

### Outlook/Review

The first quarter was a strong one for equities in the US, with major indices rebounding and recouping much of the declines suffered in December. We do not believe that the severity of the declines in December were driven by fundamentals, but rather by technical factors, including quantitative trading and also tax loss selling by investors. The economy in the US remains fundamentally healthy, with low unemployment and generally robust levels of GDP growth and business activity<sup>i</sup>. There are areas of concern that have arisen, however, and we will be watching them for cues to increase our level of caution<sup>ii</sup>. These factors include a partially inverted yield curve in the US (often an early harbinger of recession), and sharp slowdowns in the economies of China and Germany<sup>iii</sup>. While the US economy remains relatively strong in our opinion, the Fed has taken note of slowing in other economies and has paused rate hikes for the time being. We believe that this policy is supportive of equities for the near future.

### Managed Accounts Model Performance<sup>iv</sup>

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

Strategy Performance	1Q19	YTD	5 Year Annualized
Anchor Dividend Income Value (Pure Gross)	11.45	11.45	9.49
Anchor Dividend Income Value (Net)	10.62	10.62	6.25
Russell 1000 Value	11.93	11.93	7.72

### Top/Bottom Portfolio Contributors<sup>v</sup>

Security Contribution	Average Weight	Total Return	Contribution to Return
<i>5 Highest</i>			
Cisco Systems, Inc.	2.09	25.60	0.49
Leidos Holdings, Inc.	2.29	22.19	0.48
OUTFRONT Media Inc.	1.71	31.22	0.47
STORE Capital Corporation	2.45	19.50	0.46
SunTrust Banks, Inc.	1.56	28.04	0.44
<i>5 Lowest</i>			
Regions Financial Corporation	0.48	-9.46	-0.19
Pfizer Inc.	2.10	-1.88	-0.06
RPM International Inc.	2.19	-0.61	-0.05
Everest Re Group, Ltd.	1.83	-0.20	-0.01
Medtronic plc	1.75	0.68	-0.00

Sector Contribution	Average Weight	Total Return	Contribution to Return
<i>3 Highest</i>			
Financial Services	34.68	13.07	4.69
Technology	8.42	21.74	1.71
Producer Durables	9.18	19.78	1.68
<i>3 Lowest</i>			
Health Care	9.54	5.03	0.38
Utilities	3.88	12.93	0.49
Materials & Processing	7.91	7.59	0.58

### Strategy Review & Positioning

Anchor's Dividend Income Value strategy underperformed the Russell 1000 Value Index in the first 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.

Cisco Systems, Inc. (CSCO) was the largest contributor to performance in the fourth quarter, followed by Leidos Holdings, Inc. (LDOS), OUTFRONT Media Inc. (OUT), STORE Capital Corporation and SunTrust Banks, Inc. (STI). The largest detractors included Regions Financial

Corporation (RF), Pfizer Inc. (PFE), RPM International Inc. (RPM), Everest Re Group, Ltd. (RE) and Medtronic plc (MDT).

Four names were added to the portfolio during the fourth quarter, Hubbell Inc. Class B. (HUBB), A.O. Smith (AOS), Regions Financial (RF), and Watsco (WSO). Additionally, we exited four names during the quarter, Welltower Inc. (WELL), Suntrust Banks Inc. (STI), Boeing Co. (BA), and Sabra Health Care (SBRA).

Hubbell, Inc. engages in the design, manufacturing, and sale of electrical and electronic products for a broad range of industries<sup>vi</sup>. We believe that the market is not assigning a fair value to the business considering the company's end markets growth, strong acquisition history, free cash flow generation, and above market dividend. AO Smith manufactures residential and commercial water heating equipment and air purification products<sup>vii</sup>. We believe that the market is not assigning a fair value to the business considering the company's dominant share in water heaters, growth trends in China and India, water and air purification opportunity, and the management's disciplined capital allocation. Regions Financial is a full service bank based in Birmingham, AL that has strong market share in the Southeast Region<sup>viii</sup>. We like the strong credit quality, the above average dividend yield, and the attractive valuation. Watsco engaged in the distribution of air conditioning, heating, and refrigeration equipment<sup>ix</sup>. We like the founding family management team, the company's history of strong execution, the long growth runway, and the high dividend yield.<sup>x</sup>

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<sup>i</sup> U.S. Department of Commerce; <https://www.usa.gov/federal-agencies/u-s-department-of-commerce>

<sup>ii</sup> FactSet financial data and analytics; Business Description

<sup>iii</sup> U.S. Federal Reserve; <https://www.federalreserve.gov/>

<sup>iv</sup> StyleAdvisor. Gross of fee returns are presented Pure Gross and are calculated before management fees, custodial fees and transaction costs.

<sup>v</sup> FactSet financial data and analytics; Attribution reporting

<sup>vi</sup> Factset financial data and analytics; business description

<sup>vii</sup> Factset financial data and analytics; business description

<sup>viii</sup> Factset financial data and analytics; business description

<sup>ix</sup> Factset financial data and analytics; business description

<sup>x</sup> Factset financial data and analytics; Key Statistics

#### ***Dividend Income Value Model Disclosures***

**MODEL DESCRIPTION:** The Anchor Managed Accounts Dividend Income Value (DIV) 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 Dividend Income Value 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. **As of 4/1/19 Select Dividend Value was renamed to Dividend Income Value to better reflect the objectives of the strategy**

**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 Dividend Income Value 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 Dividend Income Value 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 Dividend Income Value 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-

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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 Dividend Income Value 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.

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