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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-Mid Cap Value (Pure Gross)	4.37%	17.06%	14.17%
Anchor Small-Mid Cap Value (Net)	3.59%	15.31%	10.80%
Russell 2500 Value	1.89%	15.26%	13.28%
Russell 2500	2.96%	19.25%	14.44%

Top/Bottom Portfolio Contributors^x

Security Contribution	Average Weight	Total Return	Contribution to Return
<i>5 Highest</i>			
NV5 Global Inc	2.40%	37.13%	0.75%
Perficient, Inc.	2.47%	25.30%	0.57%
Woodward, Inc.	2.26%	19.43%	0.40%
DENTSPLY SIRONA, Inc.	2.06%	17.86%	0.34%
Cavco Industries, Inc.	0.96%	34.04%	0.29%
<i>5 Lowest</i>			
Hooker Furniture Corporation	1.70%	-27.92%	-0.52%
Conduent, Inc.	0.66%	-36.01%	-0.51%
Wolverine World Wide, Inc.	1.33%	-22.64%	-0.35%
CDK Global Inc	1.31%	-15.69%	-0.23%
Cimarex Energy Co.	1.01%	-14.87%	-0.17%

Sector Contribution	Average Weight	Total Return	Contribution to Return
<i>3 Highest</i>			
Producer Durables	27.12%	7.05%	1.89%
Financial Services	19.12%	6.10%	1.14%
Materials & Processing	7.89%	6.75%	0.55%
<i>3 Lowest</i>			
Energy	5.00%	-7.85%	-0.42%
Consumer Staples	1.90%	-0.45%	-0.02%
Consumer Discretionary	11.50%	0.25%	0.01%

Strategy Review & Positioning

Anchor's Small-Mid Cap Value strategy outperformed the Russell 2500 Value Index in the second quarter. The top three factors that contributed to outperformance were security selection in Financial Services and Health Care, as well as an overweighting in Producer Durables. The largest detractors to performance

included an underweighting in Financial Services and Energy as well as an overweighting in Consumer Discretionary.

NV5 Global Inc (NVEE) was the largest contributor to performance in the second quarter, followed by Perficient, Inc. (PRFT), Woodward, Inc. (WWD), DENTSPLY SIRONA, Inc. (XRAY), and Cavco Industries, Inc. (CVCO). The largest detractors included Hooker Furniture Corporation (HOFT), Conduent, Inc. (CNDT), Wolverine World Wide, Inc. (WWW), CDK Global Inc (CDK), and Cimarex Energy Co. (XEC).

Three names were added to the portfolio during the second quarter, International Money Express Inc. (IMXI), KAR Auction Services, Inc. (KAR), and Winmark Corporation (WINA). Additionally, we exited four names during the quarter, Knowles Corporation (KN), Conduent Inc. (CNDT), Ubiquiti Networks, Inc. (UBNT), and YY, Inc. Sponsored ADR Class A (YY).

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.

KAR Auction Services, Inc. operates in the whole car and salvage auction markets, as well as floorplan financing.^{xiii} The company is splitting into two pieces, and we believe that the sum of the two parts is worth more than the valuation of the company as one entity.

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.^{xiv} 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,^{xv} 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 financial data and 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; Company information

^{xv} FactSet financial data and analytics; Attribution

Small-Mid Cap Value Model Disclosures

MODEL DESCRIPTION: The Anchor Managed Accounts Small-Mid Cap Value (SMID) model was created on 09/30/16. 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-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 small-mid cap value stocks.

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 12/31/03 through 9/30/2016 for the Institutional and Private Client Investment Management Small-Mid Cap strategy were published in the product presentation. 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-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 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 2500 Value Index excludes fees. The Managed Accounts Small-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: 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 2500 Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2500 Value Index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap value market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set and that the represented companies continue to reflect value characteristics. The Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "SMID" cap. The Russell 2500 is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500 Index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set.

The performance results presented herein represent those of the Anchor Capital Institutional and Private Client Investment Management Division Small-Mid Cap 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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