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.

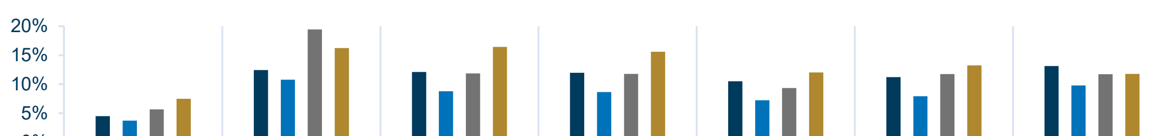
Performance Overview

The Anchor Capital Mid Cap Value Portfolio returned 4.51% (gross of fees) during the quarter, underperforming the Russell Mid Cap Value Index, which returned 5.66%.

On a relative basis, the Portfolio benefitted the most from security selection in the Technology and Consumer Discretionary sectors as well as an overweight allocation to Telecommunications. Security selection in the Industrials, Health Care, and Energy 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 MCV (Gross)	4.51%	12.45%	12.12%	11.97%	10.51%	11.24%	13.14%
Anchor MCV (Net)	3.72%	10.78%	8.80%	8.65%	7.24%	7.95%	9.79%
RMCV	5.66%	19.45%	11.86%	11.79%	9.34%	11.75%	11.74%
RMC	7.50%	16.25%	16.45%	15.62%	12.03%	13.24%	11.78%

Quarterly Attribution Highlights[ix]

Sector - Top 3 Contributors	Sector - Bottom 3 Detractors
Technology	Health Care
Financials	Consumer Staples
Industrials	Energy

Security - Top 5 Contributors	Avg. Weight %	Contribution %	Security - Bottom 5 Detractors	Avg. Weight %	Contribution %
EPAM Systems, Inc. (EPAM)	2.38%	0.60%	Fluor Corporation (FLR)	1.82%	-0.49%
Gartner, Inc.(IT)	1.96%	0.54%	Haemonetics Corporation (HAE)	0.33%	-0.45%
Cboe Global Markets Inc (CBOE)	2.07%	0.40%	BWX Technologies, Inc.(BWXT)	2.08%	-0.24%
Expeditors International of Washington (EXPD)	2.35%	0.39%	Casey's General Stores, Inc. (CASY)	1.89%	-0.18%
First Republic Bank (FRC)	3.21%	0.37%	Huntsman Corporation (HUN)	1.86%	-0.14%

Quarterly Transactions

Purchased	Sold
CarGurus Inc (CARG)	Haemonetics Corporation (HAE)
Royal Gold, Inc (RGLD)	CDK Global Inc (CDK)

Purchases

CarGurus Inc (CARG) is a global, online automotive marketplace with 30,000 paying dealers and 44 million monthly unique visitors. They are by far number one in car marketplaces, but priced at a large discount to peer sites. They should be able to continue to raise price strongly. Further, the company acquired CarOffer, an instant dealer trade platform, which they should be able to grow from their current 2,000 dealer base through CarGurus 30,000 paying dealer base. Overall we believe the business has the opportunity to grow double digits for years to come as they add features, pricing, CarOffer expansion, and more. Further, we believe were able to get it at a discount due to tough results in 2020 due to COVID.

Royal Gold, Inc (RGLD) is engaged in the acquisition and management of precious metals royalties and streams. The company is gold focused and its portfolio consists of over 40 producing, and 17 development-stage, royalties or similar interests. We believe the company offers one of the most unique business model, an asset light, highly profitable recurring revenue stream business model, with a solid balance sheet and attractive dividend growth.

Sales

Haemonetics Corporation (HAE) is a global medical device manufacturer of machines used to collect blood and plasma. The stock sold off during the COVID shut down as blood and plasma collections declined during that period while demand was significant. We believed that the launch of the new plasma machine and the supply/demand imbalance narrowed would benefit Haemonetics. One of Haemonetics largest customers decided not to renew its U.S. contract, which will have an impact on revenues in the next few years. There is uncertainty about the future growth prospects of the company.

CDK Global Inc (CDK) is a leading global provider of IT solutions to automotive retailers. The company provides a broad suite of subscription-based software and technology solutions for auto retailers, which includes its flagship Dealer Management System software solutions. The increasing pressure on care dealers and increasing competition from modern SaaS software makes us uncertain if and when the company turnaround will happen.

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.

[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.

Mid Cap Value Model Disclosures

MODEL DESCRIPTION: The Anchor managed accounts mid cap value (mcv) 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 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 mid cap 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 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 income. 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. Quarterly 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 Mid Cap Indices exclude fees. The Managed Accounts 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: The Russell Midcap Value Index measures the performance of the mid cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap Value Index is constructed to provide a comprehensive and unbiased barometer of the mid cap value market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid cap value market. The Russell Midcap Index measures the performance of the mid cap segment of the U.S. equity universe. The Russell Mid cap is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies. The Russell Midcap Index is constructed to provide a comprehensive and unbiased barometer for the mid cap segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid 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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