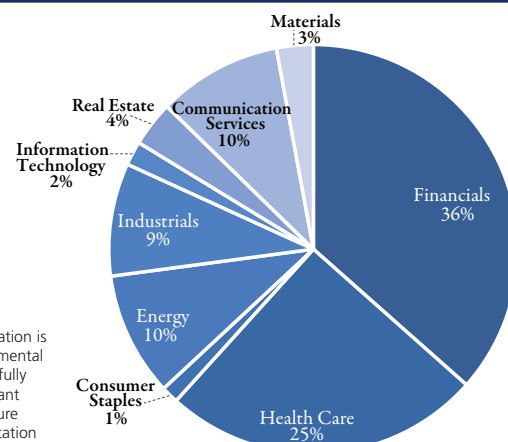
### Model Portfolio Top 10 Holdings

ABBVIE INC	CVS HEALTH CORP
BERKSHIRE HATHAWAY INC-CL B	US BANCORP
BANK OF AMERICA CORP	BROOKFIELD ASSET MANAGE-CL A
GOLDMAN SACHS GROUP INC	3M CO
DISCOVERY INC - A	HENRY SCHEIN INC

As of 3/31/2020

Portfolio Metrics and Top Ten Holdings Information are supplemental to the GIPS-compliant presentation for the composite. The specific securities listed do not represent all of the securities purchased, sold or recommended for the Portfolio Strategy, and it should not be assumed that the investments in the securities identified have been or will be profitable. Actual holdings will vary for each client, and there is no guarantee that a particular client's account will hold any or all of the securities listed.

### Model Portfolio Market Sector Weights\*



\*Information is supplemental to the fully compliant disclosure presentation on page 2.

As of 3/31/2020

Year End	Total Firm Assets (USD) (millions)	Portfolio Strategy Assets (USD) (millions)	Portfolio Strategy Number of Accounts	Russell 1000 Value <sup>2</sup>	Portfolio Strategy Annual Gross Return	Portfolio Strategy Annual Net Return	Portfolio Strategy Dispersion <sup>3</sup>	Portfolio Strategy 3-Year EX-Post Standard Deviation <sup>4</sup>	Benchmark 3-Year EX-Post Standard Deviation
2019	\$255.7	\$55.2	71	26.54%	21.08%	20.01%	0.53%	14.54%	11.85%
2018	\$235.5	\$50.7	80	-8.27%	-12.04%	-12.84%	0.15%	13.44%	10.82%
2017	\$260.0	\$60.7	80	13.66%	15.28%	14.26%	0.24%	12.96%	10.20%
2016	\$192.0	\$52.9	81	17.34%	21.24%	20.17%	0.40%	13.07%	10.77%
2015	\$162.2	\$48.3	91	-3.83%	-4.47%	-5.33%	0.19%	12.07%	10.68%
2014	\$163.6	\$59.1	97	13.45%	7.42%	6.46%	0.47%	9.77%	9.20%
2013	\$166.7	\$63.4	100	32.53%	36.05%	34.86%	0.43%	12.32%	12.70%
2012	\$154.2	\$65.8	111	17.51%	15.71%	14.68%	0.46%	14.81%	15.51%
2011	\$140.5	\$56.5	126	0.39%	-3.23%	-4.10%	0.52%	18.21%	20.69%
2010	\$160.2	\$71.1	149	15.51%	8.43%	7.46%	0.38%	20.70%	23.18%
2009	\$130.3	\$76.1	153	19.69%	26.30%	25.19%	2.12%	19.06%	21.10%
2008	\$115.3	\$62.2	165	-36.85%	-35.01%	-35.61%	1.29%	14.69%	15.36%
2007	\$165.7	\$95.9	168	-0.17%	4.36%	3.43%	0.28%	8.83%	8.06%
2006	\$148.5	\$98.9	156	22.25%	16.24%	15.22%	0.40%	7.11%	6.68%
2005	\$88.3	\$61.0	113	7.05%	5.17%	4.23%	0.66%	N.A. <sup>5</sup>	N.A. <sup>5</sup>
2004	\$46.7	\$40.3	87	16.49%	10.47%	9.49%	0.34%	N.A. <sup>5</sup>	N.A. <sup>5</sup>

<sup>1</sup> Prior to 2011, the ACM Blue Chip Portfolio Strategy was referred to as ACM BLUE CHIP COMPOSITE.

<sup>2</sup> The benchmark for the ACM Blue Chip Portfolio Strategy has changed from the S&P 100 Index to the Russell 1000 Value Index as of 07/01/15. The reasoning behind the change from the S&P 100 Index to the Russell 1000 Value Index was that the S&P 100 was originally intended to reflect Blue Chip stocks. S&P thought it might replace the Dow 30 in a sense; however this never became a reality and S&P changed its approach. The S&P 100 is no longer intended to reflect Blue Chips; instead it reflects a broadly diversified sub-index of the S&P 500 that has large companies with readily available traded options associated. This means that companies like Facebook are now significant weights. This does not reflect the intent of our value-oriented Portfolio Strategy. The Russell 1000 Value Index benchmark has been applied retroactively back to 01/01/04.

<sup>3</sup> Annual Portfolio Strategy Asset Weighted Dispersion calculated using gross-of-fee returns.

<sup>4</sup> Portfolio Strategy 3-Year EX-Post Standard Deviation calculated using gross-of-fee returns.

<sup>5</sup> 3-Year annualized EX-Post Standard Deviation is not presented because 36 monthly returns were not available.

<sup>6</sup> The investment performance service division of Ashland Partners, LLP was acquired by ACA Performance Services on June 28, 2017.

<sup>7</sup> Prior to January 1, 2019, the significant cash flow policy was equal to or greater than \$1 million inflow or outflow in any given month.

The ACM Blue Chip Portfolio Strategy was created January 1, 2010.

The ACM Blue Chip Portfolio Strategy inception was January 1, 2004.

The ACM Blue Chip Portfolio Strategy is comprised of accounts that hold large capitalization domestic stocks. These companies are characterized as industry leaders with long financial performance histories. Stock selection is generally focused on valuation and business quality. The minimum account size for this strategy is \$100,000 for clients who have a relationship with AMG and \$500,000 for prospects that currently do not have a relationship with AMG that extends beyond AMG Capital Management. Illiquid securities are not a significant part of the Portfolio Strategy. The Portfolio Strategy does not use leverage, derivatives or short positions.

The Russell 1000 Value Index (the "Benchmark") is provided for comparison purposes. The Benchmark is a segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The Benchmark is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. It is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

## Disclosures

ACM is the portfolio strategy division of AMG National Trust Bank (AMG) and is held out as its own division. There have been no changes in ACM that would alter historical portfolio strategy results. A complete list and descriptions of all ACM Portfolio Strategies is available upon request.

ACM claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. ACM has been independently verified for the periods January 1, 2004 through June 30, 2016 by Ashland Partners & Company LLP<sup>6</sup> and July 1, 2016 through December 31, 2019 by ACA Performance Services.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The ACM Blue Chip Portfolio Strategy has had a performance examination for the periods January 1, 2004 through December 31, 2019. The verification and performance examination reports are available upon request.

Performance results are based on fully discretionary accounts under management, including those accounts no longer with the firm. ACM Portfolio Strategy policy requires the temporary removal of any account incurring a client-initiated significant cash inflow or outflow of at least 25% or more of the total market value of the account (a "Significant Cash Flow").<sup>7</sup> The temporary removal of an account having a Significant Cash Flow occurs at the beginning of the month in which the Significant Cash Flow occurs, and the account re-enters the Portfolio Strategy three months after the Significant Cash Flow event. Additional information regarding the treatment of Significant Cash Flows is available upon request. Withholding taxes may vary according to the investor's domicile. Past performance is not indicative of future results. The annual Portfolio Strategy dispersion presented is an asset-weighted standard deviation calculated using gross-of-fees returns for the accounts in the Portfolio Strategy for the entire year.

The U.S. dollar is the currency used to calculate performance. Returns are presented gross and net of management fees and include the reinvestment of all income. A model fee of 0.90% was used to calculate net returns. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

**ACM Fees & Minimums** – The current investment management fee for an account in this Portfolio Strategy is 0.50% of the first \$20 million of assets, 0.40% on the next \$20 million, 0.30% on the next \$20 million, 0.20% on amounts over \$80 million. Accounts also incur a fee of \$0.06 or less per share traded. If the client has other investment assets managed by AMG on a discretionary basis, the current additional portfolio strategy investment management fee is 0.40% of portfolio strategy assets plus a fee of \$0.06 or less per share traded. Actual investment advisory fees incurred by clients may vary based on account size, investment strategy, relationship, and other factors, and may differ between accounts.

**No Guarantee** – Investments in the ACM Blue Chip Portfolio Strategy are not insured. Past returns are not a guarantee of, and should not be considered indicative of, future returns, which could differ substantially. Investments in securities are subject to risk and may lose all value. Loss of total principal is possible.

**Model Portfolio** – Client accounts in the ACM Blue Chip Portfolio Strategy are managed individually to a model strategy to the extent possible. The model portfolio represents the proposed investment for a fully discretionary account. Allocations and securities are subject to change.

**Portfolio Concentration & Risk** – The ACM Blue Chip Portfolio Strategy invests in a relatively small number of securities. Consequently, if one or more of the securities held in its portfolio declines in value or underperforms relative to the market, it may have a greater impact on an account's performance than if the account held a larger number of securities. An account invested using the ACM Blue Chip Portfolio Strategy may experience more volatility, especially over the short term, than an associated index or an account with a greater number of holdings.

The information provided in this material should not be considered a recommendation or solicitation to purchase or sell any security. There is no assurance that any securities referenced herein will remain in the portfolio's holdings or that securities sold have not been repurchased. The securities discussed do not represent the entire portfolio. It should not be assumed that any of the referenced securities were or will be profitable, or that the investment decisions we make in the future will be profitable.

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## Contact

For more information, please contact your AMG National Trust Bank financial advisor or Emily Nelson Musser, Director of Business Development, at 800.999.2190.

## Glossary of Terms

**Russell 1000 Value Index** – See description at left.

**S&P 500** – The S&P 500 is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**Portfolio Metrics Characteristics** – These are calculated using a weighted average of the positions in the model portfolio.

**Price-to-Earnings (trailing)** – This represents the quarter-end price of a stock divided by trailing twelve-month earnings per share.

**Price-to-Book Value** – This represents the quarter-end equity price of a stock divided by the per-share book value of equity on the balance sheet.

**Dividend Yield (trailing)** – This represents the per-share amount of dividends paid over the previous twelve months divided by the quarter-end share price for the stock.

**Market Sector Weights** – This chart shows the diversification of the model AMG Blue Chip Portfolio Strategy by GICS (Global Industry Classification Standards) sectors. The GICS standard was created by Standard & Poor's and Morgan Stanley Capital International (MSCI) to describe and segment equity markets.