ANCHOR CAPITAL ADVISORS LLC

Managed Accounts | All Cap Value
Portfolio Commentary
As of June 30, 2021

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.

Market Review

As vaccination rates climb, more states fully reopen, and a sense of returning to normalcy is beginning to take hold, we continue to see the U.S. equity markets respond positively during the second quarter. After a sharp rebound in small cap stocks from last November, we saw the markets transition to large cap stocks with a tilt to growth during the quarter. The S&P 500 was +8.6%, followed by Russell Mid Cap at +7.5% and finally Russell 2000 at +4.3%.[i] Technology, Communication Services, and Real Estate led the second quarter after being laggards the prior six months.[ii] The value trend is in place and we expect to see continued leadership from the Energy, Financials, and Materials sectors. The cyclical rally appears to be slowing down as the recovery and markets are shifting from early to mid-cycle. In the mid-cycle stage, we expect that the markets will broaden, quality companies will be more desirable, and stock picking will come into focus. These attributes benefit Anchor's portfolios as we believe quality performs well over market cycles.

Financial results reported in April and May were strong as companies benefitted from the economy reopening, additional government stimulus, unemployment benefits, and pent up demand for goods and services.[iii] Many companies were able to reduce costs during the pandemic, which has helped drive strong earnings growth. However, on recent earnings calls, we have consistently heard about rising costs - including higher input to freight and labor costs. Management teams have warned that earnings may not be as robust going forward due to these increased costs. They have also indicated they are trying to pass these costs, where possible, through to the end consumer.[iv]

When the pandemic hit, companies - many of which employ just in time systems- automatically reduced inventories in anticipation of a slow rebound. A hurricane in Louisiana, a deep freeze in Texas and the Suez Canal jam compounded supply chain issues. As the economy has recovered very quickly there have been shortages of a number of goods and freight costs have soared. On top of that, additional stimulus and unemployment benefits appear to have had the unintended consequence of making it less attractive for people receiving those benefits to return to work. Thus, many retailers and restaurants are having to raise wages to attract workers. Many states are suspending the additional unemployment benefits and hopefully the labor situation will improve. We believe that the shortages will be rectified over the next several quarters.

All of these factors combined have translated into a rise in the rate of inflation not seen since August of 2008. In April and May, we saw consumer price index (CPI) 12-month percentage growth of 4.2%[v] and 5%[vi], respectively. For context, the Federal Reserve (Fed) has a dual mandate to keep full employment and stable prices – with a current inflation target that averages 2% over time.[vii] We suspect that the growth seen in more speculative activities has been fueled in part by liquidity provided by the government.

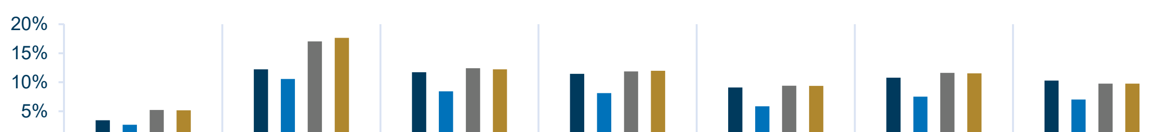
Performance Overview

The Anchor Capital All Cap Value Portfolio returned 3.45% (gross of fees) during the quarter, underperforming the Russell 1000 Value Index, which returned 5.21%.

On a relative basis, the Portfolio benefitted the most from security selection in the Technology and Consumer Discretionary sectors as well as an underweight allocation to Utilities. Security selection in the Financials, Energy, and Health Care sectors were the greatest detractors from performance.

Managed Accounts Model Performance[viii]

Past performance is not indicative of future results. Inhereint in any investment is the possibility of loss.



	QTR	YTD	3 Year	5 Year	7 Year	10 Year	Since Inception
Anchor ACV (Gross)	3.45%	12.23%	11.73%	11.44%	9.10%	10.79%	10.28%
Anchor ACV (Net)	2.68%	10.56%	8.43%	8.14%	5.87%	7.51%	7.02%
R1000V	5.21%	17.05%	12.42%	11.87%	9.41%	11.61%	9.77%
R3000V	5.16%	17.67%	12.23%	11.99%	9.39%	11.54%	9.77%

Quarterly Attribution Highlights[ix]

Sector - Top 3 Contributors	Sector - Bottom 3 Detractors
Technology	Health Care
Industrials	Utilities
Financials	Basic Materials

Security - Top 5 Contributors	Avg. Weight %	Contribution %	Security - Bottom 5 Detractors	Avg. Weight %	Contribution %
American Express Company (AXP)	2.36%	0.36%	Haemonetics Corporation (HAE)	0.59%	-0.37%
Gartner, Inc. (IT)	1.17%	0.32%	BWX Technologies, Inc. (BWXT)	1.68%	-0.20%
Cboe Global Markets Inc (CBOE)	1.52%	0.29%	Fiserv, Inc. (FISV)	1.96%	-0.20%
First American Financial Corporation	2.21%	0.22%	Boeing Company (BA)	2.06%	-0.13%
(FAF) Ulta Beauty Inc (ULTA)	1.83%	0.21%	Huntsman Corporation (HUN)	1.60%	-0.12%

Quarterly Transactions

Purchased	Sold
Walt Disney Co (DIS)	Verizon Communications Inc. (VZ)
Crown Holdings, Inc. (CCK)	Pfizer Inc. (PFE)
Humana Inc (HUM)	Amdocs Limited (DOX)
CBS Corporation Common Stock (VIAC)	

Purchases

Walt Disney Co (DIS) is a global media and consumer entertainment company. In the last three years, Disney has acquired Fox Studios, launched the Disney+ streaming business and has restructured the organization to split the media assets (TV, Cable, Studios, Streaming) from the parks and entertainment assets (parks, cruise lines, theater, consumer products). The streaming business has exceeded expectations and is on par to catch up with Netflix in another year. We are also seeing pent up demand for travel, which will benefit the Disney parks globally. We see many years of sustained growth.

Crown Holdings, Inc. (CCK) is one the world's largest aluminum can manufacturers. The industry as a whole is facing strong tailwinds, which include a desire for more sustainable/recyclable resources like aluminum, new beverage launches in aluminum cans, and high growth in energy drinks and hard seltzers. The aluminum can industry is expecting 10% growth in the next several years and Crown is quickly adding capacity to meet the contracted demand. Crown is attractive from a valuation perspective; it recently initiated a dividend and is focused on streamlining the business.

Humana Inc (HUM) is a U.S. focused health care insurer focused on the Medicare Advantage (MA) market, which is the private option for Medicare. This is an attractive part of the insurance market, because the senior population is growing and they tend to have a preference towards Medicare Advantage, allowing for strong growth in this market. The government prefers for private insurance to manage this segment because they are better able to manage costs. Humana is the #2 player in the MA market and is continuing to finding new markets to operate in. We believe there is a long runway for growth.

ViacomCBS (VIAC) is a leading global media and entertainment company that creates premium content and experiences for audiences worldwide. Its portfolio includes CBS, Showtime Networks, Paramount Pictures, Nickelodeon, MTV, Comedy Central, BET, CBS All Access, Pluto TV, and Simon & Schuster, among others. In addition to offering streaming services and digital video products, ViacomCBS provides capabilities in production, distribution, and advertising solutions for partners on five continents. Given that the company owns highly prized content, we believe VIAC will be a key player in ongoing digital platform consolidation. We believe the stock is very attractive priced.

Sales

Verizon Communications Inc. (VZ) is the incumbent local telecom carrier in the Northeast and in several smaller regions, covering one-third of the U.S. Verizon Wireless is the largest wireless carrier in the US in terms of subscribers. We sold our position in Verizon because we fear that there is increasing competition from T-Mobile which is disrupting AT&T and Verizon duopoly in wireless business. While the dividend yield is attractive, we do not think that it is sustainable, given the high leverage.

Pfizer Inc. (PFE) is a global biopharmaceutical company based in New York City, NY. Following the close of its Consumer Health joint venture with GSK and the spin of Upjohn to Mylan, it operates six business units: Oncology; Inflammation and Immunology; Rare Disease; Hospital; Vaccines; and Internal Medicine. Pfizer's growth has been lackluster as its drug pipeline has been unable to replace large drugs coming off patent. Pfizer has done a good job brining first-to-market vaccine for COVID however; we think the current revenue is not sustainable.

Amdocs Limited (DOX) is a leading provider of Business Support Systems for Wireless, Broadband, and Pay-TV communication service providers around the world. We are concerned about the sustainability of mid-single digit topline growth, as one of their key customer contracts is up for renewal soon. While revenue has been growing consistently, cash flow has not been growing in line with revenue and we worry about the sustainability of their dividend.

Outlook

The Fed is in an interesting spot because they want the economy to fully recover and get to full employment, but they do not want inflation to get out of control.[xi] This is controlled by the Fed raising interest rates.[xii] If the Fed raises rates too early then the economy could stall out, and if the Fed waits too long then the rampant inflation could impact economic growth.[xiii] In addition, the Fed is cautious in telegraphing any interest rate increases so the markets do not sell off. The Fed has said that they are happy to let inflation run a little hot, but based on the June Fed meeting they are expecting to have two interest rate increases in 2023.[xiv] The interest rate increased quickly for the 10 Year Treasury Bond, from 0.90% at the end of 2020 up to 1.7% at one point, and is now hovering around 1.5%.[xv] We expect that interest rates will grind higher as the year progresses and the economic recovery takes hold.

President Biden's proposed infrastructure plan, which is currently being negotiated, is meant to fix aging infrastructure, support the continued build out of electric vehicle charging stations, fund solar and wind projects and build out broadband for rural America.[xvi] Funding this plan requires an increase in corporate and personal taxes to currently unknown levels. In looking at our holdings, we are monitoring the impact a potential tax increase from 21% to as high as 28% could have on businesses. The proposal also includes an increase in the capital gains tax rate.[xvii] For many investors that would be a significant and impactful change. Our ability to construct portfolios of securities we can hold over multiple market cycles remains critical.

As the global economy reopens and we see strong GDP growth, especially in emerging markets, we expect that value will continue to perform well. We anticipate there will be demand for value parts of the market like industrials, energy, and materials. Generally, a strong economic recovery benefits banks, as interest rates rise and loan growth increases. As mentioned earlier, we expect that the markets will broaden, quality companies will be more desirable, and stock picking will come into focus. These attributes benefit Anchor's portfolios as we believe quality performs well over market cycles.

We continue to look for high quality companies that can manage through the business cycle and have the ability to grow. Our research process allows us to identify strong businesses and the COVID-19 selloff gave us the opportunity to buy these companies at a discount to intrinsic value. We now have to be patient as the market realizes the earning potential for our portfolio companies. We are excited about the holdings in our portfolios and we believe we are well positioned going forward.

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[i] FactSet financial data & analytics; Charting
[ii] Ibid.
[iii] https://www.morganstanley.com/ideas/excess-savings-fiscal-spending-boosts-economy
[iv] https://www.wsj.com/articles/companies-weigh-price-increases-other-options-as-costs-rise-11621243807
[v] https://www.cnbc.com/2021/05/12/consumer-price-index-april-2021.html
[vi] https://www.nytimes.com/2021/06/10/business/consumer-price-index-may-2021.html
[vii] https://www.chicagofed.org/research/dual-mandate/dual-mandate#:~:text=What%20is%20the%20dual%20mandate,longer%2Drun%20goals%20and%20strategies.
[viii] eVestment Analytics, see model disclosures below.
[ix] FactSet financial data and analytics; Attribution
[x] FactSet financial data & analytics; Attribution
[xi] https://www.cnbc.com/2021/03/20/the-fed-can-fight-inflation-but-it-may-come-at-a-cost.html
[xii] Ibid.
[xiii] Ibid.
[xiv] https://www.cnbc.com/2021/06/16/fed-holds-rates-steady-but-raises-inflation-expectations-sharply-and-makes-no-mention-of-taper.html
[xv] FactSet Data & Analytics, Charting
[xvi] https://www.npr.org/2021/04/01/983470782/by-the-numbers-bidens-2-trillion-infrastructure-plan
[xvii] Ibid.

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.