

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 activityⁱ. There are areas of concern that have arisen, however, and we will be watching them for cues to increase our level of cautionⁱⁱ. 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 Germanyⁱⁱⁱ. 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^{iv}

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

Strategy Performance	1Q19	YTD	10 Year Annualized
Anchor Mid Cap Value (Pure Gross)	14.24	14.24	13.52
Anchor Mid Cap Value (Net)	13.38	13.38	10.16
Russell Mid Cap Value	14.37	14.37	16.39
Russell Mid Cap	16.54	16.54	16.88

Top/Bottom Portfolio Contributors^v

Security Contribution	Average Weight	Total Return	Contribution to Return
<i>5 Highest</i>			
Ubiquiti Networks, Inc.	1.96	50.88	0.86
EPAM Systems, Inc.	1.67	45.79	0.67
Ulta Beauty Inc	1.70	42.43	0.63
Woodward, Inc.	2.37	27.95	0.60
Booz Allen Hamilton Holding Corporation Class A	2.07	29.55	0.56
<i>5 Lowest</i>			
Helen of Troy Limited	1.04	-11.60	-0.16
Amdocs Limited	1.39	-7.14	-0.11
Markel Corporation	1.69	-4.03	-0.07
PDC Energy Inc	0.16	-4.55	-0.05
Alleghany Corporation	1.87	-1.75	-0.03

Sector Contribution	Average Weight	Total Return	Contribution to Return
<i>3 Highest</i>			
Financial Services	27.49	10.95	3.21
Producer Durables	12.55	24.91	2.76
Technology	9.06	27.15	2.25
<i>3 Lowest</i>			
Consumer Staples	4.92	4.70	0.23
Energy	3.26	21.23	0.68
Materials & Processing	4.50	17.23	0.73

Strategy Review & Positioning

Anchor's Mid Cap Value strategy was virtually even with the Russell Mid Cap Value Index in the first quarter. The top three factors that contributed to performance were security selection in Technology, and Producer Durables, as well as a sector underweighting in Utilities. The largest detractors from performance included security selection in Financial Services, security selection in Consumer Staples and security selection in Consumer Discretionary.

Ubiquiti Networks, Inc. (UBNT) was the largest contributor to performance in the first quarter, followed by EPAM Systems, Inc. (EPAM), Ulta Beauty Inc. (ULTA), Woodward Inc. (WWD) and Booz Allen Hamilton Holding Corporation Class A (BAH). The largest detractors included Helen of Troy Limited (HELE), Amdocs Limited (DOX), Markel Corporation (MKL), PDC Energy Inc. (PDCE) and Alleghany Corporation (Y).

Four names were added to the portfolio during the first quarter, Hubbell Inc. Class B. (HUBB), A.O. Smith (AOS), First Hawaiian Inc. (FHB), and PDC Energy (PDCE). Additionally, we exited three names during the quarter, Welltower Inc. (WELL), National Fuel Gas Co. (NFG), 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^{vi}. 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. First Hawaiian, Inc. is a full service bank headquartered in Hawaii, ranked number #1 in deposit share with 37% market share in the state.^{vii} We like the company's market share leadership, the moat of local banks on the island, the history of industry leading metrics on credit, and the above average dividend yield. AO Smith manufactures residential and commercial water heating equipment and air purification products^{viii}. 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. PDC Energy, Inc. is an exploration and production company with operations in the Wattenberg Field in Colorado and the Delaware Basin in Texas^{ix}. We believe PDC Energy as it offers visible growth, a good balance sheet, and a relatively attractive valuation.

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

ⁱⁱ FactSet financial data and analytics; Business Description

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

^{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; Business Description

^{vii} Factset financial data and analytics; Company Description

^{viii} FactSet financial data and analytics; Business Description

^{ix} FactSet financial data and analytics; Business Description

Managed Accounts Model Disclosures

MODEL DESCRIPTION: The Anchor managed accounts mid cap value (mcv) model was created on 12/31/05. 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 mid cap sponsor program portfolios in aggregate. The investment objective for the model is to achieve a high rate of return through the purchase of mid cap stocks.

MODEL DISCLOSURES: 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 mid 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 income. 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. Quarterly 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 Mid Cap Indices exclude fees. The Managed Accounts Mid Cap 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 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: The Russell Midcap Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap Value Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap value market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap value market. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total

market capitalization of the Russell 1000 companies. The Russell Midcap Index is constructed to provide a comprehensive and unbiased barometer for the mid-cap segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap opportunity set. The benchmark returns include the reinvestment of income.

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

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