*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

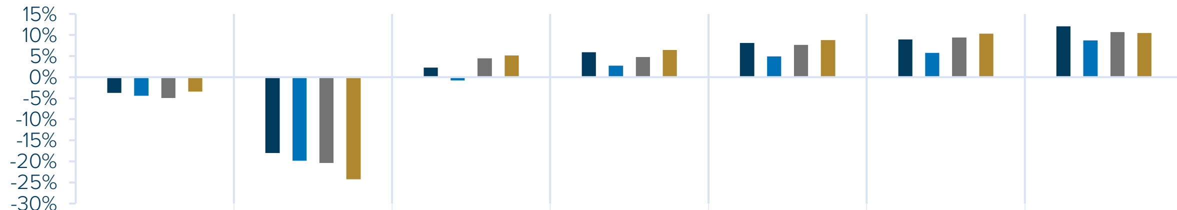
The U.S. economy continues to hold up well as most economic measures remain in positive territory despite slowing down. The most notable sector of the market to see a slowdown is in housing, with the higher mortgage rates and higher prices.[xxxvii] Retail sales, outside of food and energy, were most 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 Mid Cap Value Portfolio returned -3.72% (gross of fees) and -4.44% (net) during the quarter, outperforming the Russell Mid Cap Value Index, which returned -4.93%.

On a relative basis, the Portfolio benefited the most from security selection in the Consumer Staples sector as well as an overweight allocation to Industrials and an underweight allocation to Real Estate. Security selection in Energy, Real Estate and Utilities were the greatest detractors from relative performance.[xlii]

### Managed Accounts Model Performance[xxxiv]




| | QTR | YTD | 3 Year | 5 Year | 7 Year | 10 Year | Since Inception |
|---|---|---|---|---|---|---|---|
| Anchor MCV (Gross) | -3.72% | -18.01% | 2.29% | 5.88% | 8.13% | 8.95% | 12.08% |
| Anchor MCV (Net) | -4.44% | -19.84% | -0.74% | 2.74% | 4.93% | 5.73% | 8.76% |
| RMCV | -4.93% | -20.36% | 4.50% | 4.76% | 7.67% | 9.44% | 10.67% |
| RMC | -3.44% | -24.27% | 5.19% | 6.48% | 8.79% | 10.30% | 10.47% |

*Models are hypothetical. Past performance is not indicative of future results. Inherent in any investment is the possibility of loss.*

### Quarterly Attribution Highlights[xliv]

| Sector - Top 3 Contributors | Sector - Bottom 3 Detractors |
|---|---|
| Consumer Staples | Real Estate |
| Health Care | Utilities |
| Energy | Technology |

| Security - Top 5 Contributors | Avg. Weight % | Contribution % | Security - Bottom 5 Detractors | Avg. Weight % | Contribution % |
|---|---|---|---|---|---|
| Hubbell Incorporated (HUBB) | 1.87% | 0.38% | Liberty Broadband Corp. (LBRDK) | 1.61% | -0.59% |
| M&T Bank Corporation (MTB) | 2.66% | 0.23% | CarGurus, Inc. Class A (CARG) | 1.71% | -0.53% |
| EPAM Systems, Inc. (EPAM) | 1.22% | 0.21% | Vontier Corp (VNT) | 1.48% | -0.39% |
| Ubiquiti Inc. (UI) | 1.31% | 0.19% | Waters Corporation (WAT) | 1.96% | -0.34% |
| Gartner, Inc. (IT) | 1.57% | 0.17% | Sun Communities, Inc. (SUI) | 2.30% | -0.33% |

### Quarterly Transactions

| Purchased | Sold |
|---|---|
| LKQ Corporation (LKQ) | GXO Logistics Inc (GXO) |
| Trane Technologies PLC (TT) | Zimmer Biomet Holdings Inc (ZBH) |
| Alexandria Real Estate Equities Inc (ARE) | Burlington Stores Inc (BURL) |

### Purchases

LKQ Corporation (LKQ) is a leading distributor of collision repair parts in North America and mechanical repair parts in Europe. LKQ distributes aftermarket products, recycle products, and remanufactured products to collision and mechanical repair shops. The company has grown from a $330 million revenue recycled products company in 2003 to a $13.5 billion revenue aftermarket distribution business. It is 30x in size to its nearest peer in the US and 10x its nearest peer in Europe. The company has a large moat thanks to its distribution network, fast fill times, fill rates and technology and has an outlook of 2% to 3% growth on top of inflation. LKQ is undervalued relative to specialty distribution peers and its long-term valuation. It is a market leader, has an above market ROA, strong FCF generation and should grow for years to come.

Trane Technologies PLC (TT) is a global provider of climate solutions to buildings, homes, and transportation. It is a pure play provider of commercial heating and colling systems. Trane has had higher growth that competitors and has been growing market share. They are dominant in the service space as they sell the service while selling the initial systems. We continue to see growth in this market globally and with changes in regulation many people are looking to replace their heating and colling systems to more efficient models. The stock pulled back with concerns over housing, but we found it as an attractive entry point.

Alexandria Real Estate Equities Inc (ARE) is a U.S. real estate investment trust (REIT) that owns and operates life science and technology properties. Alexandria's strategy has been to build clusters of properties in innovation centers like Boston and San Francisco. They tend to focus on high quality tenants such as larger, well established pharmaceutical and biotechnology companies. Occupancy has stayed at 95% over the last ten years. 90% of leases are with existing clients. Alexandria is excellent at recycling capital and rents have a 3% annual escalator. Generally, the stock trades at a premium in the market, but investors sold the stock on fears of a pullback in biotechnology market and higher interest rates. It presented Anchor an opportunity to buy a high-quality REIT that behaves defensively.

### Sales

GXO Logistics Inc (GXO) provides outsourced warehouse and supply chain logistics for companies. It has successfully acquired new customers and improved margins. We sold out of the stock due to concerns about future volumes in e-commerce and postponement of new contracts.

Zimmer Biomet Holdings Inc (ZBH) is a medical device company that specializes in robots and instrumentation for hip and knee replacements. The company benefits from the tailwinds in the market but has lagged peers given it was behind in releasing a robot and has lost market share.

Burlington Stores Inc (BURL) is a U.S. off-priced retailer. They sell clothing, shoes, home goods, and toys at prices 20% to 70% less than department and specialty stores. Off priced retailers have been gaining market share as consumers have shifted their spending. Consumers enjoy the treasure hunt experience and getting a value. Also, consumers have traded down to off-priced retailers in challenging economic conditions. Given the high inflationary environment consumers are focused on basic goods and not spending on discretionary goods. Given the macro environment we chose to sell ROST for better opportunities.

## 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.

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[i] https://www.cnbc.com/2022/09/13/inflation-rose-0point1percent-in-august-even-with-sharp-drop-in-gas-prices.html
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[xxiii] https://www.cnbc.com/2022/09/21/fed-rate-hike-september-2022-.html
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[xxvii] FactSet Data & Analytics, Charting
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[xli] https://tradingeconomics.com/united-states/business-confidence
[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

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: Models are hypothetical. 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. 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.

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In order to enhance current and prospective investor understanding of our process, approach and views, this letter includes detailed discussions regarding selected positions in our Strategy portfolios. In doing so, we hope this transparency enhances your understanding of our views on the investment opportunities we see in the marketplace and why we have positioned the Strategy portfolios the way we have. With such information available to you, we believe current and prospective investors are better informed and equipped to understand and/or challenge our views and approach to determine whether an investment in a Strategy is consistent with the mandate of each individual investor.

For a complete listing of all strategies contact Anchor Capital Advisors LLC (617) 338-3800.
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