

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 Small-Cap Value (Pure Gross)	9.28	9.28	15.12
Anchor Small-Cap Value (Net)	8.46	8.46	11.71
Russell 2000 Value	11.93	11.93	14.12
Russell 2000	14.58	14.58	15.36

Top/Bottom Portfolio Contributors^v

Security Contribution	Average Weight	Total Return	Contribution to Return
<i>5 Highest</i>			
SkyWest, Inc	3.05	22.36	0.64
Woodward, Inc.	2.34	27.95	0.60
Rogers Corporation	1.44	37.73	0.55
UFP Technologies, Inc.	2.24	24.50	0.52
Perficient, Inc.	2.39	23.05	0.51
<i>5 Lowest</i>			
Healthcare Services Group, Inc.	2.11	-17.49	-0.34
AAR CORP.	2.24	-12.76	-0.28
Casa Systems, Inc.	0.73	-11.04	-0.26
Columbia Banking System, Inc.	2.18	-8.89	-0.18
Helen of Troy Limited	1.26	-11.60	-0.16

Sector Contribution	Average Weight	Total Return	Contribution to Return
<i>3 Highest</i>			
Producer Durables	31.62	9.72	3.00
Technology	10.72	19.43	1.92
Financial Services	22.00	7.91	1.77
<i>3 Lowest</i>			
Consumer Staples	0.84	22.77	0.17
Consumer Discretionary	10.80	-0.40	0.20
Health Care	2.06	14.59	0.27

Strategy Review & Positioning

Anchor's Small Cap Value strategy underperformed the Russell 2000 Value Index in the first quarter. The top three factors that contributed to performance were security selection in Utilities, security selection in Consumer Staples and security selection in Technology. The largest detractors to performance included security selection in Consumer Discretionary and Financial Services, as well as an overweighting in Producer Durables.

SkyWest Inc. (SKYW) was the largest contributor to performance in the fourth quarter, followed by Woodward Inc. (WWD), Rogers Corporation (ROG), UFP Technologies, Inc. (UFPT) and Perficient, Inc. (PRFT). The largest detractors included Healthcare Services Group, Inc. (HCSG), AAR CORP. (AIR), Casa Systems, Inc. (CASA), Columbia Banking System, Inc. (COLB) and Helen of Troy Limited (HELE).

Four names were added to the portfolio during the first quarter, BWX Technologies Inc. (BWXT), Rogers Corporation (ROG), PDC Energy, Inc. (PDCE), and Magnolia Oil & Gas Corp (MGY). Additionally, we exited five names during the quarter, Nutrisystem Inc. (NTRI), Alaska Air Group Inc. (ALK), Hub Group (HUBG), Esterline Technologies, and Casa Systems Inc. (CASA).

BWX Technologies Inc. supplies nuclear components and products^{vi}. We purchased it following a decline in the price after a weaker than expected near term guide. Long term expectations remained intact. We believe that the business model provides stable, visible revenue and earnings and used the pullback to buy a high quality business. Rogers Corporation engages in the design and development of engineered materials and components for a wide variety of industries^{vii}. We believe that the market is not fully valuing the company given its dominant market share, the benefits of the 5G roll out, and the secular growth trends in its core segments. PDC Energy, Inc. is an E&P operating in Colorado and in Texas^{viii}. We believe PDCE offers visible growth within cash flow, a strong balance sheet, and an attractive valuation. Similarly Magnolia Oil & Gas is an E&P with operations in Texas^{ix}. We believe it offers a strong balance sheet, a cash flow and returns-focused strategy, a quality management team, and reasonable production growth that the market should reward.

Small cap stocks rebounded in the first quarter following declines in the previous quarter. Although we believe the US economy to be healthy and valuations reasonable, we are closely monitoring signs for earnings weakness and revisions going forward. We expect market volatility to continue and are prepared to invest should the opportunity arise. As usual, high credit quality, self-funding, sustainable business models, and valuation remain of utmost importance.

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/>

^v 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; Research systems

^{viii} FactSet financial data and analytics; Research systems

^{ix} FactSet financial data and analytics; Research systems

Small Cap Value Model Disclosures

MODEL DESCRIPTION: The Anchor Managed Accounts Small Cap Value (SCV) 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 Small Cap sponsor program portfolios in aggregate. The investment objective for the model is to achieve a high rate of return through the purchase of small cap value 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 Small 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 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 2000 Value Index excludes fees. The Managed Accounts Small 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: 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 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect value characteristics. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-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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