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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 All Cap Value (Pure Gross)	3.36%	15.10%	11.72%
Anchor All Cap Value (Net)	2.58%	13.38%	8.42%
Russell 1000 Value	3.84%	16.24%	13.19%
Russell 3000 Value	3.68%	16.05%	13.14%

Top/Bottom Portfolio Contributors^x

Security Contribution	Average Weight	Total Return	Contribution to Return
<i>5 Highest</i>			
Woodward, Inc.	2.00%	19.43%	0.35%
Microsoft Corporation	2.25%	14.00%	0.29%
TE Connectivity Ltd.	1.79%	19.24%	0.28%
PayPal Holdings Inc	2.30%	10.23%	0.25%
Hexcel Corporation	1.42%	17.19%	0.25%
<i>5 Lowest</i>			
Conduent, Inc.	0.58%	-36.37%	-0.44%
Occidental Petroleum Corporation	1.19%	-22.81%	-0.34%
CDK Global Inc	1.38%	-15.69%	-0.24%
3M Company	1.35%	-15.85%	-0.24%
A. O. Smith Corporation	1.67%	-11.20%	-0.19%

Sector Contribution	Average Weight	Total Return	Contribution to Return
<i>3 Highest</i>			
Financial Services	23.72%	6.68%	1.60%
Consumer Discretionary	10.70%	8.17%	0.84%
Technology	10.43%	7.59%	0.75%
<i>3 Lowest</i>			
Energy	5.74%	-4.93%	-0.30%
Producer Durables	11.89%	-0.39%	-0.06%
Utilities	3.40%	-1.72%	-0.06%

Strategy Review & Positioning

Anchor's All Cap Value strategy underperformed the Russell 1000 Value and the Russell 3000 Value Indices in the second quarter. The top three factors that detracted from outperformance were security selection in Utilities, Materials and Processing, and Producer Durables. The largest contributors to performance included security selection in Technology and Consumer Staples, as well as an underweighting in Energy.

Woodward, Inc. (WWD) was the largest contributor to performance in the second quarter, followed by Microsoft Corporation (MSFT), TE Connectivity Ltd. (TEL), PayPal Holding Inc (PYPL), and Hexcel Corporation (HXL). The largest detractors included Conduent Inc. (CNDT), Occidental Petroleum Corporation (OXY), CDK Global Inc (CDK), 3M Company (MMM), and A.O. Smith Corporation (AOS).

One name was added to the portfolio during the second quarter, KAR Auction Services, Inc. (KAR). Four names were exited during the quarter, Federated Investors Inc. (FII), Biogen Inc. (BIIB), Baxter International Inc. (BAX), and Conduent Inc. (CNDT).

KAR Auction Services operates both whole car and salvage auctions.^{xi} We purchased KAR on the thesis that significant value could be realized if the company were split into two operating companies. The management of the company diligently worked towards this goal and the split was completed in the second quarter. We now own shares of KAR (whole car auctions) and IAA (salvage auctions).

Dow DuPont de Nemours (DWDP) completed a double spin in the quarter and we now own three unique companies, Dow, Inc. (DOW), DuPont de Nemours, Inc. (DD), and Corteva Inc. (CTVA).^{xii} Dow is now a focused chemical, coating and adhesive company serving product manufacturing globally. Their products are used in technology manufacturing processes, consumer goods, building materials and health products. Dow is focused on efficiency and cash flow and, from our read, is dedicated to paying a significant and growing dividend.^{xiii} The "new" DuPont is focused on specialty chemicals. Their competitive advantage, in our view, is a dominant market share in non-commodity, branded products. Examples include Kevlar (body armor and industrial uses), Tyvek (building products), Corian (specialty surfaces), and Sorona (eco-efficient performance fibers).^{xiv} Corteva is the global leader in seed and fertilizer technology.^{xv}

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 reporting

^{xix} <https://karauctionsservices.com/>

^{xii} FactSet financial data and analytics; attribution

^{xiii} <https://www.dow.com/en-us>

^{xiv} https://www.dupont.com/now.html?src=us_now-sem-goo-br-core-ex&gclid=EAlaIqobChMI5o7U6_-Y4wIvHP_jBx1iXg5REAAAYASAAEgLLmPD_BwE

^{xv} https://www.corteva.us/?gclid=EAlaIqobChMIhYTQgYCYZ4wIVClnICh2yLw9vEAAAYASAAEgluo_D_BwE

All Cap Value Model Disclosures

MODEL DESCRIPTION: The Anchor Managed Accounts All Cap Value (ACV) 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 Account All Cap sponsor program portfolios in aggregate. The investment objective for the model is to achieve a high rate of return through the purchase of all cap value stocks.

MODEL DISCLOSURES: The model transaction history does not reflect all portfolio transaction activity for accounts in the sponsor programs. Model transactions correspond with trading activity generated in the course of investment for substantially all accounts in the sponsor All 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 Indices exclude fees. The Managed Accounts All Cap Value model 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 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 3000 Value Index measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 3000 Value Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad value market. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. All 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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