

Outlook/Review

We believe that the U.S. economy is strong, as indicated by accelerating GDP, company earnings growth and unemployment well below 4%.ⁱ In addition, after several years of little real wage gains, even those workers at the lower end of the pay scale are finally beginning to see wage increases.ⁱⁱ Interest rates across the yield curve increased over the course of the quarter, and the yield curve steepened,ⁱⁱⁱ which in our opinion are both signs of a strong and healthy economy. We believe higher interest rates in the U.S. have resulted in a stronger dollar, which has created currency and economic turmoil in several emerging market economies, but so far, this has not slowed the U.S. economy. Tariffs though are a concern and we continue to speak with our companies about their impact as they are implemented. As the Federal Reserve continues to normalize short-term interest rates, we believe that the environment for value investing should improve. Higher rates may begin to impact at least two categories of companies: high growth and low quality, especially those with leverage. Recently, high growth valuations have benefitted from expected earnings being discounted at artificially low interest rates set by the Fed. As rates increase, we would expect growth company valuations to moderate. We believe low quality companies could see their share prices suffer as the cost of debt rises and that competitively weak companies often are unable to pass along inflation in the form of higher prices. We feel that Anchor portfolios are well positioned for the ongoing change in market leadership from growth to high quality value.

Managed Accounts Model Performance^{iv}

Past performance is not indicative of future results. Inherent in any investment is the possibility of loss.

Strategy Performance	3Q18	YTD	10 Year Annualized
Anchor Focused Value (Pure Gross)	0.44%	1.05%	9.54%
Anchor Focused (Net)	-0.31%	-1.20%	6.30%
Russell 3000 Value	5.39%	4.17%	9.76%

Top/Bottom Portfolio Contributors^v

Security Contribution	Average Weight	Total Return	Contribution to Return
5 Highest			
Corning Inc	3.27%	29.01%	0.80%
Conduent, Inc.	3.66%	23.94%	0.76%
BlackBerry Limited	3.89%	17.93%	0.75%
PBF Energy, Inc. Class A	3.50%	19.79%	0.54%
Sabra Health Care REIT, Inc.	3.58%	8.49%	0.29%
5 Lowest			
Embraer S.A. Sponsored ADR	4.05%	-21.29%	-0.87%
Farmer Bros. Co.	4.10%	-13.58%	-0.58%
RE/MAX Holdings, Inc.	2.77%	-15.10%	-0.44%
Kronos Worldwide, Inc.	1.43%	-27.26%	-0.43%
Veritiv Corp	4.35%	-8.66%	-0.33%

Sector Contribution	Average Weight	Total Return	Contribution to Return
3 Highest			
Technology	10.52%	17.85%	1.58%
Energy	7.79%	9.71%	0.64%
Financial Services	30.03%	0.87%	0.25%
3 Lowest			
Materials & Processing	15.60%	-8.00%	-1.31%
Consumer Staples	4.10%	-13.58%	-0.58%
Consumer Discretionary	2.07%	-11.26%	-0.27%

Strategy Review & Positioning

Differentiation, dividends, and stock selection are the ongoing objectives of Anchor's Focused Value strategy. Over two-thirds of the concentrated portfolio is invested in underfollowed small- and mid-caps, which, in our opinion, appear particularly attractive relative to widely owned, mega-cap companies. While the market reaches new highs and the influence of index funds continues to grow, we remain very committed to high active share, which measures how the portfolio is different from an index. Spinoffs and special situations contribute to our distinctive approach, and we have identified what we believe to be some promising holdings in these categories during the third quarter. In addition, a portion dividend-paying holdings in the portfolio produced a competitive yield (2.2%) which is higher than the respective index and offsets fees.^{vi} As interest rates nudge higher, we are avoiding heavily indebted companies.

We believe another notable target of differentiation and value seeking is to own stock in local companies. During the quarter, we invested in two Boston-area companies where the management teams and mid-level employees have been readily accessible in our research efforts. We are also prioritizing founder-managed companies in our investment process. Please visit the Anchor website to see our latest white paper on Founder-Led Companies.

As we approach year-end we will right-size some holdings in a tax-aware manner. We typically manage our position sizes between 2.5% and 5%. While a higher-than-desired level of cash has been a drag on our Focused Value strategy returns for several quarters, we still think that dry powder during an aging bull market seems prudent versus chasing things that are not defensible to our philosophy and process.

We think that this might be an opportune time in the market cycle to consider Focused Value as part of a thoughtfully constructed, diversified portfolio. Thank you for your interest and support.

ⁱ <https://www.bls.gov/>

ⁱⁱ Ibid

ⁱⁱⁱ FactSet financial data and analytics; Market data, sourced from Tullett Prebon Information Services

^{iv} StyleAdvisor. Gross of fee returns are presented Pure Gross and are calculated before management fees, custodial fees and transaction costs.

^v FactSet financial data and analytics; Attribution reporting

^{vi} FactSet financial data and analytics; characteristics

Focused Value Model Disclosures

MODEL DESCRIPTION: The Anchor Managed Accounts Focused Value (FV) model was created on December 1, 2012. The model returns do not reflect actual trading. Anchor Capital's Managed Accounts Division created this model for purposes of presenting performance results which approximate those of the Managed Accounts Focused Value sponsor program portfolios in aggregate. The investment objective for the model is to achieve a high rate of return through the purchase of Focused Value stocks.

MODEL DISCLOSURES: The results prior to 12/1/2012 presented represent those of the Moody Aldrich Focused Value Model. These returns are linked with the Anchor Capital Managed Accounts Focused Value model as Anchor was able to obtain all prior records, verify the returns and meet all portability criteria. The model transaction history does not reflect all portfolio transaction activity for accounts in the sponsor program. Model transactions correspond with trading activity generated in the course of investment for substantially all accounts in the sponsor All Cap program. Model transactions and holdings do not reflect individual portfolio activity for new account investments, or account activity and holdings in various individual portfolios subject to tax considerations or individual client discretion. Model performance may differ materially from individual client portfolio results.

CALCULATION OF RATES OF RETURN: All securities in the model are valued at last sale price, as provided by independent pricing services. The portfolio valuation is reflected on a trade date basis. Model investment returns include the reinvestment of dividends and other earnings. Effective on 1/1/2010, dividends (excluding income on money market securities) are credited on an accrual basis. Time-weighted portfolio returns are calculated for each monthly period in the prior quarter. Monthly model results are linked to determine annual returns. Individual client portfolio results may vary from the results presented for the model because of different investment objectives, tax status and other considerations. Returns of individual client accounts will be reduced by advisor fees and other expenses which might be incurred to provide investment management, custody, administrative, actuarial, accounting or other services to the client. The Russell Indices exclude fees. For all periods presented, the net of fee returns are calculated by compounding the monthly net returns to calculate the quarterly, YTD and annual returns. The numbers may be slightly different from net returns published in other Anchor Capital materials created outside of Style Advisor prior to 6/30/2017, which were calculated by simply subtracting 3% from the annual gross return. Additional information regarding policies for calculating and reporting model returns is available upon request.

BENCHMARK DESCRIPTION: Information about indices is provided to allow for comparison of the performance of the Adviser to that of certain well-known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index, which also does not take into account trading commissions and costs. The volatility of indices may be materially different from the performance of the Adviser. In addition, the Adviser's recommendations may differ significantly from the securities that comprise the indices. The Russell 3000 Value Index measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 3000 Value Index is constructed to provide a comprehensive, unbiased, and stable

barometer of the broad value market. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected.

The performance results of the Anchor Capital Advisor Focused Value Strategy prior to December 1, 2012 were attained by an investment professional of the Advisor while employed at another firm. No other persons played a significant part in achieving the performance of the Focused Value strategy during that time. While under the management of the PM, the investment objectives, policies, and strategies of the Focused Value strategy were substantially similar in all material respects to those of the Anchor Capital Advisors Focused Value Strategy. The PM intends to use the same analytical methods for identifying potential investments for the strategy as were used at the prior firm. The past performance of the Focused Value strategy is not indicative of the past or future performance of the strategy.

For a complete listing of all strategies contact Anchor Capital Advisors LLC (617) 338-3800.