ANCHOR CAPITAL ADVISORS LLC

THE VALUE CYCLE

As interest rates have risen under Fed policy, we may be entering a new market cycle. What does this mean for investors?

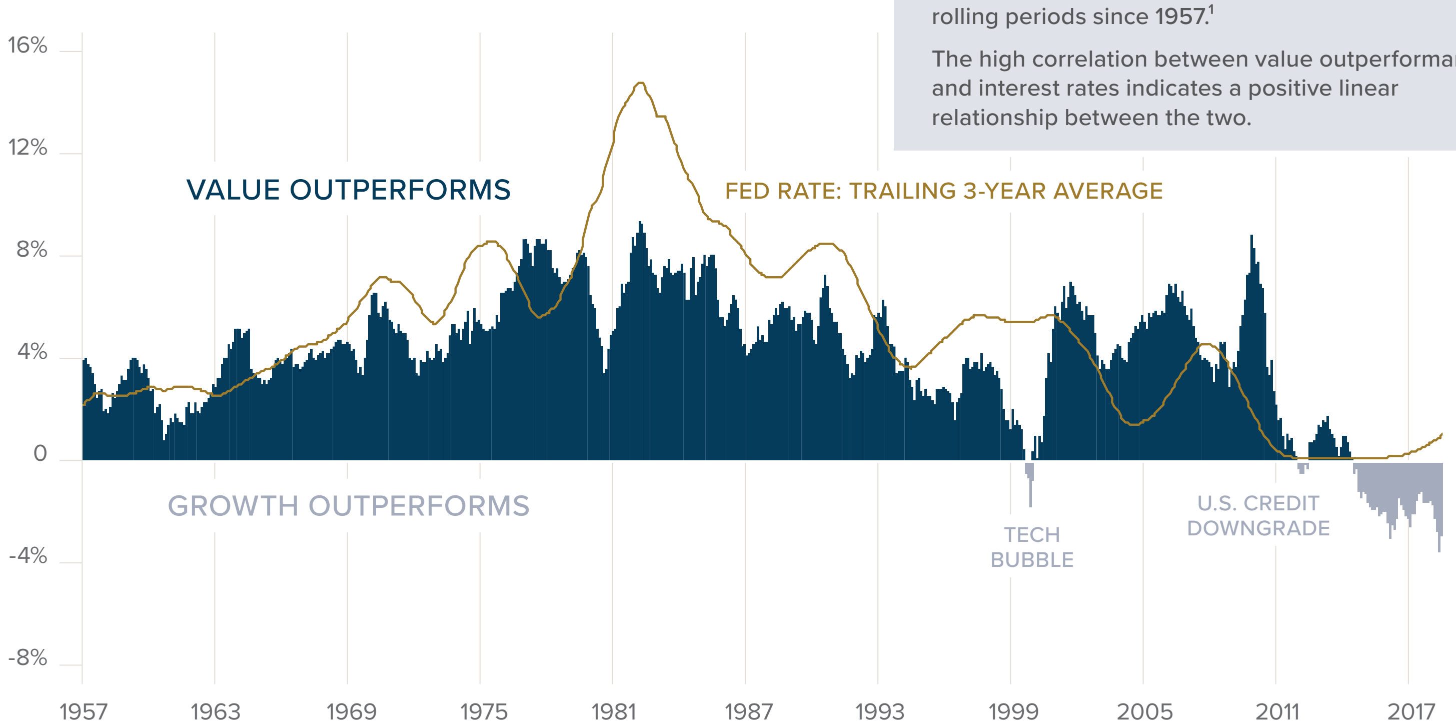
The Federal Reserve's decade-long low interest rate policy has been a tailwind for the continuation of a growth dominated market for most of the last decade. Two factors to consider:

- Recent policy changes signal that the Fed is interested in returning to a higher interest rate environment in a methodical way; we have seen interest rates increase five times over the past 18 months.[1] The prospect of tariffs combined with currently low unemployment rates and signs of wage growth (all inflationary factors) may indicate that the Fed will continue to raise rates in the near future.
- As we see in the illustration below, current market conditions combined with historical data demonstrate that this may be the inflection point, where the market enters a value driven cycle. With that in mind, now may be a good time for investors to take a look at their portfolios to consider whether it makes sense to move toward more of a value bias in the near term to capitalize on the beginning of this cyclical shift.

VALUE VS. GROWTH: 10-YEAR ROLLING PERIODS 1957–2018[2]

Value has outperformed growth in 92% of 10-year rolling periods since 1957.[1]

The high correlation between value outperformance and interest rates indicates a positive linear relationship between the two.



At Anchor Capital Advisors, our strategies are based on fundamentals, designed to provide competitive returns over the course of a market cycle. As rates rise, we anticipate value stocks returning to their normal position, with value at a premium over growth.

For further insights, contact us today.

[1] https://www.thebalance.com/fed-funds-rate-history-highs-lows-3306135

[2] The graph is based on the historical data provided in the Famma/French 3 Factor model: 10-year rolling periods, computed monthly, from 1957-2018. The period presented herein has been chosen based on the start date of the index presented. Index returns are presented as gross of fees. Data Source: http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html#Research

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Disclosures

Source: The graph[1] is based on the historical data provided in the Famma/French 3 Factor model. The Famma/French factors are constructed using the 6 value-weight portfolios formed on size and book-to-market.

Data Source: http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html#Research

The information used in this presentation is based on a hypothetical account created by the source. The returns presented are exclusive of fees and are gross returns. The underlying historical market data is provided by the Center for Research in Security Prices (CRSP). Famma/French construct a library of research portfolios based on this data, six of which are "6 Portfolios formed on Size and Book to Market." Price, dividend, shares, and volume data are historically adjusted for split events to make data directly comparable at different times during the history of a security.

Small Value, Small Growth, Big Value, and Big Growth represent four Famma/French Research Portfolios formed on Size and Book-to-Market. The "6 Portfolios formed on Size and Book-to-Market" are as follows: (1) Small Value; (2) Small Neutral; (3) Small Growth; (4) Big Value; (5) Big Neutral; (6) Big Growth. We exclude the two "Neutral" portfolios to focus on Big vs. Small, and Value vs. Growth. The portfolios, which are constructed at the end of each June, are the intersections of 2 portfolios formed on size (market equity, ME) and 3 portfolios formed on the ratio of book equity to market equity (BE/ME). The size breakpoint for year t is the median NYSE market equity at the end of June of year t. BE/ME for June of year t is the book equity for the last fiscal year end in t-1 divided by ME for December of t-1. The BE/ME breakpoints are the 30th and 70th NYSE percentiles. For more information, please visit http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/index.html.

The performance results are based upon a hypothetical model and may have inherent limitations. Hypothetical performance does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risks associated with actual market conditions. There are numerous other factors related to the markets in general, or to the implementation of any specific trading strategy, which cannot be fully accounted for, and all of which can adversely affect actual trading results.

No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. The hypothetical results do not represent actual recommendations or trading by Anchor and should not be considered as indicative of the skills of the investment adviser. During the period shown, the Adviser was not managing client accounts according to the strategy depicted.

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