

Outlook/Review

The fourth quarter saw increased volatility in many markets, especially in December, leaving many asset classes and major indexes down for the year, including the S&P 500 and Dow Jones Industrial Index. In last quarter's commentary we stated that, "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." We believe that this prediction began to play out in the fourth quarter. Higher interest rates and a continued flattening of the yield curveⁱ coupled with quantitative tightening, have caused some of the more highly valued growth and concept stocks to decline, and has led to the largest decline in relative valuation of cyclicals vs. the S&P 500 multiple since at least 1980ⁱⁱ. In fact, few stocks and few asset classes were unscathed through December 20th, with 93% of global asset classes registering a negative total return (in USD terms)ⁱⁱⁱ. The good news is that valuations of many companies are beginning to appear quite attractive to us; for a value investor, the current environment is very exciting. We believe that after several challenging years for active managers, the environment has become more rewarding for active managers and especially for value investors. Anchor's investment process was designed to weather the sort of turbulence that we saw in the fourth quarter, and to take advantage of volatility, thus we remain optimistic about the year ahead.

Managed Accounts Model Performance^{iv}

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

Strategy Performance	4Q18	YTD	5 Year Annualized
Anchor Select Dividend (Pure Gross)	-8.77%	-2.20%	7.41%
Anchor Select Dividend (Net)	-9.45%	-5.10%	4.23%
Russell 1000 Value	-11.72%	-8.27%	5.95%

Top/Bottom Portfolio Contributors^v

Security Contribution	Average Weight	Total Return	Contribution to Return
<i>5 Highest</i>			
Federated Investors, Inc. Class B	2.01%	11.26%	0.24%
Verizon Communications Inc.	0.55%	14.01%	0.12%
Welltower, Inc.	1.21%	9.28%	0.11%
Omnicom Group Inc	1.31%	8.60%	0.10%
Huntsman Corporation	0.10%	6.34%	0.10%
<i>5 Lowest</i>			
Sabra Health Care REIT, Inc.	2.09%	-27.09%	-0.62%
Leidos Holdings, Inc.	2.43%	-23.34%	-0.60%
Occidental Petroleum Corporation	2.03%	-24.43%	-0.56%
CoreCivic, Inc.	1.79%	-26.72%	-0.53%
Invesco Ltd.	1.40%	-27.20%	-0.44%

Sector Contribution	Average Weight	Total Return	Contribution to Return
<i>3 Highest</i>			
Utilities	4.71%	0.72%	0.05%
Consumer Staples	8.52%	-0.93%	-0.10%
Health Care	11.60%	-3.25%	-0.35%
<i>3 Lowest</i>			
Financial Services	32.55%	-11.15%	-3.62%
Producer Durables	8.68%	-15.36%	-1.42%
Energy	6.34%	-18.40%	-1.24%

Strategy Review & Positioning

Anchor's Select Dividend strategy outperformed the Russell 1000 Value Index in the fourth quarter. The top three factors that contributed to performance were security selection in Consumer Staples, and Energy, as

well as an underweighting in Energy. The largest detractors to performance include security selection in Technology, as well as an underweighting in Utilities and Health Care.

Federated Investors, Inc. Class B (FII) was the largest contributor to performance in the fourth quarter, followed by Verizon Communications Inc. (VZ), Welltower, Inc. (WELL), Omnicom Group Inc (OMC), and Huntsman Corporation (HUN). The largest detractors included Sabra Health Care REIT, Inc. (SBRA), Leidos Holdings, Inc. (LDOS), Occidental Petroleum Corporation (OXY), CoreCivic, Inc. (CXW), and Invesco Ltd. (IVZ).

Four names were added to the portfolio during the fourth quarter, National Storage Affiliates Trust (NSA), Lamar Advertising Company Class A (LAMR), OUTFRONT Media Inc. (OUT), and Huntsman Corporation (HUN). We exited five names during the quarter, AT&T Inc. (T), Verizon Communications Inc. (VZ), Invesco Ltd. (IVZ), Norfolk Southern Corporation (NSC), and Omnicom Group Inc (OMC).

National Storage Affiliates, Lamar and Outfront are all REITs whose yields were attractive, in our opinion, at the time of purchase. National Storage is an extra-storage space rental company, which we believe has an interesting and unique model for acquiring new locations that should enable it to grow for many years. Both Lamar and Outfront are billboard and advertising REITs,^{vi} and in our opinion are stocks that are out of favor due to what we believe are general fears about economic slowing. Huntsman is a diversified global chemical company^{vii} whose shares are out of favor due to fears of a global manufacturing slowdown. We do not believe the current valuation reflects the fact that the company's mix of businesses and balance sheet have improved since previous economic slowdowns. The model cash for the select dividend portfolio was 5.5% at the end of the quarter.

The Select Dividend strategy is managed to be as fully invested as possible at all times. Also, to be low turnover and as tax efficient as possible. The yield on the model portfolio is approximately 3.8%, which is a premium to the benchmark and to 10 year treasuries.^{viii} In our opinion, Select Dividend meets the needs of investors who require income from their portfolio, with lower beta. With a current yield of about 3.8%, Select Dividend comes close to meeting retirees' requirement to take 4% required minimum distributions from retirement accounts, while minimizing invasion of principal.

Anchor Select Dividend seeks three types of dividend payers: 1) companies with high and sustainable dividend yields, 2) companies that are growing their dividends rapidly, and 3) companies that change their dividend strategy to adopt a more dividend-oriented capital allocation philosophy, which is something that we track continually. We also believe that investors in Select Dividend benefit from Anchor's expertise investing in smaller companies. As an "all-cap" strategy, Select Dividend has a large opportunity set, investing in companies whose market capitalizations are as low as a few billion dollars. We believe that smaller companies often have more of an opportunity to grow significantly, which we hope helps to bolster returns over time.

It is Anchor's belief that one of the additional benefits of a dividend oriented portfolio is capital preservation. We believe that select dividend behaved defensively in the fourth quarter. Please see the opinion piece titled The Defensive Characteristics of Dividend Investing, available on Anchor's website, for more information on this topic.^{ix}

ⁱ Factset financial data and analytics; Research systems

ⁱⁱ Compustat, FactSet financial data and analytics, I/B/E/S, and Goldman Sachs Global Investment Research

ⁱⁱⁱ Deutsche Bank, Bloomberg Finance LP, GFD

^{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} <http://www.lamar.com/> / <https://www.outfrontmedia.com/>

^{vii} <https://www.huntsman.com/corporate/a/Home>

^{viii} www.Federalreserve.gov

^x <https://anchorcapital.com/defensive-characteristics-dividend-investing-2/>

Select Dividend Model Disclosures

MODEL DESCRIPTION: The Anchor Managed Accounts Select Dividend (SD) model was created on 09/30/2016. 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 Account Select Dividend sponsor program portfolios in aggregate. The investment objective for the model is to achieve a high rate of return through the purchase of all cap value, dividend paying stocks.

MODEL DISCLOSURES: The results prior to 12/31/2016 presented herein represent those of the Anchor Capital Institutional and Private Client Investment Management Division. The results from 10/01/2011 through 9/30/2016 for the Institutional and Private Client Investment Management Select Dividend strategy were published in the product presentation. The model transaction history does not reflect all portfolio transaction activity for accounts in the sponsor programs. Model transactions correspond with trading activity generated in the course of investment for substantially all accounts in the sponsor Select Dividend 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 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. The Managed Accounts Select Dividend Model returns are calculated on a pure gross of fee basis, before the deduction of Anchor Capital management and sponsor wrap fees. For all periods presented, the net of fee returns are presented after debiting the gross or pure gross of fee results by 3%, which represents the highest known annual wrap fee charged by any of the sponsors of the Separately Managed Account program that Anchor participates in. 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 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. 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 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. All benchmark returns include the reinvestment of income.

The performance results presented herein represent those of the Anchor Capital Institutional and Private Client Investment Management Division Select Dividend Strategy. The Managed Accounts strategy will be managed in tandem with the Institutional and Private Client Investment Management Division strategy.

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

The views expressed are those of Anchor Capital Advisors, LLC ("Anchor") as of the date written and are subject to change at any time. Anchor does not undertake any obligation to update the information contained herein as of any future date, nor does it have liability for decisions based on this information. Certain information (including any forward-looking statements and economic and market information) has been obtained from sources we deem reliable, but is not guaranteed by Anchor, nor is it a complete summary of available data. The information is for educational purposes only and should not be considered investment advice or a recommendation of any particular strategy or investment product. These opinions are not intended to be a forecast of future events or a guarantee of future results. No part of this document may be reproduced in any form, or referred to in any other publication, without express written permission of Anchor. Past performance is not guarantee of future results. Inherent in any investment is the possibility of loss. The benchmark returns include in reinvestment of income. Time-weighted portfolio returns are calculated for each monthly period in the prior quarter. Quarterly 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. A complete list of each security that contributed to performance is available upon request.