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### Outlook/Review

The U.S. equity markets continued to rally into the second quarter as companies reported better than expected earnings. S&P 500 companies reported first quarter earnings growth of 1.6% versus expectations for negative earnings growth.<sup>i</sup> In late April, it was announced that U.S. and China trade talks had stalled and President Trump was implementing a 25% tariff on \$250 billion of imported goods.<sup>ii</sup> President Trump also banned U.S. companies from supplying communication equipment to the Chinese company, Huawei.<sup>iii</sup> As a result, U.S. equity markets declined 6% in May.<sup>iv</sup> Meanwhile, the 10 Year Treasury Bond rallied with its yield dropping by 0.50% to 2.0%.<sup>v</sup> With slowing global economic growth the Federal Reserve has indicated that it may cut interest rates by year end.<sup>vi</sup> With an expected interest rate cut, the U.S. equity markets have rallied back in June, ending the quarter about where they started.<sup>vii</sup> While forecasters are expecting slower growth in the U.S. and globally, the economic conditions remain fairly stable with employment continuing to be strong and consumer confidence remaining high.<sup>viii</sup>

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

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

Strategy Performance	2Q19	YTD	5 Year Annualized
Anchor Dividend Income Value (Pure Gross)	4.12%	16.04%	9.28%
Anchor Dividend Income Value (Net)	3.34%	14.31%	6.04%
Russell 1000 Value	3.84%	16.24%	7.46%

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

Security Contribution	Average Weight	Total Return	Contribution to Return
<i>5 Highest</i>			
Leidos Holdings, Inc.	2.62%	25.10%	0.59%
Hasbro, Inc.	1.65%	25.13%	0.37%
Federated Investors, Inc. Class B	0.68%	14.43%	0.32%
Broadridge Financial Solutions, Inc.	1.49%	23.59%	0.31%
Hershey Company	1.80%	17.37%	0.29%
<i>5 Lowest</i>			
Occidental Petroleum Corporation	1.50%	-22.81%	-0.41%
A. O. Smith Corporation	1.64%	-11.20%	-0.24%
3M Company	1.29%	-15.85%	-0.22%
Dow, Inc.	1.54%	-11.07%	-0.21%
Cinemark Holdings, Inc.	1.80%	-8.90%	-0.16%

Sector Contribution	Average Weight	Total Return	Contribution to Return
<i>3 Highest</i>			
Financial Services	31.40%	7.48%	2.41%
Technology	9.08%	12.48%	1.07%
Consumer Staples	8.57%	6.17%	0.53%
<i>3 Lowest</i>			
Energy	6.43%	-4.48%	-0.26%
Producer Durables	9.43%	-2.19%	-0.24%
Materials & Processing	10.27%	01.49%	0.10%

### Strategy Review & Positioning

Anchor's Dividend Income Value strategy outperformed the Russell 1000 Value Index in the second quarter. The top three factors that contributed to performance were security selection in Technology, Consumer Staples and Financial Services. The largest detractors to performance include security selection in Producer Durables, Materials & Processing, and Consumer Discretionary.

Leidos Holdings, Inc. (LDOS) was the largest contributor to the performance in the second quarter, followed by Hasbro, Inc. (HAS), Federated Investors, Inc. (FII), Broadridge Financial Solutions, Inc. (BR), and Hershey Company HSY). The largest detractors included Occidental Petroleum Corporation (OXY), A. O. Smith Corporation (AOS), 3M Company (MMM), Dow Inc. (DOW), and Cinemark Holdings, Inc. (CNK).

One name was added during the second quarter, Marathon Petroleum Corporation (MPC). Four names were exited during the quarter, Federated Investors, Inc. (FII), Corteva Inc. (CTVA), United Parcel Services, Inc. (UPS), and DuPont de Nemours, Inc. (DD).

Marathon Petroleum Corporation possesses the largest US refining complex, and owns Speedway, the second largest convenience store chain in the country with 12,000 retail locations.<sup>xi</sup> In our opinion, it has a long history as a very efficient operator. We believe the company is well poised for growth thanks to US fracking growth and U.S exports. On a sum of parts basis, it is worth closer to \$80 a share, or decently higher than where it has sold for in the last year.<sup>xii</sup> The company should continue increase its dividend over time, and has an above market dividend yield.

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<sup>i</sup> [https://www.trpropresearch.com/pdf/SP500\\_Earnings\\_Scorecard.pdf/](https://www.trpropresearch.com/pdf/SP500_Earnings_Scorecard.pdf/)

<sup>ii</sup> <https://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/>

<sup>iii</sup> Ibid.

<sup>iv</sup> FactSet financial data and analytics; Charting

<sup>v</sup> Ibid.

<sup>vi</sup> <https://www.nytimes.com/2019/06/21/business/economy/fed-trump-interest-rates.html>

<sup>vii</sup> FactSet financial data and analytics; Charting

<sup>viii</sup> <https://www.schwab.com/resource-center/insights/content/sector-views>

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

<sup>x</sup> FactSet financial data and analytics; Attribution

<sup>xi</sup> FactSet financial data and analytics; Marathon Petroleum Corporation Business Description

<sup>xii</sup> FactSet financial data and analytics; Marathon Petroleum Corporation 1 Year Stock Price Chart

#### ***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-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

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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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