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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.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}

Managed Accounts Model Performance^{ix}

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 Small Cap Value (Pure Gross)	4.00%	13.65%	14.00%
Anchor Small Cap Value (Net)	3.22%	11.95%	10.62%
Russell 2000 Value	1.38%	13.47%	12.40%
Russell 2000	2.10%	16.98%	13.45%

Top/Bottom Portfolio Contributors^x

Security Contribution	Average Weight	Total Return	Contribution to Return
<i>5 Highest</i>			
NV5 Global Inc	2.47%	37.13%	0.77%
Perficient, Inc.	2.37%	25.30%	0.54%
Cavco Industries, Inc.	1.41%	34.04%	0.43%
Woodward, Inc.	2.22%	19.43%	0.39%
SkyWest, Inc	3.41%	11.98%	0.38%
<i>5 Lowest</i>			
Hooker Furniture Corporation	2.17%	-27.92%	-0.66%
Conduent, Inc.	0.67%	-36.01%	-0.51%
Wolverine World Wide, Inc.	1.72%	-22.64%	-0.44%
Exterran Corp.	1.64%	-15.61%	-0.29%
First of Long Island Corporation	2.23%	-8.44%	-0.19%

Sector Contribution	Average Weight	Total Return	Contribution to Return
<i>3 Highest</i>			
Producer Durables	31.74%	6.53%	2.06%
Financial Services	21.87%	5.19%	1.10%
Technology	10.23%	10.37%	1.03%
<i>3 Lowest</i>			
Consumer Discretionary	9.73%	-5.12%	-0.49%
Energy	5.08%	-7.62%	-0.40%
Consumer Staples	0.87%	4.23%	0.03%

Strategy Review & Positioning

Anchor's Small Cap Value strategy outperformed the Russell 2000 Value Index in the second quarter. The top three factors that contributed to outperformance were security selection in Technology and Materials

and Processing, as well as an overweighting in Producer Durables. The largest detractors to performance included security selection in Energy as well as an underweighting in Financial Services and Energy.

NV5 Global Inc. (NVEE) was the largest contributor to performance in the second quarter, followed by Perficient, Inc. (PRFT), Cavco Industries, Inc. (CVCO), Woodward Inc. (WWD), and SkyWest, Inc. (SKYW). The largest detractors Hooker Furniture Corporation (HOFT), Conduent, Inc. (CNDT), Wolverine World Wide, Inc. (WWW), Exterran Corp. (EXTN), and First of Long Island Corporation (FLIC).

Two names were added to the portfolio during the second quarter, International Money Express, Inc. (IMXI), and Winmark Corporation (WINA). Additionally, two names were exited, Knowles Corp. (KN), and Conduent Inc. (CNDT).

International Money Express Inc. is a money remittance company focused on Latin America and the Caribbean. The CEO and other insiders collectively own 56% of the company.^{xi} We believe the company is taking share in Latin America as it recently grew market share from 8% to 17% in Mexico and from 14% to 25.5% in Guatemala.^{xii} We think the company can replicate those market share gains in Africa. Its leading market share, propriety software and technology, and brand position it well for continued growth.

Winmark Corporation is a franchisor of five value-oriented retail store concepts that buy, sell, and trade gently used merchandise. It also operates an equipment leasing business.^{xiii} Winmark's distinctive business model and value proposition benefit both the customer and the company. Its business should be defensive in economic downturns. We appreciate the company's franchise model as it generates above average returns and cash flow which the company returns to shareholders via dividends and share repurchases.

Despite a volatile period, smaller capitalization stocks finished positive in the quarter. They did however lag larger capitalization stocks,^{xiv} mainly due to better earnings growth at larger companies. The U.S. economy is healthy and valuations reasonable, but we are watching for further earnings weakness. We expect market volatility to continue, but are prepared to invest should the opportunity arise as we remain positive on the investing environment. As usual, high credit quality, self-funding, sustainable business models, and valuation remain of utmost importance.

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 Data & Analytics, Charting

^v Ibid.

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

^{vii} FactSet Data & Analytics, Charting

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

^{ix} StyleAdvisor. Gross of fee returns are presented Pure Gross and are calculated before management fees, custodial fees and transaction costs.

^x FactSet financial data and analytics; Attribution

^{xi} FactSet financial data and analytics; company data

^{xii} International Money Express Investor Presentation, First Quarter 2019

^{xiii} FactSet financial data and analytics; company information

^{xiv} FactSet financial data and analytics; attribution

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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