Market Review

The U.S. equity markets had one of the best performing years with tailwinds from massive stimulus programs, pent up consumer spending, and strong corporate earnings recovery.[i] Parts of the equity markets rallied in the fourth quarter led primarily by large cap growth up 10.5%[ii] while small cap stocks represented by the Russell 2000 lagged at 0.6%.[iii] The rally in October and November was due in large part to news of Merck's and Pfizer's antiviral COVID drugs and strong earnings reports, which led to new records and high valuations.[iv] The day after Thanksgiving a new COVID variant, Omicron, crashed the market for the day.[v] Subsequently the market gyrated back and forth depending on the news of the day.

The market appears to be oscillating between growth and value. Large cap indices have become more concentrated and the growth/value spread has been relatively narrow.[vi] Where as in the small and mid-cap space, the divergence in 2021 ebbed towards value rather than growth and the performance differential was quite wide.[vii] Small cap and mid cap value minus growth had a 25% and 16% performance difference, respectively in 2021. This is evidenced by the best performing sectors being cyclicals like energy and financials, and growth sectors like technology.[viii] The defensive sectors like consumer staples and utilities were the dawdlers.[ix] The other noticeable trend in the markets is the increase in single stock volatility as result of high options trading that occurred in 2021.[x]

While it appears that variations of COVID will continue to exist, we are seeing little appetite for shutdowns. We believe the focus is on the new antiviral medications with hopes of decreasing hospitalizations and deaths. Furthermore, the fiscal and monetary stimulus that helped the economy get through this challenging period is now having to be pulled back. The $9.6 trillion of monetary[xi] and fiscal support[xii] has had many consequences, which we are monitoring carefully via the companies we invest in. First, there is news of the "Great Resignation", in which many people retired or delayed coming back to the labor force because they did not want to commute or deal with unfavorable work conditions.[xiii] This circumstance exists for many because of stimulus payments or deferrals in student loans and mortgage payments. As a result, the labor market is tight, which has caused many companies to constrict their operations and pay higher wages to attract workers.[xiv]

Second, with people unable to travel or entertain, they were stuck at home with stimulus money, which has led to a significant pull forward in capital goods purchases. Companies were caught off guard, which led to supply chain complications. Third, underinvestment in the energy sector coupled with recovering demand has led to higher oil prices this year. Collectively, this has led to the highest annual inflation we have seen since the 1980's with the latest reading in November 2021 at 6.8%. We believe that the supply chain issues will be strategically addressed and the massive demand will gradually decrease. Therefore, we do not anticipate a significant incremental step up in inflation over the next year as we saw in 2021. However, we continue to watch inflation as wage and rent increases tend to be more permanent.

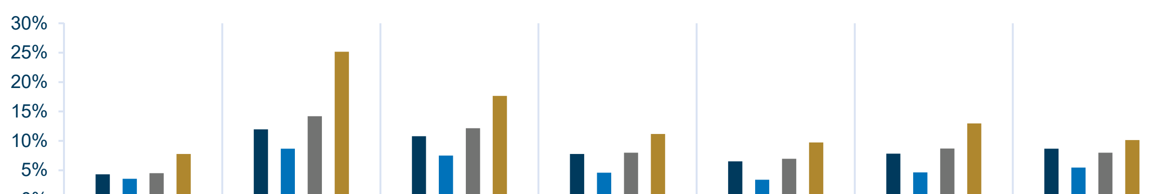
Performance Overview

The Anchor Capital Balanced Value Portfolio returned 4.31% (gross of fees) during the quarter, underperforming the 60/30/10 Index, which returned 4.51%.

On a relative basis, the equity portion of the Portfolio benefitted the most from security selection in the Technology, Consumer Staples, and Consumer Discretionary sectors. Security selection in the Health Care, Real Estate, and Industrial sectors were the greatest detractors from performance.[xv]

Managed Accounts Model Performance[xix]

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 Bal (Gross)	4.31%	11.97%	10.78%	7.76%	6.52%	7.83%	8.67%
Anchor Bal (Net)	3.55%	8.67%	7.50%	4.57%	3.37%	4.64%	5.45%
60/30/10 (R1000V/BCIGC/CG90TBIII)	4.51%	14.19%	12.14%	7.97%	6.94%	8.69%	7.97%
R1000V	7.77%	25.16%	17.64%	11.16%	9.73%	12.97%	10.12%

Quarterly Attribution Highlights – Equity Portion of Portfolio[xvii]

Sector - Top 3 Contributors	Sector - Bottom 3 Detractors
Technology	Telecommunications
Consumer Staples	Real Estate
Consumer Discretionary	Health Care

Security - Top 5 Contributors	Avg. Weight %	Contribution %	Security - Bottom 5 Detractors	Avg. Weight %	Contribution %
A. O. Smith Corporation (AOS)	1.98%	0.67%	PayPal Holdings, Inc. (PPYL)	1.24%	-0.41%
Lowe's Companies, Inc. (LOW)	2.35%	0.57%	ViacomCBS Inc. Class B (VIAC)	0.95%	-0.32%
Apple Inc. (AAPL)	1.89%	0.45%	Medtronic Plc (MDT)	1.63%	-0.30%
Estee Lauder Companies Inc. Class A (EL0	1.94%	0.42%	Citigroup Inc. (C)	1.49%	-0.21%
Microsoft Corporation (MSFT)	2.02%	0.36%	Comcast Corporation Class A (CMCSA)	1.71%	-0.18%

Quarterly Transactions

Purchased	Sold
McKesson Corporation (MCK)	ViacomCBS Inc. (VIAC)
Meta Platforms Inc (FB)	Hexcel Corporation (HXL)
PNC Financial Services Group Inc (PNC)	Host Hotels & Resorts, Inc. (HST)
	NuVasive, Inc. (NUVA)

Purchases

McKesson Corporation (MCK) is the largest drug distributor in the U.S., which acts as a middleman between the pharmaceutical companies and the end user. McKesson was impacted by COVID and the utilization of drugs, the on-going opioid litigation, and the unprofitable European distribution business. To handle this, McKesson came to an agreement on the opioid litigation, has agreed to sell its European distribution business, is focusing on higher growing and higher margin specialty drug distribution, and has seen more normalization in drug utilization. The company is trading at 10x next twelve-month price to earnings and a 10% free cash flow yield.

Meta Platforms Inc (FB) captures a series of businesses that includes Facebook, Instagram, WhatsApp, and Reality Labs. Meta makes money primarily through advertising on Facebook and Instagram. It benefits from the massive shift of advertising dollars to the digital space. Additionally, due to the low cost of advertising on these platforms and the high ROI, it is the go-to place for small and medium sized businesses. Profitability is extremely high and we continue to expect high revenue and earnings growth from the core advertising business. Meta also has tremendous opportunities for growth in its online storefront business as well as through unlocking monetization of WhatsApp and Oculus. We believe that the metaverse provides significant long-term optionality for the company and they are at the leading edge. Meta Platforms also trades at an attractive valuation.

PNC Financial Services Group Inc (PNC) is the sixth largest bank in the United States by assets and is well diversified between its commercial and consumer business lines as well as its large fee income business. It is a high quality bank with a long history of strong risk management and asset quality. PNC's legacy retail network of over 2,200 branches is primarily located across the Mid-Atlantic, Midwest, and Southeast but with its recent acquisition of BBVA US, it now has an additional 630 branches along the faster growing Sun Belt states. PNC is expected to realize $900 million in cost savings from the acquisition in 2022 and longer-term; we believe there are significant revenue synergy opportunities, particularly through cross-selling its fee income products into BBVA's markets. PNC should also experience strong loan growth in 2022 as its commercial customers begin building inventories again as global supply chain issues get resolved. Finally, PNC will benefit in a rising interest rate environment and has enormous excess capital to deploy in the coming years. The company has committed to investing a higher percentage of its interest-earning assets into higher yielding securities and we believe they can buy back 4%-5% of shares and increase the dividend at a double-digit rate over each of the next few years. As such, we believe there is more upside to the stock to come despite a strong 2021.

Sales

ViacomCBS Inc. (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 it would be an attractive takeover candidate, however we now understand that the Redstones have no desire to sell the company and want the streaming business to work.

Hexcel Corporation (HXL) is a carbon fiber manufacturer primarily for the aerospace industry but also used for other industrial production. Hexcel's largest customer is Airbus and the largest proportion of revenues comes from wide body planes used for international travel. It appears that international travel recovering back to 2019 levels will be delayed for several years due to COVID variants, which impacts aerospace manufacturing. Furthermore, the stock has recovered to full levels.

Host Hotels & Resorts, Inc. (HST) owns Marriott and Hyatt hotel properties in the U.S. We bought the stock during the COVID lock down. Host had the lowest debt levels of any REIT and we believed could survived a longer period of shut down and would recover as the economy reopened. The stock has performed well and we decided to sell it to make room for other holdings.

NuVasive, Inc. (NUVA) is a medical device manufacturer of robots for spinal surgery. The company has seen delays in releasing its new robot and had elective surgeries postponed which impacted sales. We decided to reduce our medical device exposure.

Outlook

The Federal Reserve has now realized that inflation may not be "transitory" but more persistent than originally anticipated, and they are seeking to speed up reducing the $120 billion per month quantitative easing (QE) program and start raising interest rates in 2022.[xviii] The expectation is to have the QE program close out by March 2022 and start raising rates potentially in March 2022.[xix] The markets have been reacting to the Fed's more hawkish stance. However, the Fed does not want to risk high inflation pushing the economy into a recession, nor does it want to raise interest rates too quickly forcing a delicate balance. The 10-year Treasury Bond yield was in a holding pattern around 1.5% through the fourth quarter, but in the new year has rallied north of 1.7% quickly.[xx]

With that backdrop, we are anticipating higher inflationary pressures and higher interest rates at least for the next several quarters. With inflation on the horizon, we think there are several ways to protect the portfolios. Investing in equities can act as an inflation hedge, but more specifically the areas that benefit tend to be energy and REITs. With higher interest rates, the primary beneficiaries are banks, brokerages, insurance companies, and money managers. Industrial and consumer discretionary companies can also benefit, as higher interest rates tend to signal an improving economy.

At Anchor, we pride ourselves in finding high quality companies at reasonable valuations that can be owned for many years. This past year we invested in names that were primarily between deep cyclicals and high growth companies. The market environment unfortunately did not reward quality relative to other factors. In the depths of the 2020 COVID sell off, we bought several new stocks in recovery areas of the market like aerospace and travel & leisure, which initially rebounded, but have since plateaued with the resurgence of COVID variants. We believe these companies are strongly positioned moving into 2022 and still have a long runway for growth despite their 2021 underperformance. The fact that this group of long-term companies did not perform well in 2021 gives us comfort that the market can rotate to where there is value and extend the market rally. There are segments of the market that were down significantly in 2021 such as medical devices, electronic payment companies and anything travel related, which presents opportunity for rebound and excites us as we look ahead.

We have experienced other periods like this, most recently during the Great Financial Crisis in 2008-2009 where after a recession Anchor's portfolios initially underperformed in the strong cyclical rebound, but benefited when the markets broadened and quality was rewarded. We continue to remain focused on what we do best and look for what we consider to be high quality companies that have tailwinds, a sustainable moat, and which can be acquired early in their life cycle at what we consider to be attractive valuations.

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[i] https://markets.businessinsider.com/news/stocks/stock-market-rally-beat-wall-street-banks-forecasts-coronavirus-recovery-2021-12
[ii] FactSet Financial Data & Analytics, Charting
[iii] Ibid.
[iv] https://www.marketwatch.com/story/history-says-december-could-be-choppy-after-historic-monthly-stock-market-gain-11606763276
[v] https://www.cbs58.com/news/global-markets-brace-for-a-nervous-week-over-omicron-concerns
[vi] FactSet Financial Data & Analytics, Charting
[vii] Ibid.
[viii] Ibid.
[ix] Ibid.
[x] https://www.wsj.com/articles/u-s-stocks-end-a-wild-year-with-big-gains-11640860206
[xi] https://www.businessinsider.com/stimulus-package-pandemic-surpass-great-recession-fiscal-plans-recovery-2021-3
[xii] https://www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm
[xiii] https://www.businessinsider.com/whats-a-labor-shortage-strike-shortages-great-resignation-defined-2021-11
[xiv] Ibid.
[xv] FactSet financial data & analytics; attribution
[xvi] eVestment Analytics, see model disclosures below.
[xvii] FactSet financial data & analytics; attribution
[xviii] https://www.cnbc.com/2021/12/15/fed-will-aggressively-dial-back-its-monthly-bond-buying-sees-three-rate-hikes-next-year.html
[xix] Ibid.
[xx] FactSet Financial Data & Analytics, Charting

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.

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