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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	10 Year Annualized
Anchor Mid Cap Value (Pure Gross)	4.93%	19.87%	12.96%
Anchor Mid Cap Value (Net)	4.14%	18.08%	9.62%
Russell Mid Cap Value	3.19%	18.02%	14.56%
Russell Mid Cap	4.13%	21.35%	15.16%

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

Security Contribution	Average Weight	Total Return	Contribution to Return
<i>5 Highest</i>			
Hasbro, Inc.	2.45%	25.13%	0.54%
Broadridge Financial Solutions, Inc.	2.32%	23.59%	0.49%
Woodward, Inc.	2.69%	19.43%	0.48%
Booz Allen Hamilton Holding Corporation Class A	2.37%	14.28%	0.33%
Casey's General Stores, Inc.	1.52%	21.40%	0.31%
<i>5 Lowest</i>			
Conduent, Inc.	0.73%	-36.01%	-0.56%
CDK Global Inc	2.36%	-15.69%	-0.42%
Huntsman Corporation	1.76%	-8.35%	-0.16%
A. O. Smith Corporation	1.54%	-11.20%	-0.15%
Zimmer Biomet Holdings, Inc.	1.54%	-7.61%	-0.13%

Sector Contribution	Average Weight	Total Return	Contribution to Return
<i>3 Highest</i>			
Financial Services	26.08%	8.20%	2.08%
Consumer Discretionary	16.76%	7.14%	1.18%
Health Care	9.72%	6.27%	0.60%
<i>3 Lowest</i>			
Energy	4.07%	-3.60%	-0.16%
Technology	8.68%	-1.97%	-0.13%
Utilities	4.21%	3.84%	0.16%

### Strategy Review & Positioning

Anchor's Mid Cap Value strategy outperformed the Russell Mid Cap Value Index in the second quarter. The top three factors that contributed to outperformance were security selection in Consumer Discretionary,

Financial Services, and Consumer Staples. The largest detractors to performance included security selection in Producer Durables and Technology, as well as an overweighting in Consumer Discretionary.

Hasbro, Inc. (HAS) was the largest contributor to performance in the second quarter, followed by Broadridge Financial Services Inc. (BR), Woodward Inc. (WWD), Booz Allen Hamilton Holding Corporation (BAH), and Casey's General Stores, Inc. (CASY). The largest detractors included Conduent, Inc. (CNDT), CDK Global Inc. (CDK), Huntsman Corporation (HUN), A. O. Smith Corporation (AOS), and Zimmer Biomet Holdings, Inc. (ZBH).

Five names were added to the portfolio in the second quarter, Equifax Inc. (EFX), KAR Auction Services, Inc. (KAR), Henry Schein, Inc. (HSIC), Mohawk Industries Inc. (MHK), and Waters Corporation (WAT). Additionally, we exited three names during the quarter, Western Union Company (WU), Conduent Inc. (CNDT), and SunTrust Banks, Inc. (STI).

Equifax is a leading global provider of information solutions and human resources process outsourcing.<sup>xi</sup> We believe the company is getting past the data breach, will accelerate its growth with innovation, and is poised for margin expansion. KAR Auction Services operates whole car and salvage auction markets, as well as floorplan financing.<sup>xii</sup> We believe, with the company splitting into two pieces, that the sum of the two parts is worth more than the valuation of the company as one entity.

Henry Schein is the largest distributor in the dental market.<sup>xiii</sup> The company became undervalued due to slowing growth. With new product innovation in the dental space, growth should accelerate, leading to a re-rating of the businesses valuation. Waters Corporation is a leading manufacturer of liquid chromatography and mass spectrometry instruments.<sup>xiv</sup> We like the company's history of consistent growth, and defensive nature of its earnings profile.<sup>xv</sup> Finally, Mohawk Industries is a leading manufacturer and distributor of flooring products.<sup>xvi</sup> We believe the company's shares are out of favor due to a perfect storm of issues in 2018. In our opinion, it has the opportunity to return to growth, and has the opportunity for margin expansion.

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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 Data & 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 Data & 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; Equifax Business Description

<sup>xii</sup> FactSet financial data and analytics; KAR Auction Services Business Description

<sup>xiii</sup> Henry Schein Q1 n2019 Investor Presentation Slide 4

<sup>xiv</sup> FactSet financial data and analytics; Waters Corporation Business Description

<sup>xv</sup> FactSet financial data and analytics; Waters Corporations 10 Years Earnings Chart

<sup>xvi</sup> FactSet financial data and analytics; Mohawk Industries 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

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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 Mid cap 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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