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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>

### **Strategy Review & Positioning**

Anchor's Founders Value strategy outperformed the Russell 2500 Value Index in the second quarter. The top three factors that contributed to outperformance were security selection in Consumer Discretionary and Producer Durables as well as an overweighting in Technology. The largest detractors from performance were security selection in Technology, an overweighting in Consumer Staples and an underweighting in Financial Services.

NV5 Global Inc. (NVEE) was the largest contributor to performance in the second quarter, followed by Opera Ltd. (OPRA), Construction Partners, Inc. (ROAD), MTY Food Group Inc. (MTYFF), and Chase Corporation (CCF). The largest detractors included YY, Inc. (YY), Ubiquiti Networks, Inc. (UBNT), Secoo Holding Limited (SECO), National Beverage Corp (FIZZ), and Momo Inc. (MOMO).

Two names were added during the second quarter, International Money Express, Inc. (IMXI) and eXP World Holdings, Inc. (EXPI). Additionally, we exited National Beverage Corp (FIZZ), during the quarter.

International Money Express is a money remittance business focused on the Latin American and Caribbean corridor (LAC).<sup>ix</sup> International Money Express is run by Bob Lisy.<sup>x</sup> Bob Lisy, along with other insiders, own 56% of the company.<sup>xi</sup> We believe the company is taking share in LAC as it grew market share in Mexico from 8% to 17%, and in Guatemala from 14% to 25.5%.<sup>xii</sup> Further, the company has just entered Africa<sup>xiii</sup>, where it is our opinion that they can replicate market share gains in a similar manner to Latin America. The company is publically guiding 20% growth<sup>xiv</sup>, and yet is selling for a below market P/E.<sup>xv</sup> We believe the company was undervalued as it recently came public through a complex offering known as a special purpose acquisition corporation (SPAC)<sup>xvi</sup>, which we believe are not well followed. The company has a long runway for growth, and we feel we were fortunate to be able to buy it at what we believe is a discount to the company's long-term value.

eXP World Holdings owns eXP Realty, a cloud based real estate brokerage, which does not have the burden of physical brick and mortar locations.<sup>xvii</sup> Glenn Sanford founded the company in 2009<sup>xviii</sup> and along with his wife, own 60% of the company.<sup>xix</sup> The company has grown revenue from \$13 million in 2014 to \$500 million in 2018, and grew revenue this past quarter over 150%.<sup>xx</sup> Glenn Sanford was named a top CEO in Glassdoor's Employees' Choice Awards for 2019.<sup>xxi</sup> He had a 98% approval score on Glassdoor as of the end of the first quarter 2019.<sup>xxii</sup> We believe the company is taking share from traditional brick and mortar

realtors. The company is poised to have over 20,000 agents at some point this year, and could have over 100,000 agents at some point over the next 5 years, with revenue following agent count. We believe the company is undervalued, as it is underfollowed. To give perspective, the largest active institutional owner owns 1% of the company, or about \$8 million worth of shares.<sup>xxiii</sup> We believe that as other institutional investors learn more about the business, the valuation gap should close with other high growth peers.

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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> FactSet financial data and analytics; International Money Express Business Description

<sup>x</sup> FactSet financial data and analytics; International Money Express Management and Board

<sup>xi</sup> FactSet financial data and analytics; International Money Express Ownership Summary

<sup>xii</sup> International Money Express Investor Presentation First Quarter 2019

<sup>xiii</sup> International Money Express Investor Presentation First Quarter 2019

<sup>xiv</sup> Ibid.

<sup>xv</sup> FactSet financial data and analytics; EPS And P/E Table

<sup>xvi</sup> To learn more about what a SPAC is, this Harvard Law piece is very helpful. <https://corpqov.law.harvard.edu/2018/07/06/special-purpose-acquisition-companies-an-introduction/>

<sup>xvii</sup> FactSet financial data and analytics; eXP World Holdings Business Description

<sup>xviii</sup> <https://therealdeal.com/2019/06/25/virtual-brokerage-exp-hit-with-trademark-suit-on-heels-of-ny-launch/>

<sup>xix</sup> FactSet financial data and analytics; eXP World Holdings Ownership Summary

<sup>xx</sup> FactSet financial data and analytics; eXP World Holdings Income Statement

<sup>xxi</sup> "eXP Realty's Glenn Sanford Named a Glassdoor Top CEO For Second Year In A Row" <https://www.globenewswire.com/news-release/2019/06/19/1870907/0/en/eXP-Realty-s-Glenn-Sanford-Named-a-Glassdoor-Top-CEO-for-Second-Year-in-a-Row.html>

<sup>xxii</sup> <https://www.glassdoor.com/Reviews/eXP-Realty-Reviews-E907965.htm>

<sup>xxiii</sup> FactSet financial data and analytics; eXP World Holdings Ownership Summary

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

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