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

The equity and fixed income markets continue to be volatile with the back drop of high inflation[i] and high interest rates.[ii] The markets are anticipating that the Federal Reserve will make a misstep and potentially cause a recession,[iii] a result of the Fed's commitment to aggressively bringing down the stubbornly high inflation through increasing interest rates and quantitative tightening.[iv] Questions still remain, can companies and consumers weather this current market landscape as many entered into it, with excess cash on their balance sheets?[v] What would be the potential timing and magnitude of a recession? Through volatile markets such as these, Anchor remains focused on downside protection and defensive positioning.

U.S. Equity Markets

All U.S. equity markets ended negative for the quarter with growth indices down more than value.[vi] The S&P 500 and Nasdaq are firmly in bear market territory as defined by a 20% decline in the markets.[vii] Large cap stocks outperformed mid and small cap stocks.[viii] The markets had a short bear market rally at the beginning of the quarter with the hardest hit stocks and sectors rebounding the most.[ix] In mid-August investors started to get concerned about continued high inflation numbers and how quickly the Federal Reserve would raise rates to combat the inflation, which resulted in a sell-off in the markets in the second half of the quarter.[x] Value sectors continue to perform well with energy and utilities as the only positive performing sectors for the year.[xi] We are also seeing other defensive parts of the market like consumer staples and health care performing well.[xii] Growth parts of the markets like technology and consumer discretionary continue to trade down.[xiii]

Second quarter earnings were generally positive for most companies.[xiv] However, as the quarter progressed, we saw several companies preannounce revised down financials.[xv] Many of these companies are cyclicals and are generally seeing lower volumes and higher inflation-related costs impacting their businesses. On the flip side travel and entertainment remain strong. The airlines are reporting a rebound in business travelers and strong bookings for holidays.[xvi] Concert and ticket promoters are reporting strong ticket sales for concerts and other entertainment.[xvii] Nonetheless, we expect to see more earnings warnings as the year progresses. There hasn't been a recession without a decline in S&P 500 earnings.[xviii]

Inflation

Inflation, as measured by the consumer price index (CPI), peaked on a year-over-year change at 9.1% in June.[xix] It declined to 8.5% annualized in July and 8.3% annualized in August.[xx] The rate of change is continuing to come down and analysts are predicting that it will decrease to 7.5% annualized by year-end.[xxi]

Energy and commodity prices have declined, but food, rent and utilities remain elevated.[xxii] Many companies are facing higher inflation-related costs, which are now starting to destroy demand (volumes). Many of these companies are saying that they can only raise prices so much before the customer balks, which appears to be happening now. We believe structural reasons, such as geopolitical events and onshoring of manufacturing and supply chains, are contributing to inflation remaining higher than we have seen in the past.

Federal Reserve and Interest Rates

The Fed raised interest rates five times in 2022 with the most recent 0.75% increase at the September Fed meeting.[xxiii] The Fed Funds interest rate range is 3.0% to 3.25%.[xxiv] Chairman Powell has stated that he will continue to raise interest rates until inflation comes down.[xxv] The Fed dot plot, which forecasts where interest rates are going, is predicting 4.60% on the 10-year Treasury bond.[xxvi] As of quarter end it was 3.8%, up from 2.98% at the beginning of June.[xxvii]

Many investors believed that the Fed would be forced to stop raising interest rates at the risk of putting the economy in a recession. We believe Powell wants his legacy to be his fight to control inflation. Concurrently, the Fed has been quantitatively tightening, selling $95 billion of Treasury bonds per month to pay down the Fed's balance sheet, which peaked at close to $9 Trillion.[xxviii] The effect is reducing the money supply and increasing interest rates, with the hopes of reducing inflation. As a result, the 30-year mortgage rate is at 6.55%[xxix] and the U.S. dollar has strengthened to levels we have not seen since 2002.[xxx]

In fact, the strength of the U.S. dollar is problematic for U.S. corporations that operate abroad and need to convert profits back into U.S. dollars. It also makes exports less competitive. Japan for the first time since 1984 had to sell U.S. dollars to buy Yen to shore up the currency since the Yen had weakened so significantly versus the U.S. dollar.[xxxi] We believe that a weakening economy, pressures of the currency, and stress in the credit markets could force Powell to pause interest rates in 2023.

Oil

Oil prices have been falling steadily since June with the price per barrel going from $104 to $84 at quarter end.[xxxii] The U.S. government has been releasing oil from the strategic petroleum reserves to help consumers.[xxxiii] In addition, China, which is a major consumer of oil, has a decreased demand due to their Covid shutdowns and slowing economy.[xxxiv] On the other hand, natural gas prices have skyrocketed due to Russia shutting off the gas pipeline to Europe.[xxxv] Europe has been reliant on Russia for its energy needs and is now forced to source gas from the U.S. and elsewhere.[xxxvi] In our opinion, we are seeing a shortage of oil given the underinvestment in the space and we believe that it will take time and capital to shift to renewable energy sources, which will force higher prices.

U.S. Economy

The U.S. economy continues to hold up well as most economic measures remain in positive territory despite slowing down. The most notable sector of the market to see a slowdown is in housing, with the higher mortgage rates and higher prices.[xxxvii] Retail sales, outside of food and energy, were most recently negative.[xxxviii] In the positive camp, credit card sales are back to pre-pandemic levels as consumers have resumed spending on services, travel, and entertainment[xxxix]. Furthermore, many consumers still have excess savings from the Covid time period, employment levels remain strong[xl] and manufacturing indices, while slow are still in expansion mode.[xli]

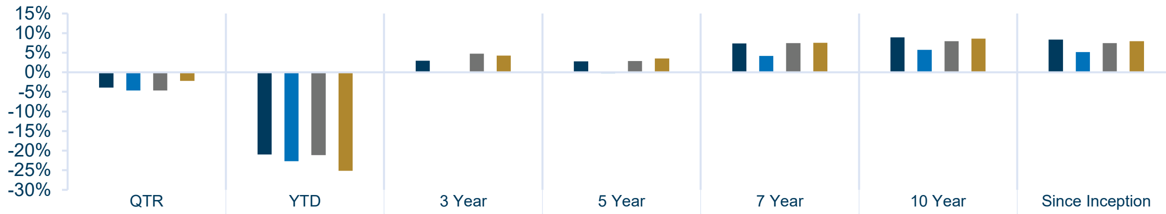
Performance Overview

The Anchor Small Cap Value Portfolio returned -3.89% (gross of fees) and -4.61% (net) during the quarter, outperforming the Russell 2000 Value Index, which returned -4.61%.

On a relative basis, the Portfolio benefitted the most from security selection in the Health Care and Industrial sectors, as well as an underweight allocation to the Real Estate sector. Security selection in the Basic Materials, Consumer Staples, and Financial sectors, were the greatest detractors from relative performance.[xliii]

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 SCV (Gross)	-3.89%	-20.96%	2.92%	2.77%	7.36%	8.95%	8.34%
Anchor SCV (Net)	-4.61%	-22.72%	-0.12%	-0.27%	4.18%	5.73%	5.14%
R2000V	-4.61%	-21.12%	4.72%	2.87%	7.42%	7.94%	7.42%
R2000	-2.19%	-25.10%	4.29%	3.55%	7.51%	8.55%	7.95%

Quarterly Attribution Highlights[xliv]

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

Security - Top 5 Contributors	Avg. Weight %	Contribution %	Security - Bottom 5 Detractors	Avg. Weight %	Contribution %
Harrow Health, Inc. (HROW)	2.17%	1.29%	Spectrum Brands Holdings, Inc. (SPB)	1.47%	-0.94%
Transcat, Inc. (TRNS)	2.24%	0.64%	Perficient, Inc. (PRFT)	1.76%	-0.48%
ICF International, Inc. (ICFI)	2.56%	0.32%	Unitil Corporation (UTL)	2.19%	-0.46%
AAR CORP. (AIR)	1.04%	0.23%	GrafTech International Ltd. (EAF)	1.17%	-0.45%
International Money Express, Inc. (IMXI)	2.35%	0.22%	Citi Trends, Inc. (CTRN)	1.36%	-0.45%

Quarterly Transactions

Purchased	Sold
Community Healthcare Trust Inc (CHCT)	Barnes Group Inc. (B)
	AAR Corp (AAR)
	GrafTech International Ltd (EAF)

Purchases

Community Healthcare Trust Inc (CHCT) is a healthcare REIT with a portfolio of 158 properties across 34 states totaling $761m in assets. The portfolio is well diversified across tenant, geography, and healthcare facility type and industry segment. It focuses on markets outside of urban areas where there is less competition and where management feels there is greater opportunity for strong risk-adjusted returns. The healthcare market and specifically demand for outpatient facilities is growing. CHCT has a strong track record of consistent growth and a long runway to continue to both develop and acquire high quality assets at attractive yields in the 9-11% range.

The balance sheet is conservatively managed and company pays an attractive dividend. We also like that the management team is highly seasoned and takes all compensation in the form of restricted stock with 8-year cliff vesting. The stock has pulled back significantly YTD and we have used this time to accumulate shares in the company at an what we believe to be an attractive valuation. Healthcare REITs also tend to be more defensive and less susceptible to economic downturns given the necessity of the industry and long-term nature of the leases.

Sales

Barnes Group Inc. (B) is a global provider of highly engineered products, differentiated industrial technologies, and innovative solutions, serving a wide range of end markets and customers. Its specialized products and services are used in far-reaching applications including healthcare, automation, packaging, aerospace, mobility, and manufacturing. The company's aerospace business has recovered well coming out of COVID but its industrial business has struggled mostly due to self-inflicted operational issues. In July, the company announced a goodwill impairment and a restructuring of the industrial segment. Given a new management team and no immediate timeline for fixing the industrial business, we felt it was wise to step to the sidelines and sold our shares.

AAR Corp (AAR) is a diversified provider of products and services to the worldwide aviation and government and defense markets. Over the summer, we believe the market began to fully price in a recovery in the commercial aviation sector and an improvement in margins and decided to sell our shares.

GrafTech International Ltd (EAF) is one of the largest producers of graphite electrodes which are used in steel production. We exited due to a weakening of our thesis and a weakening economic environment. While we continue to believe EAF is a high-quality cyclical that has vertical integration and scale advantages over competitors, general economic weakness has kept graphite electrode prices muted and therefore, EAF's cash flow and earnings are weaker than we expected. Additionally, the Mexican government forced EAF to shut down one of its production facilities due to emissions and pollution. We estimate that facility was 25-30% of the company's production. Any restart of that facility is unclear. Most of EAF's production is in higher cost regions, particularly Europe, which we expect to hurt EAF's margins.

Anchor's Positioning

Since the beginning of the year Anchor has been defensively positioned across all strategies.[xlv] We reduced our exposure to higher growth and fully valued companies and sectors that are more likely to be impacted by higher interest rates and rotated into less expensive, more defensive companies and sectors. Certain health care, defense, insurance, utilities, and core consumer companies behaved defensively and performed better during the market sell-off and were positive contributors. We have also brought up cash levels across all strategies, which contributed to performance. We focused our efforts on downside protection and that has played out during the quarter, as we waited to see how inflation and interest rates played out. We believe that much of the excess over the last few years needs to be purged. On the fixed income side, we remain shorter duration, higher cash and defensively positioned to weather through the rates increases. We are being patient, and the investment team is working hard to uncover value-oriented opportunities that we can put to work once we see a bottoming process in the markets.

[i] https://www.cnbc.com/2022/09/13/inflation-rose-0point1percent-in-august-even-with-sharp-drop-in-gas-prices.html
[ii] FactSet Data & Analytics, Charting
[iii] https://www.bloomberg.com/features/2022-federal-reserve-recession-inflation-response/?leadSource=uverify%20wall
[iv] https://www.cnbc.com/2022/09/21/fed-rate-hike-september-2022-.html
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[vii] Ibid
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[xxii] Ibid
[xxiii] https://www.cnbc.com/2022/09/21/fed-rate-hike-september-2022-.html
[xxiv] Ibid
[xxv] Ibid
[xxvi] Ibid
[xxvii] FactSet Data & Analytics, Charting
[xxviii] https://www.cnbc.com/2022/09/21/fed-rate-hike-september-2022-.html
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[xlii] FactSet financial data & analytics; attribution
[xliii] eVestment Analytics, see model disclosures below
[xliv] FactSet financial data & analytics; Attribution
[xlv] FactSet financial data and analytics

Small Cap Value Model Disclosures

MODEL DESCRIPTION: The Anchor Managed Accounts Small Cap Value (SCV) 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 Small Cap sponsor program portfolios in aggregate. The investment objective for the model is to achieve a high rate of return through the purchase of small cap value 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 Small 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 2000 Value Index excludes fees. The Managed Accounts Small 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: 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 2000 Value Index measures the performance of small cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer for the small cap value segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small cap opportunity set and that the represented companies continue to reflect value characteristics. The Russell 2000 Index measures the performance of the small cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Index is constructed to provide a comprehensive and unbiased small cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small 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. For Financial Professional Use Only. Not For Use with the Public.

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