Balanced Value Investment Review | as of June 30, 2019

The views expressed below are those of Anchor Capital Advisors, LLC ("Anchor") as of the stated date and are subject to change at any time. They are based on our proprietary research and general knowledge of said topic. The below content and applicable data are in support of our views on said topic. Please see additional disclosures at the end of this publication.

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 Balanced Value (Pure Gross)	1.95%	9.43%	8.66%
Anchor Balanced Value (Net)	1.19%	7.79%	5.44%
60/30/10 (R1000V/BCIGC/CG90TBIll)	3.27%	11.40%	9.05%
Russell 1000 Value	3.84%	16.24%	13.19%

Top/Bottom Portfolio Contributors[x]

Security Contribution	Average Weight	Total Return	Contribution to Return
5 Highest			
Vanguard Intermediate-Term Corporate Bond ETF	4.27%	4.39%	0.26%
Vanguard Short-Term Corporate Bond ETF	13.47%	1.93%	0.25%
TE Connectivity Ltd.	1.29%	19.24%	0.19%
Walmart Inc.	1.18%	13.89%	0.16%
KAR Auction Services, Inc.	0.76%	13.21%	0.14%
5 Lowest			
Occidental Petroleum Corporation	1.28%	-22.81%	-0.38%
Conduent, Inc.	0.40%	-32.47%	-0.25%
3M Company	1.28%	-15.85%	-0.23%
CDK Global Inc	0.92%	-15.69%	-0.16%
Zimmer Biomet Holdings, Inc.	1.68%	-7.61%	-0.14%

Sector Contribution	Average Weight	Total Return	Contribution to Return
3 Highest			
Financial Services	15.04%	6.34%	0.95%
Fixed Income	38.10%	1.97%	0.77%
Consumer Discretionary	5.15%	9.63%	0.47%
3 Lowest			
Producer Durables	5.64%	-7.70%	-0.56%
Energy	5.75%	-5.35%	-0.33%
Materials & Processing	2.08%	-5.92%	-0.14%

Strategy Review & Positioning

Anchor's Balanced strategy underperformed the 60/30/10 (R1000V/BCIGC/CG90TBIll) Blended Benchmark in the second quarter. The top three factors that detracted from outperformance were security selection in

Health Care, Producer Durables and Materials and Processing. The largest contributors to performance included security selection in Consumer Discretionary, Consumer Staples, and Technology.

Vanguard Intermediate-Term Corporate Bond ETF (VCIT) was the largest contributor to performance in the second quarter, followed by Vanguard Short-Term Corporate Bond ETF (VCSH), TE Connectivity Ltd. (TEL), Walmart Inc. (WMT), and KAR Auction Services, Inc. (KAR). The largest detractors included, Occidental Petroleum Corporation (OXY), Conduent, Inc. (CNDT), 3M Company (MMM), CDK Global Inc (CDK), and Zimmer Biomet Holdings, Inc. (ZBH).

Four names were added to the portfolio during the second quarter, Parker-Hannifin Corporation (PH), KAR Auction Services, Inc. (KAR), Huntsman Corporation (HUN), and M&T Bank Corporation (MTB). Additionally, we exited four names 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 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]

We have followed Parker Hannifin for many years and used weakness early in the quarter to add the stock to our portfolio. PH is a globally diversified industrial company. We think Parker has a conservative balance sheet management style and that the company will be able to drive returns on capital and increase the dividend over time. Huntsman is a global chemical company focused on polyurethanes and advanced materials for the aerospace and power markets.[xvi] We believe the current valuation does not discount the job Huntsman has done cleaning up their balance sheet and increasing free cash flow. The company is now focused on shareholder returns and is dedicated to increasing the current 3.5% dividend. M&T Bank is a super-regional bank focused on the New York and Mid-Atlantic markets.[xvii] We believe M&T is the best managed bank in the country. From our read, it is focused on ROE and shareholder return metrics. The company has shown over time that they will not grow just for growths sake, and have made it very clear that they will return capital to shareholders if banking returns are not adequate.

Most of the yield curve remains inverted. As of 5/31 the 10-year Treasury bond yields approximately 2% while the Fed Funds rate is 2.5%.[xviii] The forward future curve looks to be forecasting three 25 basis point cuts in the Fed Fund rate in 2019. We believe this is very much in the cards. From our read, the spread between U.S. yields and global developed market yields is too wide, and global forward indicators of economic growth continue to weaken. Global central banks have shown a willingness to add stimulus, and in our opinion, it will be dangerous for the Fed to hesitate. Additionally, inflation is not at the Fed's 2% goal. Early in the first quarter, we added duration to the Balanced portfolio, starting the second quarter at approximately 2.7 vs. 2.0 years at the beginning of the first quarter.

[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 https://karauctionservices.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=EAIaIQobChMI5o7U6_-Y4wIVhP_jBx1iXg5REAAYASAAEgLLmPD_BwE
[xv] https://www.corteva.us/?gclid=EAIaIQobChMIhYTQgYCZ4wIVClnICh2yLw9vEAAYASAAEgIuo_D_BwE
[xvi] https://ir.huntsman.com/
[xvii] https://www.mtb.com/home-page
[xviii] FactSet financial data and analytics; Summary

Balanced Model Disclosures

MODEL DESCRIPTION: The Anchor Managed Accounts Balanced (Bal) 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 Balanced sponsor program portfolios in aggregate. The investment objective for the model is to achieve a high rate of return through the purchase of equity and fixed income securities.

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 Balanced 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 benchmark indices exclude fees. The Managed Accounts Balanced model returns are 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 benchmark is a static blend of: 60% Russell 1000 Value Index; 30% Barclays Capital U.S. Government/Credit Intermediate Bond Index; 10% Citigroup 90-Day Treasury Bill Index. 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, growing equities are included, and that the represented companies continue to reflect value characteristics. The Barclays Capital U.S. Intermediate Government/Credit Bond Index measures the performance of U.S. dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than or equal to 1 year and less than 10 years. Securities have $250 million or more of outstanding face value and must be fixed rate and non-convertible. The Citigroup 90-Day Treasury Bill Index measures the average return of the last three-month U.S. Treasury Bill issues. U.S. Treasury Bills are short-term securities issued by the U.S. government with maturities of up to one year. They are backed by the faith and credit of the U.S. government who guarantees full payment of principal and interest at maturity. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. All benchmark returns include the reinvestment of income.

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