*The views expressed below are those of Anchor Capital Advisors, LLC ("Anchor") as of the stated date and are subject to change at any time. They are based on our proprietary research and general knowledge of said topic. The below content and applicable data are in support of our views on said topic. Please see additional disclosures at the end of this publication.*

**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.[i] 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.[ii] President Trump also banned U.S. companies from supplying communication equipment to the Chinese company, Huawei.[iii] As a result, U.S. equity markets declined 6% in May.[iv] Meanwhile, the 10 Year Treasury Bond rallied with its yield dropping by 0.50% to 2.0%[v]. With slowing global economic growth the Federal Reserve has indicated that it may cut interest rates by year end.[vi] With an expected interest rate cut, the U.S. equity markets have rallied back in June, ending the quarter about where they started.[vii] 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.[viii]

**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 and an overweighting in Materials and Processing as well as security selection in Producer Durables.

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

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.[ix] 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.[x] The company should continue increase its dividend over time, and has an above market dividend yield.

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[i] https://www.trpropresearch.com/pdf/SP500_Earnings_Scorecard.pdf/
[ii] https://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/
[iii] Ibid.
[iv] FactSet financial data and analytics; Charting
[v] Ibid.
[vi] https://www.nytimes.com/2019/06/21/business/economy/fed-trump-interest-rates.html
[vii] FactSet financial data and analytics; Charting
[viii] https://www.schwab.com/resource-center/insights/content/sector-views
[ix] FactSet financial data and analytics; Marathon Petroleum Corporation Business Description
[x] FactSet financial data and analytics; Marathon Petroleum Corporation 1 Year Stock Price Chart

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