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

In our opinion, we are, and will continue to be, in a new investment regime with higher levels of inflation and higher interest rates for the foreseeable future, signaling a rotation from growth to value in the market similar to what we saw in the early 2000's. For the last several years we saw massive amounts of money flowing into venture capital,[i] biotechnology,[ii] and cryptocurrencies,[iii] all of which are in the process of unwinding. In response, investors are moving money into more traditional value sectors, such as energy and natural resources. While the transition period from growth to value in the early 2000's was volatile, value outperformed expectations for the next several years.[iv]

U.S. Equity Markets

Every sector of the U.S. equity market sold off during the second quarter with the S&P 500 and Nasdaq indices firmly in bear market territory (defined as a greater than 20% drawdown) for the year.[v] The value indices are also down but have fared better than the core and growth indices.[vi] The primary reason, in our opinion, is the rotation from growth to value, with the expectation of benefiting from value's defensive characteristics through a rising rate environment. Coming into this year, growth areas of the market were overvalued relative to history and have benefited from the low interest rate environment over the last decade.[vii] As interest rates increased significantly this year to combat high inflation, we have seen large stock price decreases and valuation re-ratings in the technology, consumer discretionary, and communication services sectors.[viii] Meanwhile energy, consumer staples, healthcare, and utilities sectors have been less negative and behaved defensively in the market sell off.[ix]

Even with the markets being down there are some major undercurrents across sectors. The Covid-19 pandemic and associated government policies distorted consumer spending. Consumers had extra money either from savings or stimulus and used those dollars to buy goods.[x] Retailers responded by ordering more goods, which were delayed by supply chain issues and finally arrived this year.[xi] This led to a surplus of goods and increase in discounted items, increasing losses for this sector. We are now seeing a normalization back to pre-pandemic levels on the goods side and a shift in consumer spending.[xii] Furthermore, the cost of essentials like food, rent, and oil have gone up considerably, which impacts the consumer and their spending.[xiii] The shift happened so fast that it caught many companies by surprise and has made it difficult to forecast spending patterns and costs.[xiv] We expect the second quarter earnings season to be challenging given the rapid economic shifts. Currently, the expectations are for the S&P 500 earnings growth to be up 6% for 2022,[xv] but that prediction may be revised downward as the year progresses.

Inflation

The inflation picture has not eased as evidenced by the 8.6% annualized CPI growth in May.[xvi] This has been a year of sustained high inflation numbers due to various factors, including higher oil, food, and rent prices, as well as increases in wages and supply chain issues.[xvii] While some of the supply chain issues are getting better, we expect inflation to peak in the second half of 2022 and that it will remain elevated for some time.

Between government regulations and underinvestment in energy and natural resources, prices are likely to remain elevated. The forecast for inflation over the next three years is in the 3.5% to 4% range,[xviii] which is much higher than we have seen in the last 20 years. The Federal Reserve is trying to tame inflation by raising interest rates. However, high inflation on its own can be enough to reduce demand and slow growth, which is what we are seeing now. The question remains whether the combination of high inflation and increased interest rates will push the economy into a recession.

Federal Reserve and Interest Rates

Since the beginning of the year, the bond market has been proactively increasing the interest rates on government bonds. In the second quarter, the yield on the 10-year Treasury bond moved from 2.3% to 3.1%,[xix] which is a significant move in a short period of time. The front end of the yield curve steepened, while the back end flattened,[xx] resulting in a slight inversion of the curve.[xxi] We believe the bond market changes indicate that the Federal Reserve was late to act. Even Chairman Powell has acknowledged the need to be more aggressive in raising interest rates. The Fed started raising rates in March with more increases in May and June bringing the Fed fund rates to a 1.5%-1.75% range.[xxii] The market expects the Fed to raise rates at least three more times in 2022 to bring the Fed funds rate closer to the current yields on the 10-year Treasury bond.[xxiii]

Oil

The energy markets have continued to rally with tight supplies and continued pressure from the Russia/Ukraine war. The price of oil has gone from $100/barrel at the beginning of the quarter up to over $120/barrel and back down now to $103/barrel.[xxiv] We expect that energy prices will remain somewhat elevated but are now seeing some demand destruction from the high oil prices. We are just starting to see consumers adjust their driving plans to reflect the higher oil prices.[xxv]

U.S. Economy

Despite the inflation picture and broader macro concerns, the U.S. economy has been fairly resilient. Employment has been strong with unemployment levels continuing to stay at 3.6%.[xxvi] Manufacturing numbers as seen with the Purchasing Managers Index (PMI) has stayed above 50, in expansion territory.[xxvii] Many consumers continue to have a high level of savings relative to historic data.[xxviii] However, we are starting to see cracks in the economy. First quarter GDP growth decreased 1.5%.[xxix] Additionally, 30-year mortgage rates have reached over 6% and high housing prices have caused the housing market and mortgage applications to cool.[xxx] Retail sales for May declined by 0.3%.[xxxi] Finally, the University of Michigan Consumer Sentiment has reached extremely low levels.[xxxii]

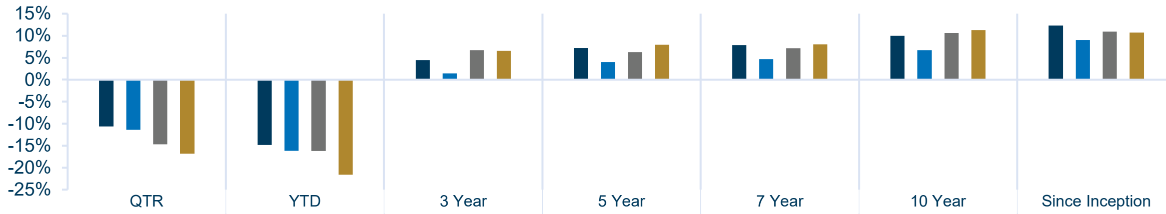
Performance Overview

The Anchor Mid Cap Value Portfolio returned -10.67% (gross of fees) and -11.34% (net) during the quarter, outperforming the Russell Mid Cap Value Index, which returned -14.68%.

On a relative basis, the Portfolio benefited the most from security selection in the Consumer Discretionary, Financial, and Industrial sectors. An underweight allocation to the Energy sector, as well as security selection in the Real Estate and Technology sectors, were the greatest detractors from relative performance.[xxxiii]

Managed Accounts Model Performance[xxxiv]

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)	-10.67%	-14.86%	4.47%	7.21%	7.87%	9.95%	12.33%
Anchor MCV (Net)	-11.34%	-16.13%	1.38%	4.04%	4.68%	6.69%	9.00%
RMCV	-14.68%	-16.23%	6.70%	6.27%	7.15%	10.62%	10.95%
RMC	-16.85%	-21.57%	6.59%	7.96%	8.04%	11.29%	10.68%

Quarterly Attribution Highlights[xxxv]

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

Security - Top 5 Contributors	Avg. Weight %	Contribution %	Security - Bottom 5 Detractors	Avg. Weight %	Contribution %
Dollar General Corporation (DG)	1.99%	0.18%	CarGurus, Inc. Class A (CARG)	2.49%	-1.62%
Dorman Products, Inc. (DORM)	1.14%	0.17%	Hudson Pacific Properties, Inc. (HPP)	2.12%	-1.20%
McKesson Corporation (MCK)	2.33%	0.15%	Expedia Group, Inc. (EXPE)	1.25%	-0.84%
Waters Corporation (WAT)	1.92%	0.11%	GXO Logistics Inc (GXO)	1.26%	-0.59%
Booz Allen Hamilton Holding Corp. (BAH)	2.04%	0.09%	Fluor Corporation (FLR)	3.08%	-0.50%

Quarterly Transactions

Purchased	Sold
--	Helen of Troy Limited (HELE)

Sales

Helen of Troy Limited (HELE) is a manufacturer and distributor of personal care and household products. HELE benefitted from personal care and health product sales during COVID. Its organic growth is now slowing as COVID benefits disappear. We also believe that it is facing increasing competition in some product lines.

Anchor's Positioning

At the beginning of the year Anchor actively reduced or sold out of stocks that had reached full valuations, rotated into stocks with lower valuations, and increased our cash levels. In addition, we added to our energy and materials positions given the potential opportunity for positive estimate revisions and higher dividends. We believe that years of underinvestment and tight supplies will provide tailwinds for many years. During the second quarter these changes helped protect Anchor's portfolios as the markets sold off.[xxxvi] We remain defensive given that we could see more market volatility as the Fed continues to raise interest rates. However, given the level of the sell-off we have opportunistically added new stocks. While this transitional period is challenging, we believe we are well positioned to take advantage of a multi-year value rally.

[i] https://www.jdsupra.com/legalnews/venture-capital-set-records-in-2021-1011895/
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[iii] https://www.cnbc.com/2022/02/02/crypto-start-ups-raised-huge-venture-funding-rounds-in-january.html
[iv] FactSet Financial Data & Analytics
[v] FactSet Financial Data & Analytics, Charting
[vi] Ibid.
[vii] Ibid.
[viii] Ibid.
[ix] Ibid.
[x] https://www.clevelandfed.org/en/newsroom-and-events/publications/economic-commentary/2021-economic-commentaries/ec-202116-durable-goods-spending-during-covid19-pandemic.aspx
[xi] https://www.wsj.com/articles/from-walmart-to-gap-which-retailers-have-the-most-excess-inventory-11654776000
[xii] Ibid.
[xiii] https://www.cnbc.com/2022/04/08/as-inflation-bites-higher-income-consumers-are-cutting-back-too.html
[xiv] Ibid.
[xv] FactSet Financial Data & Analytics, Charting
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[xvii] Ibid.
[xviii] https://www.wsj.com/articles/ny-fed-longer-term-inflation-expectations-rose-in-april-11652108401
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[xxiv] FactSet Financial Data & Analytics, Charting as of 6/30/2022
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[xxx] https://www.washingtonpost.com/business/2022/06/22/housing-market-slowdown-takes-hold-mortgage-rates-dig-prices/
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[xxxii] https://www.businessinsider.com/economic-outlook-consumer-sentiment-lowest-level-ever-2022-6
[xxxiii] FactSet financial data & analytics; attribution
[xxxiv] eVestment Analytics, see model disclosures below.
[xxxv] FactSet financial data & analytics; Attribution
[xxxvi] FactSet Financial Data & Analytics

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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