For Financial Professional Use Only. Not For Use with the Public. 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.

Overview

During the second quarter markets seemingly shrugged off the news of a banking crisis and a highly anticipated recession to move forward. In anticipation that earnings would be down, and that additional bad news was coming, many investors were bearish to start the quarter with higher cash levels and lower net exposures.[i] After three domestic bank failures the U.S. Federal Reserve provided a backstop to prevent more potential regional bank failures.[ii] We believe this provided liquidity to the markets, which coupled with better-than-expected earnings and artificial intelligence (AI) related excitement helped propel the markets.[iii]

In recent months the commercial real estate (CRE) market has garnered increasing investor attention. Over $1.5 trillion of CRE debt is due to be refinanced in the next 18 months and many properties are upside down on their valuation and cost of debt because of the shift in higher interest rates.[iv] We may see some defaults in the CRE market, with office properties being especially vulnerable. However, we believe that this environment presents interesting opportunities for those with available capital. Lending to CRE companies is now at double-digit interest rates. Additionally, we are seeing potential opportunities in the public REIT market, which tends to bottom four to six quarters before the private real estate market.

Investors and economists have shifted their perception of a recession. The probability of a recession seems to be greater than 50%, but many now believe that it will be milder, especially relative to what we saw in 2008 and 2020.[v] We have had the fastest Fed rate hiking cycle in history, interest rates are at the highest levels in 15 years and inflation remains above what we have seen for two decades.[vi] Stock market valuations are trending above long-term averages.[vii] Many consumers and companies have healthy balance sheets and the Fed believes that most consumers have enough savings to carry them through year-end. .[viii] Furthermore, employment levels have remained robust.[ix] Given all of this, a recession or slowdown could be pushed out until next year. Given the level of uncertainty, we remain cautious rather than full-on enthusiastic.

U.S. Equity Markets

U.S. equity indices were positive for the second quarter led by large-cap stocks, then small-cap stocks and finally mid-cap stocks. The best-performing sectors were Technology, Consumer Discretionary and Communication Services. The underperforming sectors were Energy, Consumer Staples, and Utilities.[x]

The excitement of artificial intelligence (AI) is benefitting companies associated with the technology. The enthusiasm has propelled some stocks to new highs and unreasonable valuations.[xi] Nvidia, which develops the computer graphic interfaces that are predominately used in AI, guided up second-quarter revenue from $7 billion to $11 billion.[xii] Just this year, the stock has increased over 180% and the price to sales is at 40 times.[xiii] Other stocks like Microsoft have also benefitted from this excitement and are now trading at stretched valuations. The seven largest stocks in the S&P 500 have a combined 31% weighting in the index, showing how much the big technology stocks have run.[xiv] Our analysts are now seeing the initial increased usage of features like ChatGPT coming down. We believe a bubble has formed related to this theme and we will most likely see some normalization in stock prices.

During earnings season, many companies reported better-than-expected earnings.[xv] The price increases that companies passed through over the last several quarters have helped support revenue growth, while falling commodity and freight costs have helped support the cost side. However, for retailers, we saw a large impact from organized theft that has impacted margins and we believe will be embedded in the cost structure going forward.

U.S. Fixed Income

U.S. fixed income price performance decreased for the quarter. As a result of the Feds belief that a recession is not imminent, interest rates continued to shift higher. The short end of the yield curve remains attractive, with yields over 5%.[xvi] Volatility related to interest rates should be more muted as the Fed winds down expected increases.

Commodity Markets

We are seeing a pullback in commodity prices following a post pandemic surge last year. This pullback is helping to bring down inflation. Oil prices have stayed relatively range bound around $70/barrel but are down 11% year to date.[xvii] The home improvement retailers noted a sharp decrease in lumber prices, which are off over 50% from the high. Copper prices have also decreased, despite the demand and need in electric batteries.

Inflation

The Consumer Price Index reading for May increased 4% year-over-year, which is down significantly from the 9.1% year-over-year increase in June 2022.[xviii] Declining commodity costs have had an impact on the falling inflation levels.[xix] However, this is still above the Federal Reserve's desired 2% inflation rate, which leaves open the possibility for more interest rate increases this year.[xx]

Interest rates/Fed/Economy

The Federal Reserve has raised interest rates ten times since March 2022 to combat inflation but decided to pause at its June meeting.[xxi] The Fed Funds Rate, or the short-term borrowing rate, is in the target range of 5% to 5.25%.[xxii] However, Fed Chairman Powell has noted that one or two more rate increases are on the table for the remainder of the year.[xxiii] The Fed, as we have noted, is data-dependent, and continues to see overall strength in the economy.

The U.S. economy has remained resilient with positive GDP growth despite higher interest rates and higher inflation levels.[xxiv] However, we are seeing pockets of economic weakness, like manufacturing, with the Purchasing Managers Index (PMI) in contraction levels[xxv] and many companies are reporting slowing order books. Retailers are reporting that the lower-income consumer is stretched and significantly reducing discretionary purchases. The job market, while a lagging indicator, remains robust[xxvi] and consumers continue to spend.[xxvii] Housing, which pulled back last year, seems to be recovering especially for new homes and with the millennial population forming households.[xxviii] That said, because of the banking crisis lending standards have tightened. We are starting to see increased bankruptcies/defaults, which could ultimately slow the economy.[xxix]

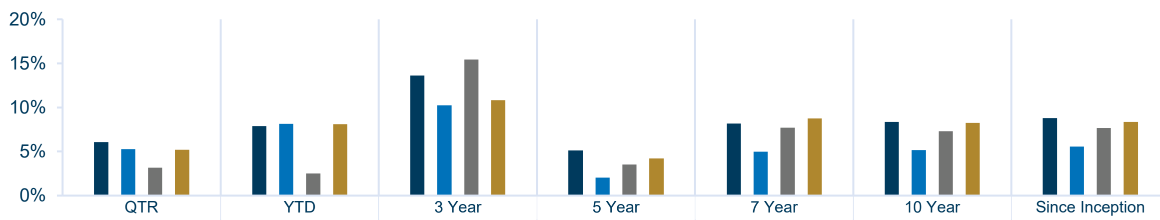
Performance Overview

The Anchor Small Cap Value Portfolio returned 6.07% (gross of fees) and 5.28% (net) during the quarter, underperforming the Russell 2000 Value Index, which returned 3.18%.

On a relative basis, the Portfolio benefitted the most from security selection in the Consumer Discretionary and Health Care sectors as well as an overweight allocation to Industrials. Security selection in the Technology, Real Estate and Financials sectors were the greatest detractors from relative performance.[xxx]

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)	6.07%	7.87%	13.61%	5.14%	8.17%	8.35%	8.78%
Anchor SCV (Net)	5.28%	8.13%	10.25%	2.03%	4.97%	5.15%	5.56%
R2000V	3.18%	2.50%	15.43%	3.54%	7.70%	7.29%	7.68%
R2000	5.21%	8.09%	10.82%	4.21%	8.76%	8.26%	8.36%

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

Quarterly Attribution Highlights[xxxii]

Sector - Top 3 Contributors	Sector - Bottom 3 Detractors
Industrials	Financials
Consumer Discretionary	Utilities
Health Care	Real Estate

Security - Top 5 Contributors	Avg. Weight %	Contribution %	Security - Bottom 5 Detractors	Avg. Weight %	Contribution %
SkyWest, Inc (SKYW)	2.40%	1.55%	Mastech Digital, Inc. (MHH)	0.14%	-0.31%
UFP Technologies, Inc. (UFPT)	3.21%	1.34%	Mayville Engineering Company, Inc. (MEH)	0.31%	-0.29%
MSA Safety, Inc. (MSA)	2.21%	0.63%	United Bankshares, Inc. (UBSI)	1.64%	-0.28%
Gibraltar Industries, Inc. (ROCK)	2.20%	0.62%	Unitil Corporation (UTL)	2.29%	-0.27%
Vontier Corp (VNT)	2.49%	0.48%	National Storage Affiliates Trust (NSA)	1.50%	-0.26%

Quarterly Transactions

Purchased	Sold
Mayville Engineering Company Inc (MEC)	Mastech Digital Inc (MHH)
Crane NXT Co (CXT)	PDC Energy Inc (PDCE)
	Insperity Inc (NSP)

Purchases

Mayville Engineering Corp (MEC)[xxxiii] is a Tier 1 U.S. supplier and fabricator of highly engineered components to OEMs. MEC's capabilities include metal fabrication, metal stamping, tube bending and forming, robotic part forming, robotic welding, resistance welding, five-axis tube and fiber laser cutting and custom coatings and painting. Its customers operate in diverse end markets, including heavy- and medium-duty commercial vehicles, construction & access equipment, powersports, agriculture, and military. It has 20 facilities, in the U.S. across 7 states, with three million square feet of manufacturing capacity. It has long-standing customers (including some for over 40 years) comprised of blue-chip OEM manufacturers across the US. According to The Fabricator magazine, MEC has been ranked as the largest fabricator in the United States for the past thirteen years (2011 – 2023).

We believe that through several initiatives including implementing lean processes and increasing capacity utilization, MEC's EBITDA Margin could increase from 11% to 15% by 2025. MEC is benefiting from outsourcing by OEMs as MEC functions as an extension of its OEM customers' production lines and, while early in the process, MEC should benefit from onshoring/reshoring. MEC's capacity is low cost and flexible so that it can design and manufacture a wide variety of components to be used by a variety of OEMs. We believe this has helped reduce cyclicality as MEC's revenue and profit has been less cyclical than its end markets overall. We believe MEC is the sole-source provider 95%+ of its programs and 90% of customers don't have the ability to bring it in house. Finally, the company has a solid balance sheet and should generate strong free cash over the next few years as it recently completed a capex cycle.

In April 2023, **Crane Holdings (CR)**[xxxiv] separated into two independent, publicly traded companies: Crane NXT (CXT) and Crane Company (CR). We believe Crane NXT has been a gem business hidden inside of a holding company that also owned a cyclical Aerospace and Process Flow control business and had an asbestos liability that turned investors away. We believe the separation now permits Crane NXT to be discovered, attract a new shareholder base, and capitalize on investment opportunities that it otherwise couldn't.

Crane NXT has two businesses: Crane Currency is 35% of sales and is the sole source supplier of paper and security features for all U.S. paper currency since 1879 ($1, $5, $20, $50, $100 bills, etc.) as well as for U.S. passports. Internationally, Crane NXT provides design services, security paper, security technology, and banknote printing for over 50 central banks across the globe (130+ total denominations. Crane Payment Innovations is 65% of sales. It sells cash/coin acceptors and self-checkout and vending machines as well as provides aftermarket services and software solutions.

We believe both businesses have strong moats through anticounterfeiting technology. Crane NXT has been the sole source provider to the U.S. government for 150 years, its top 20 payment customers have been with them for 28 years on average, Crane NXT has an installed base of over 10 million components. We believe that despite the rise in digital transactions, the volume and value of notes in circulation has consistently risen over the last several decades driven by population growth, GDP growth, and the role cash plays as a store of value. In the U.S. we expect an upgrade cycle of all US bank notes will create a multi-year growth story for Crane NXT. On the payment side we expect the biggest growth driver to be self-checkout machines. Retail self-checkout is only 8% penetrated, and we expect that to go to 20%+ in 5 years. Overall, we expect mid-single digit organic growth and high single to low double-digit earnings growth.

Sales

Mastech Digital, Inc. (MHH)[xxxv] is a provider of IT Services. It offers data and analytics solutions, master data management, digital learning, and IT staffing services for both digital and mainstream technologies through two business segments: Data and Analytics Services (D&A) and IT Staffing (IT) Service. The D&A segment delivers specialized data management, data engineering, customer experience consulting and analytics services onsite and offshore. The IT segment provides outsourced business processing. The D&A segment has underperformed due to hiring too quickly in advance of projects that didn't get signed or were delayed and general IT spend weakness. We sold due to the liquidity and market capitalization concerns as the company's weakness has driven down the market capitalization to low levels.

PDC Energy, Inc. (PDCE)[xxxvi] is an exploration and production company with operations in the Wattenberg Field in Colorado and the Delaware Basin in Texas. In the Wattenberg field, PDCE has approximately 275,000 acres. In the Delaware Basin, PDCE has approximately 25,000 acres. The Wattenberg field accounts for most of the company production. Overall company production is 25% oil, 43% gas, and 32% Natural Gas Liquids (NGLs). On May 22, 2023, PDCE announced it had agreed to be acquired by Chevron Corporation (CVX) in an all-stock deal valued at $6.3 billion, or $72 per share. We sold due to the acquisition.

Insperity Inc (NSP) is a founder led HR outsourcer that has taken share in the SMB space from in house HR. We believe it is a high-quality asset light company. At the same time we believe it was worth selling due to a high valuation and the risk of unemployment coming up due to macro, as they are paid on a per person employed basis. We believe that it was better to reinvest in other lower valuation companies using proceeds from NSP, which has had a good return as a stock since our purchase.

Anchor's Positioning

Our portfolios have been defensively positioned for most of the year. Three things have impacted performance for the quarter and year-to-date. First, we have maintained higher cash levels as we have been looking for opportunities and better valuations in the markets. Second, some of our top-performing stocks from the last two years have been underperforming in sectors like retail, energy, and insurance. Finally, we did not own some of the more volatile stocks that increased the most and drove market performance.

We continue to add stock positions where we see attractive valuations. In the healthcare sector, life sciences and tools companies were impacted by cycling through covid related revenues and a pullback in biotech spending. The stock prices have been down significantly from the highs. Overall, there is a lot of spending on new drug discoveries. We anticipate a recovery in pharmaceutical research will benefit the life science and tools companies.

As mentioned earlier, we are watching the CRE market. U.S. public REITS, which tend to be sensitive to rising interest rates, are down over 30% on a one-year basis. There are areas of real estate that we believe could rebound as interest rates stabilize, and we have been adding there.

Finally, we have seen a pullback in railroads with lower volumes and higher operating ratios due to increasing expenses. As valuations level, dividend yields stabilize and volumes recover, we use these opportunities to add to our portfolios.

On the fixed-income side, we continue to be positive on bonds with short-term yields around 5%. We have maintained a neutral duration with exposures front-loaded on short-term bonds and backloaded on longer-dated bonds. We continue to be more tilted towards Treasuries versus Corporate bonds given that credit spreads remain muted. We also are looking to use cash alternatives to generate yield in the portfolio when appropriate.

Outlook

While it is difficult to forecast recessions and market pullbacks, as evidenced by the first half of the year, we remain cautious because there is a lag to rising interest rates and their effect on the economy. Parts of the market look expensive right now and the overall market valuation is trending above historical averages, which keeps us cautious in this current market environment. As mentioned above, we are finding select opportunities, but we are not going into full positions at this point.

---

[i] https://www.bloomberg.com/news/articles/2023-03-31/bear-stranglehold-on-stocks-is-best-thing-rally-has-going-for-it
[ii] https://www.cnbc.com/2023/03/21/treasury-secretary-yellen-says-the-government-could-backstop-more-deposits-if-necessary.html
[iii] https://www.spglobal.com/marketintelligence/en/news-insights/blog/sp-500-q1-2023-sector-earnings-revenue-data#:~:text=Overall%2C%20Q1%202023%20revenue%20for,8%25%20compared%20to%20Q3%202022.
[iv] https://nypost.com/2023/04/10/default-risk-grows-on-1-5-trillion-in-commercial-real-estate-debt-analysts/
[v] https://ycharts.com/indicators/us_recession_probability
[vi] FactSet Data & Analytics, Charting
[vii] Ibid.
[viii] https://finance.yahoo.com/news/federal-consumer-payment-survey-shows-182000151.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAALATqssVGvu1OwX2fszwQlHi5wl-AdtNg2rezyw4zWr7z0Q1Q2dkBRsC43F5XlbnjRjxKjgCbepkejvlekQbOObXexE0nK-Di-BeK_nU0F5AruJXkWWY6JTycv1XQCwkgX8jPci_PBfsKwpdUhwB0Y2Eg94d5y2HiAkXDQJkulk5
[ix] https://www.nytimes.com/2023/06/02/business/economy/jobs-report-may-2023.html

[x] FactSet Data & Analytics, Charting
[xi] https://www.theguardian.com/technology/2023/may/26/tech-stock-surge-interest-artificial-intelligence-technology-nvidia-double-value
[xii] https://www.reuters.com/technology/nvidia-forecasts-second-quarter-revenue-above-estimates-2023-05-24/
[xiii] FactSet Data & Analytics, Charting
[xiv] Ibid.
[xv] Ibid.
[xvi] Ibid.
[xvii] FactSet Data & Analytics, Charting
[xviii] https://www.cnbc.com/2023/06/13/heres-the-inflation-breakdown-for-may-2023-in-one-chart.html
[xix] Ibid.
[xx] Ibid.
[xxi] https://www.cnbc.com/2023/06/14/fed-rate-decision-june-2023.html
[xxii] Ibid.
[xxiii] Ibid.
[xxiv] https://www.bea.gov/data/gdp/gross-domestic-product
[xxv] https://tradingeconomics.com/united-states/manufacturing-pmi
[xxvi] https://fred.stlouisfed.org/series/CE16OV
[xxvii] https://tradingeconomics.com/united-states/retail-sales
[xxviii] https://tradingeconomics.com/united-states/new-home-sales
[xxix] https://www.forbes.com/sites/jackkelly/2023/06/07/corporate-bankruptcies-are-rising-at-a-concerning-rate-what-to-do-if-your-company-has-filed-for-bankruptcy/?sh=7efc1b875775
[xxx] FactSet financial data & analytics; attribution
[xxxi] eVestment Analytics, see model disclosures below
[xxxii] FactSet financial data & analytics; Attribution
[xxxiii] FactSet financial data and analytics, Company Presentation Dated March 2023, Company Filings, Meeting with Management, Jefferies Research Reports – EF Hutton Research Reports
[xxxiv] FactSet financial data and analytics, Company Presentation Dated March 2023, Company Filings, Meeting with Management, CJS Research Reports – DA Davidson Research, Company Sustainability Report Dated March 2023
[xxxv] FactSet financial data and analytics
[xxxvi] FactSet financial data and analytics, Company Presentation Dated February 2023, http://investor.pdce.com/news-releases/news-release-details/chevron-announces-agreement-acquire-pdc-energy

Small Cap Value Model Disclosures

MODEL DESCRIPTION: The Anchor Managed Accounts Small Cap Value (SCV) model was created on 7/1/02. 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 is 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 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. 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 Indices exclude fees. The Managed Accounts All 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 presented after debiting the gross or pure gross of fee results by 3%, which represents the highest known annual wrap fee charged by any of the sponsors of the Separately Managed Account program that Anchor participates in. Effective 12/2019 through 12/2020, the net returns presented were calculated using eVestment. These monthly net returns were compounded to calculate the quarterly, YTD and annual returns. The numbers may be slightly different from net returns published prior to 6/30/2017, which were calculated by simply subtracting 3% from the annual gross return. Effective 3/2021, the net returns presented are calculated by subtracting the 3% highest known annual wrap fee among sponsors, compounded monthly. 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.

The views expressed are those of Anchor Capital Advisors, LLC ("Anchor") as of the date written and are subject to change at any time. Statements made are based on information from various sources, including Company reports, industry research and using fundamental data tools. This underlying information is maintained as part of Anchor's research process. Anchor does not undertake any obligation to update the information contained herein as of any future date, nor does it have liability for decisions based on this information. Certain information (including any forward-looking statements and economic and market information) has been obtained from sources we deem reliable, but is not guaranteed by Anchor, nor is it a complete summary of available data. The information is for educational purposes only and should not be considered investment advice or a recommendation of any strategy or investment product. These opinions are not intended to be a forecast of future events or a guarantee of future results. No part of this document may be reproduced in any form, or referred to in any other publication, without express written permission of Anchor.

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.