

**ADV Part 2A
Disclosure Brochure**

July 13, 2012

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This brochure provides information about the qualifications and business practices of Anchor Capital Advisors LLC ("Anchor Capital"). If you have any questions about the contents of this brochure, please contact us at 617-338-3800 or aca@anchorcapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Anchor Capital is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

1. Effective July 1, 2012, Anchor Capital is offering a new Enhanced Equity product. The fee schedule for this product is as follows. The account minimum is \$5 million. Fees and account minimums are negotiable.

.75% of accounts assets

The Enhanced Equity discipline targets dividend paying stocks with market caps greater than \$2 billion. Portfolios hold approximately 30-40 individual securities. A covered call option may be sold out of the money to enhance income and out of the money puts on the S&P index are purchased to reduce downside risk.

2. Effective July 1, 2012 Anchor Capital was named a sub-advisor to the Aston/Anchor Enhanced Equity Mutual Fund, which is sponsored by the Aston Funds, a registered investment company. Anchor receives fees for investment advisory services provided to this investment company.
3. Additional material risks are associated with the new Enhanced Equity product. They are summarized below. See Item 8 for further information.

Covered Call Option Risk: The Enhanced Equity strategy will generally sell a covered call option on every position. This strategy limits the upside performance, such as when a covered call option is exercised and the price that could be potentially realized from the sale of the underlying security is limited.

Put Option Risk: The Enhanced Equity strategy will also purchase S&P 500 index put options to mitigate downside market risk.

Liquidity Risk: The call option is exercised, the securities are called away and there is not enough liquidity to add a new position or increase an existing position. A liquid market may not exist for the options written. The product may have to accept a lower price to liquidate a position to meet liquidity needs.

4. Further guidance on how Anchor Capital votes proxies was added to Anchor Capital's proxy voting policies and procedures in Item 17. The guidance pertains to votes related to executive compensation, governance and ownership.

These are the only material modifications to report since the annual updating amendment filed March 31, 2012.

Item 3: Table of Contents

| | |
|---|----|
| Item 2: Material Changes | 1 |
| Item 3: Table of Contents | 2 |
| Item 4: Advisory Business | 3 |
| Item 5: Fees and Compensation | 5 |
| Item 6: Performance-Based Fees and Side-By-Side Management | 7 |
| Item 7: Types of Clients | 8 |
| Item 8: Methods of Analysis, Investment Strategies and Risk of Loss | 8 |
| Item 9: Disciplinary Information | 11 |
| Item 10: Other Financial Industry Activities and Affiliations | 11 |
| Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading | 11 |
| Item 12: Brokerage Practices | 12 |
| Item 13: Review of Accounts | 15 |
| Item 14: Client Referrals and Other Compensation | 16 |
| Item 15: Custody | 16 |
| Item 16: Investment Discretion | 16 |
| Item 17: Voting Client Securities | 17 |
| Item 18: Financial Information | 19 |
| Item 19: Business Continuity Plan | 19 |
| APPENDIX 1: PRIVACY NOTICE | 20 |

Item 4: Advisory Business

Anchor Capital was established in 1983 to provide investment management services. Eighty percent (80%) of Anchor Capital is owned by Anchor Capital Holdings LLC which is a wholly-owned subsidiary of publicly-held Boston Private Financial Holdings, Inc. (Ticker: BPFH). The remaining 20% of the company is owned by the Anchor Capital Non-Managing Members LLC.

Anchor Capital provides investment management services through two principal divisions; the Anchor Capital Discretionary Managed Accounts Division (DMA) and the Anchor Capital Separately Managed Accounts Division (SMA).

DMA Division

The DMA Division manages investment advisory accounts on a discretionary basis. Clients retain Anchor Capital to formulate an investment program within a selected investment discipline which is deemed prudent and appropriate to the nature of the account and Anchor Capital's understanding of the client's investment objectives and risk tolerance. The investment disciplines offered are Mid-Cap Value, Small-Cap Value, Small Mid-Cap Value, All-Cap Value, Balanced, Div-Cap, Enhanced Equity and Fixed Income.

Anchor Capital provides investment advice on the following types of securities: Exchange listed securities, over-the-counter securities, corporate debt securities, warrants, commercial paper, bank certificates of deposit, municipal securities, U. S. government securities, foreign issuers, ETFs, options and mutual funds. Anchor Capital does not offer clients comprehensive financial planning services (although we are staffed to do so) except on an incidental basis. The Anchor Capital DMA Division does not provide investment advice on any other basis than those described above.

Anchor Capital will tailor its investment advisory services on the basis of certain clients' needs and objectives and will accept restrictions on investing in certain securities or types of securities. The investment management process includes analysis of each client's objectives, requirements, risk tolerance and portfolio holdings.

SMA Division

The Anchor Capital SMA Division participates in Separate Managed Accounts programs acting as a sub-advisor to a number of sponsor firms. The sponsor firms include brokerage firms, public accounting firms and the brokerage divisions of banks. Through the SMA programs, clients of the sponsor firms are referred to Anchor Capital for discretionary investment management services.

The SMA Division discretionary investment management process utilizes a set of model investment portfolios for each discipline (e.g. mid-cap value, small-cap value, all-cap and balanced) that are offered to clients of sponsor firms. The SMA Division model portfolio disciplines will invest in the following types of securities: Exchange listed securities, over-the-counter securities, corporate debt securities, municipal securities, U. S. government securities, foreign issuers, ETFs and mutual funds.

The SMA Division will accept only limited restrictions on investing in certain securities or types of securities. The SMA Division does not provide investment advice on any other basis than those described above.

Once the SMA Division receives notification of each new account opening and acknowledges acceptance of the account, SMA traders begin implementation of the client's investment program. SMA client accounts for each sponsor will be re-balanced by Anchor Capital as and when changes to the model portfolio occur. Anchor Capital may not accept and may close accounts with balances of less than \$50,000. Each sponsor provides Anchor Capital with access to a computerized trading and portfolio accounting system which is used to initiate and execute the client's management program. In all cases the sponsor provides portfolio accounting and performance measurement and reporting services. Anchor Capital does not perform these services for sponsor clients.

The Anchor Capital SMA Division also serves as an investment sub-advisor to several Unified Managed Accounts (UMA) Programs sponsored by brokerage firms, banks and other organizations. In a UMA Program the client executes a contract with the UMA Program sponsor and the sponsor recommends or directs which sub-advisors will be used in the client's investment program. Anchor Capital provides the sponsor with a model portfolio for each discipline (i.e. small-cap value, mid-cap value, etc.) which has been chosen by the UMA program sponsor. An updated model portfolio is provided to the sponsor whenever a change is made in the model portfolio (e.g. adding an investment position, deleting an investment position or increasing/decreasing a position). The sponsor may or may not elect to execute all the purchase and/or sale transactions submitted. Anchor Capital associates do not enter trades, do not receive trade reports, do not perform or have access to recordkeeping, performance data or reporting or any client reporting. Anchor Capital associates do not generally interface with sponsor clients other than representatives of the sponsors.

Anchor Capital has contracts with the following SMA and UMA sponsors.

| | |
|--|---|
| <ul style="list-style-type: none"> • Ameriprise Financial Services, Inc. • American Portfolios Financial Services • Merrill Lynch • Benjamin F. Edwards & Co. • Capital Securities Management Inc. • Clark Capital Management Group, Inc. • Cleary Gull • Charles Schwab • City Private Bank • Credit Suisse • Deutsche Bank Securities • Dominick & Dominick LLC • Edward D. Jones & Co. | <ul style="list-style-type: none"> • Jeffries & Company, Inc. • J.P. Morgan • Janney Montgomery Scott LLC • Lockwood Advisors, Inc. • LPL Financial Corp. • RBC Capital Markets Corp. • Morgan Keegan & Company, Inc. • Morgan Stanley Smith Barney • Northland Asset Management • Nutmeg Securities LLC • Pershing Adv. Solutions / Crosswind Adv. LLC • Pershing Adv. Solutions/Fieldpoint Private Bank & Trust |
|--|---|

| | |
|---|--|
| <ul style="list-style-type: none"> • Envestnet Asset Management, Inc. • Essex Financial Services • First Allied Securities, Inc. • Genworth Financial • GunnAllen Financial • Hightower Advisors LLC • Investors Capital | <ul style="list-style-type: none"> • Robert W. Baird & Co. Inc. • Stifel, Nicolaus & Company, Inc. • UBS Financial Services • Wells Fargo Advisors • Wells Fargo Private Bank |
|---|--|

Under the SMA and UMA programs the client pays the sponsor a percentage of assets fee ("wrap fee") and the sponsor, in turn, pays Anchor Capital a portion of that fee. In most cases, Anchor Capital does not know the fee the client is paying to the sponsor. The fees paid to Anchor Capital by the sponsor are based on a percentage of each sponsor's SMA assets under management or UMA assets under advisement with Anchor Capital. The contractual fee rates vary from sponsor to sponsor. Fees are paid quarterly or monthly and either in advance or arrears.

Anchor Capital's total assets under management and advisement as of 12/31/2011 were **\$5,940,371,016**.

Table 1 below illustrates total discretionary assets under management between the DMA and SMA division. UMA assets are deemed assets under advisement and are listed separately in Table 2 below.

Table 1. Discretionary Assets under Management (AUM)

| Division | AUM as of 12/31/11 |
|--------------|------------------------|
| DMA | \$1,632,064,730 |
| SMA | \$3,658,774,901 |
| Total | \$5,290,839,631 |

Table 2 illustrates Anchor Capital's total assets under advisement through the UMA program. Through the UMA program, Anchor Capital provides a model portfolio to the UMA sponsor for each discipline (i.e. small-cap value, mid-cap value, etc.) which has been chosen by the UMA sponsor. The assets under advisement are based on the assets reported by each sponsor as sub-advised by Anchor Capital and for which it is paid an asset-based fee.

Table 2. UMA Assets Under Advisement (AUA)

| Division | AUA as of 12/31/11 |
|------------|----------------------|
| UMA | \$649,531,385 |

Item 5: Fees and Compensation

Anchor Capital charges a fee for its services based on a client's assets under management. Anchor Capital's fee schedule for the DMA Division is as follows.

All-Cap, Balanced, Mid-Cap and Div-Cap Value Discipline:

1% of account assets for accounts from \$500,000 to \$3 million;
1/2% for account assets exceeding \$3 million.

Small-Cap Value and Small Mid-Cap Discipline:

1 1/2% of account assets for accounts less than \$3 million;
1% of account assets for accounts from \$3 million to \$5 million;
.90% of account assets exceeding \$5 million.

Enhanced Equity Discipline:

.75% of account assets

Fixed-Income Discipline:

Negotiable.

Certain charitable accounts are granted the courtesy of a 10% discount. Fees may be negotiable for these accounts or accounts with unusual investment management requirements. Fees may be negotiable for larger accounts. Multiple accounts from the same client or organization, or accounts of related persons have the option of being billed on an aggregate (as if they were a single larger account) basis, and in some instances accounts managed for related parties may be offered the courtesy of related-account billing or courtesy discount.

The fee rate percentages are applied to each client's assets under management and are billed each calendar quarter. Invoices are sent to all clients and some clients have authorized Anchor Capital to deduct management fees from their custodial account.

Clients may pay custodian fees in connection with our services. Clients will incur brokerage trading commissions. Please see Item 12 for more information on Anchor Capital's brokerage practices.

Client quarterly fees are generally paid in advance. In the event of a termination before the end of the billing period, the unearned fees are refunded on a pro-rata basis. The refund is determined based on the time period from the original billing date and the termination date. For quarterly fees paid in arrears, an account that terminates prior to the billing period will be charged for the earned fees on a pro-rata basis. Notification of termination is generally accepted in writing or by electronic media.

Anchor Capital has special arrangements with a number of major brokerage firms and other financial advisory firms whereby clients of these firms whose accounts are managed by Anchor Capital as DMA accounts pay a discounted fee. Under these arrangements fees for accounts with

assets up to \$3 million range from .5% to 1.00%. Anchor may negotiate fee discounts for DMA clients whose accounts exceed \$500,000. Frequently these arrangements relate to clients who are paying their custodial broker a flat percentage "wrap" fee, a portion of which is then paid to Anchor Capital. In general these fees are billed in arrears.

Anchor Capital serves as a sub-advisor to the Aston/Anchor Enhanced Equity Mutual Fund, which is part of the Aston Funds, a registered investment company. Anchor receives fees for investment advisory services provided to this investment company. The fees are a portion of the total fees and expenses charged by the mutual fund to its investors. A complete explanation of the expenses charged is available in the Aston/Anchor Enhanced Equity Fund prospectus. In general we do not invest the assets of our DMA accounts in this fund. However, if we do, we do not charge an additional fee in excess of the mutual fund fee.

Anchor Capital employs wholesalers to support and enhance the distribution of Anchor investment products through the U.S. regional broker network of respective SMA and UMA sponsor firms with whom Anchor Capital has a contract. The wholesalers receive compensation based on a percentage of SMA and UMA revenue received from existing sponsor accounts.

This practice presents a conflict of interest and could give the wholesalers an incentive to recommend Anchor Capital's investment products based on the compensation received rather than on a client's needs. This conflict is mitigated among the SMA/UMA sponsor firms since it is the SMA/UMA sponsoring broker (not the Anchor Capital wholesaler) that decides whether the client should invest with Anchor Capital.

Within the DMA Division, Anchor Capital employs salesmen to support and enhance the distribution of Anchor investment advisory services directly to Anchor Capital's target clients, namely, high net worth individuals, institutions, endowments and foundations. The DMA Division salesmen receive compensation based on a percentage of DMA revenue received from existing client accounts. This practice presents a conflict of interest and could give the salesmen an incentive to recommend investment services that are unsuitable for the prospective client. To mitigate this conflict all new client contracts must be signed by the President who reviews and approves each account for suitability prior to signing.

Clients may purchase other Anchor Capital investment products through other brokers or agents that are not affiliated with Anchor Capital.

Anchor Capital does not recommend mutual funds. No portion of Anchor Capital's revenue is derived from commissions and the firm does not charge commissions or mark-ups.

Item 6: Performance-Based Fees and Side-By-Side Management

Performance-Based Fees

Anchor Capital does not accept or charge performance-based fees.

Side-By-Side Management

We trade and monitor performance of DMA client accounts in the same manner, without regard to fee structures.

Anchor Capital manages a frozen 401(k) account for current and former employees. The company could trade in this account and be in conflict with client accounts. To mitigate this conflict we monitor trades in the account against client accounts and seek to obtain better price for client accounts when possible.

Trading decisions for the SMA and UMA model portfolios are allocated across all of the managed account sponsor programs. The trading rotation among each program is determined on a random allocation basis. Trading within each sponsor program is allocated on a pro-rata basis. Execution prices per sponsor program are monitored for best execution.

Item 7: Types of Clients

Anchor Capital offers investment advisory services to pension and profit-sharing accounts (corporate, joint trustee and professional corporations), charitable accounts including religious, non-profit foundations and educational institutions, corporations (taxable), banks/thrift institutions, individuals, and trusts and estates.

Anchor Capital requires a \$2 million minimum account threshold for its Mid-Cap discipline, a \$1 million minimum account threshold for its All-Cap and Balanced disciplines and a \$5 million minimum for its Small-Cap, Small Mid-Cap and Enhanced Equity disciplines. Anchor Capital does not currently require a minimum dollar amount of assets for its Div-Cap discipline. However, we generally do not accept accounts below \$250,000 except for clients initiating additional accounts with greater assets. Occasionally a broker consultant moves to a new broker dealer and his/her accounts move from the SMA Division to the DMA Division. In such cases Anchor Capital may accept accounts with assets less than \$250,000 as a special courtesy or accommodation to the broker consultant. In other cases Anchor Capital has waived the \$250,000 minimum for broker consultants employed by Morgan Stanley Smith Barney, UBS, Citigroup, Wells Fargo, J.P. Morgan, and Merrill Lynch. Anchor Capital evaluates each prospective account to insure that it can be managed efficiently and profitably, and will reject accounts which cannot be.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Anchor utilizes a combination of internal and external sources to analyze securities. The principal methods of analysis are as follows:

Screening: Initially a broad universe is screened using different multi-factor valuation criteria: low valuation, high dividend yield, dividend growth, private market value and numerous other metrics.

Fundamental Analysis: Fundamental analysis is the key component of our investment process and includes reviewing numerous information sources to determine which securities represent real value in the economic and investment environment that is evolving. Our analysts interview corporate management, competitors, customers and independent research sources.

Technical Analysis: Anchor Capital also examines technical data to supplement the fundamental analysis; the principal function of the technical analysis is to examine trends for the market, individual groups and individual securities. Technical analysis contributes to the determination of relative valuation.

Anchor Capital pursues a long-term investment strategy and normal practice is to invest in securities with an 18-36 month time horizon. Anchor Capital strives for the portfolios to have a higher yield, a lower Price to Earnings and higher growth than comparable indices. The firm's investment committee evaluates all new securities prior to inclusion in the portfolios. Securities which meet our price objectives or which experience an unfavorable fundamental or technical development may be sold in a shorter time span. Our principal emphasis is to invest our clients' funds to achieve long-term capital appreciation with a focus on preservation of capital. We may from time to time utilize short sales or margin transactions to address specific client situations at the direction of the client.

Anchor Capital employs specific investment strategies; Mid-Cap Value, Small-Cap Value, Small Mid-Cap Value, All-Cap Value, Div-Cap Value, Enhanced Equity and Balanced to manage client assets. Each strategy differs according to the market capitalization or type of security held. Investing in securities carries a risk of loss that clients should be prepared to bear.

Mid-Cap Value: Targets stocks with market caps between \$1 billion and \$12 billion. Portfolios hold from 30-60 individual securities.

All-Cap Value: Targets stocks with market caps greater than \$1 billion. Portfolios hold from 40-55 individual securities.

Small-Cap Value: Targets stocks with market caps between \$50 million and \$1.5 billion. Portfolios hold approximately 50-70 individual securities and are broadly diversified across major sectors.

Small Mid-Cap Value: Targets stocks with market caps between \$50 million and \$12 billion. Portfolios hold approximately 50-70 individual securities and are broadly diversified across major sectors.

Div-Cap Value: Targets dividend paying stocks with market caps greater than \$1 billion. Portfolios hold from 40-55 individual securities.

Enhanced Equity: Targets dividend paying stocks with market caps greater than \$2 billion. Portfolios hold from 30-40 individual securities. A covered call option is sold out of the money to enhance income and out of the money puts on the S&P index are purchased to reduce downside risk.

Balanced Value: Targets stocks with market caps greater than \$1 billion. Portfolios hold from 30-50 individual securities.

Fixed Income: Targets tax-exempt bonds with market value in excess of \$250,000.

The material risks associated with Anchor Capital's methods of analysis and investment strategies are as follows:

Analyses: Each method of analysis requires subjective assessments and decision-making by experienced investment professionals. However, there is a risk of an error in judgment. This is mitigated through the Investment Committee who thoroughly reviews each investment made on behalf of clients before making a decision to own, sell, increase or decrease position.

Investment Strategies: The material risk involved for all of Anchor Capital's investment strategies is the risk of loss. Anchor Capital does not engage in frequent trading.

Covered Call Option Risk: The Enhanced Equity strategy will generally sell a covered call option on every position. This strategy limits the upside performance, such as when a covered call option is exercised and the price that could be potentially realized from the sale of the underlying security is limited. This strategy is also tax inefficient in that the product must realize capital gains or losses at inopportune times (e.g. when the call option is covered).

Put Option Risk: The Enhanced Equity strategy will also purchase S&P 500 index put options to mitigate downside market risk. This strategy may not be effective if the purchase opportunity is missed and the effect intended does not occur but the cost has been expensed.

Liquidity Risk: The call option is exercised, the securities are called away and there is not enough liquidity to add a new position or increase an existing position. A liquid market may not exist for the options written. The product may have to accept a lower price to liquidate a position to meet liquidity needs. These risks are mitigated through investment in securities with market capitalizations of \$2 billion or greater and a daily trading volume of 1 million shares or more.

Anchor primarily recommends exchange listed securities, over-the-counter securities, corporate debt securities, municipal securities, U. S. government securities, foreign issuers, ETFs and mutual funds. Anchor will sell covered call options to enhance income and purchase puts on the S&P index to reduce downside risk.

Item 9: Disciplinary Information

Anchor Capital has no material legal or disciplinary events to disclose regarding its advisory business or the integrity of its management.

Item 10: Other Financial Industry Activities and Affiliations

No Anchor Capital management persons are registered or have an application pending to register as a broker-dealer or as a registered representative of a broker-dealer.

No Anchor Capital management persons are registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trader advisor or an associated person of the foregoing entities.

Anchor Capital has an affiliate company, Anchor/Russell Capital Advisors LLC, an SEC registered investment adviser. On occasion Anchor/Russell will refer clients to Anchor Capital. In such instances, Anchor Capital will pay Anchor/Russell a portion of the Anchor Capital fee charged to the client.

Anchor/Russell shares office space, certain employees and various services with Anchor Capital and the President of Anchor/Russell is also the President of Anchor Capital. There are several clients that hold accounts with each of Anchor/Russell and Anchor Capital. We believe this relationship does not create a material conflict of interest for Anchor Capital clients.

Anchor Capital does not recommend or select other investment advisers for its clients.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Anchor Capital Advisors LLC has a code of ethics which provides company employees detailed guidelines governing their conduct including, but not limited to, the conduct of business with company clients, knowledge and enforcement of company privacy policies, conflicts of interest, compliance with state and Federal statutes, laws and regulations, personal trading activities (including reporting to Compliance personnel) and possession and actions with regard to "insider information." Anchor Capital will provide a copy of its code of ethics to any client or prospective client upon request.

Employees of Anchor Capital have, from time-to-time, acted as coordinator to raise funds from investors for "venture capital" investments in venture capital limited partnership funds or smaller businesses which are starting up or are relatively new. Anchor does not solicit or receive any sales or management fees for this role. However, Anchor will be reimbursed for "out of pocket" legal and accounting expenses. This activity does not consume substantial time or resources, and makes no financial contribution to Anchor. At times select clients have participated in these ventures and in all cases one or more of Anchor Capital's employees have been investors. To

address the conflict of interest that an Anchor Capital employee may benefit more than the client we disclose to the client that Anchor Capital employees participate alongside the client with no preferential treatment. Moreover since Anchor Capital employees receive no sales or management fees they are not incentivized to raise disproportionate funds from clients.

Employees of Anchor Capital, including its officers and directors, may purchase securities in private offerings and subsequently sell them after the issuer commences a public offering of the securities which may in certain situations garner a significant profit to the employee. Anchor Capital may also purchase the same securities for clients after the initial public offering. However, since Anchor Capital did not purchase the securities for the client prior to the public offering, the client may not be able to achieve the same profit potential as Anchor Capital employees. To ensure that employees do not dispose of such securities during an initial public offering that Anchor Capital clients participate in, Anchor Capital employees are prohibited by Anchor Capital's Personal Trading Policy from trading in any initial public offering and from disposing of any security purchased in a private offering for six months after commencement of the public offering unless specifically approved by Anchor Capital's compliance officer. Purchase of securities for a client account in which an employee had invested while still private, could have the appearance of a conflict of interest. Such conflict will be disclosed directly to all applicable clients. Each such instance will also be disclosed to the CCO, who will handle each case as appropriate.

Employees of Anchor Capital will invest in the same securities that Anchor Capital recommends or buys or sells for clients. The conflict presented by this practice could lead to an employee purchasing or selling a security in advance of a client and receiving a better price. However under the Anchor Capital code of ethics, Anchor Capital employees may not purchase or sell any security in which a client has ownership unless the transaction occurs in an exempted security or the employee has complied with Anchor Capital's Personal Security Transaction Policy. Anchor Capital has established guidelines for employees investing in private placement transactions.

Anchor Capital's personal trading pre-clearance policy should prohibit the conflict that may arise if an employee purchases or sells securities in his own account at or about the time that a sale or purchase of the same security is made for a client account and the employee subsequently receives a better price than the client. However, if a violation of the pre-clearance policy occurs then the employee may be required to reverse the trade.

Item 12: Brokerage Practices

In Anchor Capital's non-directed brokerage arrangements, Anchor Capital selects the brokers to execute securities transactions for client accounts and negotiates the commission rates for those transactions (without specific client consent).

In selecting a broker for a specific transaction, Anchor Capital considers the quality of the broker's execution capabilities in light of the size and difficulty of the transaction, the broker's ability to

execute trades on a timely basis, the broker's ability to get a favorable price at which the securities will be bought or sold, as well as the commission rate to be charged for executing the transaction. Anchor Capital will also consider research, performance evaluation and other types of products and services that it receives from the broker. As a result, Anchor Capital may negotiate a brokerage commission for a specific transaction at a rate which exceeds the commission rate that another broker may have charged for executing the same transaction. Generally, however, prevailing commission rates are a matter of common knowledge among investment managers, and for most transactions, Anchor Capital attempts to receive rates that are competitive with prevailing rates.

Research and Other Soft Dollar Benefits

Subject to Section 28e of the Securities and Exchange Act of 1934, Anchor Capital has entered into verbal or written arrangements with specifically designated firms to either (a) provide Anchor Capital with specific services in exchange for commissions or (b) compensate an unrelated third party for services being provided to Anchor Capital. These broker-dealers are selected on the basis of numerous considerations including cost competitiveness, ability to execute trades competitively, ability to interface with DTC (Depository Trust Company) and Anchor Capital's systems.

The primary services being furnished to Anchor Capital on this basis include, but are not limited to (1) a securities screening and evaluation service used for investment research, (2) an economic evaluation/monitoring service which also prints Anchor Capital's Quarterly Economic Overview, (3) software and support services to operate Anchor Capital's portfolio accounting and trading systems, (4) Telemet Orion financial markets quotation and news service, (5) First Call, an Internet-based service which delivers a wide array of published Wall Street investment research analysis on a timely basis, (6) a research service dedicated to early detection of socio / economic / demographic trends which might have future impact on the capital markets, and (7) other research services dedicated to detecting and tracking various market trends. These services were all paid in full or in part by client brokerage commissions in the past fiscal year.

As noted above one of the primary services utilized by Anchor Capital is the software and support services to operate Anchor Capital's portfolio accounting system, which is the integral system for trading, portfolio analysis, recordkeeping and performance. These portfolio accounting services are also utilized by Anchor Capital's affiliated registered investment advisor, Anchor/Russell Capital Advisors LLC to handle similar client portfolio functions. A portion of fees used to pay for that system and generate various reports are paid for by brokerage commissions and the remainder is paid for by Anchor Capital. Anchor/Russell pays separately for the fees charged in connection with reports used by Anchor/Russell.

When Anchor Capital uses client brokerage commissions to obtain research or other services it receives a benefit because the firm does not have to pay or produce the research, products or services. As a result Anchor Capital may have an incentive to select or recommend a broker-dealer based on our interest in receiving research or other products or services rather than our clients' interest in receiving more favorable execution. Moreover, the fees paid by the brokerage

firm for Anchor Capital's software and support services may cause clients to pay commissions higher than those charged by other broker-dealers.

The products and services described above, including all investment research, are utilized in the management of most, and probably all, client accounts, not just those accounts whose commission dollars are used to acquire research products and services.

The procedures used to direct client transactions to particular brokers in return for products and research services received include regular review of commissions coupled with frequent review of the contributions various brokers are making. The review includes cost of average commissions, assessment of execution, trading, allocation and settlement.

Brokerage for Client Referrals

Anchor Capital may, from time to time, direct brokerage commissions to broker-dealers who refer clients to Anchor Capital. These commissions might be in lieu of or in addition to commissions or fees paid by the clients referred to Anchor Capital. Occasionally broker-dealers refer clients to Anchor Capital as "broker of preference." However, in some cases, Anchor Capital finds the referring broker unable to provide competitive execution (primarily in fixed income securities) and will execute the trades with a different broker-dealer. In these instances, Anchor Capital may direct some undirected broker-dealer commissions to the referring broker-dealer to compensate the broker-dealer for the lost trade. Anchor Capital's policy regarding commissions directed in either instance described herein is to execute trades at competitively prevailing commission rates. Nevertheless, Anchor Capital may have an incentive to recommend a broker-dealer based on our interest in receiving client referrals rather than in our clients' interest in receiving most favorable execution.

In the last fiscal year, Anchor Capital received no referrals from one or more broker-dealers through whom we also execute trades.

Directed Brokerage

Many of Anchor Capital's clients designate specific brokers as "broker of record" or "broker of preference," thereby directing some or all of their purchase and sale activity through that broker. In some cases the client uses the broker as custodian, in which case the portfolio manager is restricted to dealing with that specific brokerage firm and the portfolio manager may not determine the commission rates. In many cases the client negotiates a standard commission discount which is applied to all trades with the "directed" broker. In recent years an increasing number of clients have entered into arrangements with brokers whereby the broker receives a fixed percentage of assets ("wrap fee") and no commissions are charged for trades. In some instances, Anchor Capital may be paid its investment advisory fee from that fee. Usually Anchor Capital is not a participant in the negotiation between the broker and the client or prospective client, and Anchor Capital generally has little or no input to either party in that negotiation. Commissions paid by client accounts in these arrangements may be higher than those obtainable from other brokers, and fixed income securities sold or purchased for these client accounts may not be at the same prices obtainable in a competitive bidding ("best execution") situation.

Anchor Capital believes that clients who use a broker of record ("directed brokerage") are not generally able to take advantage of volume discounts which might be available to clients who do not specify any "broker of record" or "broker of preference".

Anchor Capital has and may, from time to time, invest client DMA accounts in securities being offered in Initial Public Offerings (IPO's) or Secondary Offerings. Generally, Anchor Capital has not invested in so-called "hot" IPO's. Allocation of shares purchased in IPO's or secondary offerings are made on the basis of suitability with specific client investment objectives, ability to trade client portfolio, size of transaction and other considerations.

When a security is to be traded across numerous portfolios, Anchor Capital will aggregate the trades to attempt to achieve a volume discount. However, some of Anchor Capital's clients (in the DMA Division) have elected to use a number of custodians (many of whom are broker/dealers) or "brokers of record." As such these clients may not be able to participate in the trade aggregation and therefore may not be able to achieve a volume discount. Anchor utilizes a Microsoft Excel Program which is programmed to randomly select among directed brokers for position in the order entry queue. This system is designed to insure that certain clients and brokers do not receive preferential treatment in executing trading programs. SMA uses a disciplined order entry rotation to insure that all program sponsors and their clients are treated fairly.

Item 13: Review of Accounts

Individual accounts are reviewed at least semi-annually by the responsible portfolio manager. The review will include but is not limited to account performance, asset allocation, and investment objectives. All accounts are continually monitored on a portfolio accounting system which provides comprehensive information concerning account performance, asset allocation and the progress of specific portfolio holdings.

In addition to a normal systematic review, a special examination may be triggered by unusual performance, contributions or withdrawals, sell decisions triggered by price performance, or buy decisions triggered by the Investment Committee or other special client needs.

Clients receive quarterly portfolio appraisals for their investment advisory accounts. Anchor Capital's quarterly appraisal contains a statement of holdings and net asset values. Each fourth quarter report will also contain gain/loss information and contribution and withdrawal activity. The reports are generated by Anchor Capital's portfolio accounting system. Clients may, by specific request, receive reports more frequently. All DMA clients are offered the opportunity to receive or not receive duplicate confirmations from the trade-executing broker, and many DMA clients do receive duplicate confirmations of all trades. We recommend that clients review their quarter end Anchor Capital statement against the separate statement provided by their custodian. Should they discover any inaccuracies or discrepancies in their account statement, we ask that they notify us immediately.

We also communicate informally (by telephone or email) and may meet with clients as per their request. Clients of the SMA Division receive reports (appraisals, trade confirmations and performance summaries) from the SMA Program Sponsors. Anchor Capital is neither the recordkeeper nor the reporting agent for the SMA Programs.

Item 14: Client Referrals and Other Compensation

A number of major national broker-dealer firms, banks and public accounting firms have entered into the business of providing their clients with investment management consulting services which includes performing intensive research on individual investment advisory firms and assisting clients in conducting "manager searches" and interviewing managers. Anchor Capital has been the subject of "due diligence" activities by a number of such consulting groups, and a substantial number of Anchor Capital's clients are referred by consultants or brokers affiliated with a variety of firms. Anchor Capital does not pay a fee to participate nor receives any compensation for participating in these searches. Anchor Capital does not believe there is any potential for a conflict of interest.

Our affiliate company, Anchor/Russell Capital Advisors LLC, has referred a number of client relationships to Anchor Capital who, in turn, shares a portion of the investment management fee (as an intercompany transaction) with Anchor/Russell.

Anchor Capital has also entered into agreements with various independent marketing representatives. The agreements provide for the representative to receive a portion of Anchor Capital's investment management fees if the representative is responsible for introducing the client to Anchor Capital. The fee paid to a representative varies depending on the agreement but in no instance does the fee arrangement increase the fee that the client pays. These agreements contain provisions to insure compliance with applicable provisions of the Investment Advisers Act of 1940 and subsequent amendments and specifically Rule 206(4)-3. Such agreement provides for full disclosure to the client of any fee sharing arrangements.

Item 15: Custody

Anchor Capital is deemed to be the custodian of client funds for a portion of accounts where; 1) Anchor Capital directly debits fees from client accounts; 2) an employee is a trustee; and 3) Anchor Capital has a related party who is the qualified custodian. All clients of Anchor Capital receive account statements from a third party custodian. Anchor Capital recommends that its clients carefully review those statements. Anchor Capital urges its clients to compare its quarterly account appraisals to the statements they receive from their qualified custodian.

Item 16: Investment Discretion

Anchor Capital accepts discretionary authority to manage securities accounts on behalf of its clients. Clients may place limitations on this authority. Examples include restrictions to own certain stocks and limitations on the percentage of cash held at any one time. In order for

Anchor Capital to assume discretionary authority both the client and the President of Anchor Capital must sign a contract that explains the discretionary authority and details the restrictions or limitations, if any.

Item 17: Voting Client Securities

Anchor Capital votes proxies on behalf of clients who have delegated us the authority. In accordance with SEC rule 206(4)-6 Anchor Capital adopted and implemented written policies and procedures to govern proxy voting.

The Chief Compliance Officer (CCO) and the Investment Policy Committee (IPC) are responsible for the Company's Proxy Voting Policies and Procedures. The CCO shall be responsible for appointing an officer of the Company to serve as the Chief Proxy Voting Officer (CPVO) and the CPVO may, in turn, designate a Proxy Voting Associate (PVA) to assist in implementation of the Proxy Voting Procedures. The CPVO is responsible for voting proxies solicited by companies and /or mutual fund sponsors (Registered Investment Companies) whose shares are held in the Company's clients' portfolios. The CPVO will decide how a Proxy will be voted.

The CPVO will review proxies solicited on behalf of the Company's clients and analyze each proposal in order to determine, with consultation if necessary with the IPC, how each proposal might effect and impact the financial and economic interests of the Company's clients, and vote so as to achieve the most favorable short and long term economic impact for the Company's clients.

The Company has contracted with *Broadridge Financial Solutions-Proxy Edge* to provide the Company with a proxy voting service. This electronic interface will enable the CPVO and PVA to execute proxy votes on behalf of client accounts. In addition, *Proxy Edge* has agreed to vote as instructed by the PVA paper proxies sent to it. The Company has implemented procedures to notify client transfer agents and other service providers that *Proxy Edge* is authorized to transmit voting instructions and to vote proxies as instructed by the Company.

The CPVO shall insure that he and the PVA and other associates as might be appropriate shall be trained on the use and administration of the *Proxy Edge* service. The CPVO shall further insure that the systems records and tracks proxy votes submitted on behalf of clients, and, where required or requested, the CPVO shall provide clients with documentation regarding proxies voted on their behalf. Complete records of proxy votes are maintained electronically through *Proxy Edge*.

The following is a summary of the how the Company generally votes on specific proposals. All proposals will be voted in the best economic interest of all of the Company's clients. All proxies from a specific issuer will be voted the same way for each client absent specific and agreed upon instructions from individual clients.

Proposals Concerning Governance

Vote in Favor Of:

- Election of Directors
- Appointment of Independent Auditors
- Separate Chairman and Chief Executive Officer
- Annual election of Directors
- Broad representation of independent/non-management Directors

Vote Against:

- Staggered board elections
- Super majority and cumulative voting
- Classification of board members
- Actions that reduce representation of shareholders

Proposals Concerning Ownership

Vote in Favor Of:

- Stock splits and share issuance involving non-material change in ownership
- Mergers and/or acquisitions that are in the best economic interest of clients
- Issuance of additional shares supported by sound economic reasons

Vote Against:

- Issuance of shares with unequal voting rights
- Different classifications of Common Stock
- Anti-takeover “poison pill” structures

Proposals Concerning Compensation

Vote in Favor Of:

- Realistic and relevant short and long term performance objectives
- Non-excessive and non-dilutive employee stock purchase plans
- Annual vote on non-binding Say on Pay

Vote Against:

- Replacing and/or re-pricing of underwater options
- Excessive and/or above peer group compensation for independent directors
- Issuance of excessive and dilutive stock options
- Issuance of options below current market price
- Compensation when Chairman and/or CEO is greater than 5X next highest executive
- Incentive payments for results below median of peers

Proposals Concerning Social, Political, Environmental Issues

All proposals concerning any social, political, and or environmental issues are voted on a case by case basis.

Should a conflict of interest arise, Anchor Capital will resolve the conflict with the view of the best interest of the investors. If Anchor Capital determines there is a material conflict of interest in connection with a proxy vote, Anchor will determine whether voting in accordance with the guidelines described above is in the best interest of the client. It will also determine whether it is appropriate to disclose the conflict to the affected client and provide the client the opportunity to vote the proxy themselves.

Clients may direct Anchor Capital's vote on one or more securities by submitting detailed instructions to the CCO. The CPVO keeps records on all client-specific instructions. Any client who has not delegated us the authority to vote proxies on their behalf will receive a company's proxy directly.

Anchor Capital's proxy voting policies and procedures and information on how we voted client securities are available upon request. Please submit requests in writing to:

Kathryn A. Kearney, Chief Compliance Officer
Anchor Capital Advisors LLC
One Post Office Square
Boston, MA 02109-2103

Item 18: Financial Information

Anchor Capital does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance.

Anchor Capital has no financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

Anchor Capital has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19: Business Continuity Plan

Anchor Capital has a business continuity plan and is prepared to implement it if necessary. Anchor Capital conducts an annual test of its business continuity plan.

APPENDIX 1: PRIVACY NOTICE

Anchor Capital has policies and procedures in place to safeguard the personal information of its current and former clients and their families, businesses or other entities. The Privacy policies were adopted to comply with SEC Federal Regulations S-P and S-AM and the Commonwealth of MA regulation 201 CMR 17:00. Below we explain how Anchor Capital collects, uses, retains, discloses and secures personal information about our clients.

Information We Gather

Since the mission of Anchor Capital is providing our customers with investment advice, we collect and store or archive detailed information about our clients. The types of information we collect include, but are not limited to, names, addresses, phone numbers, social security numbers of family members, detailed personal financial information including income, tax status and history, detailed net worth data, asset lists and valuations, insurance and estate planning documents, and a wealth of other personal and family data. This information is derived from the following sources:

- Client information forms, portfolio appraisals, financial account statements, gain/loss ledgers, income tax returns, personal financial records, financial planning documents, estate planning and personal checking/brokerage/bank/ retirement plan/stock option plan statements provided to us by you or your trusted advisors.
- Interviews with you and members of your family or management team, interviews or discussions with various trusted advisors including, but not limited to, your tax preparation professional, attorney, financial planner, insurance advisor, estate planning professional, broker or other trusted advisors.
- Information about transactions which we execute on your behalf.
- Information received from you, your family or your trusted advisors in written, telephonic or electronic form.

Our Customer Privacy Policy

Anchor Capital protects clients' personal information by maintaining physical, electronic and procedural safeguards that meet or exceed applicable law. We do not sell, share or divulge confidential information pertaining to our clients to any unaffiliated third party except as outlined in the three categories below. We do not share client information with affiliated entities for marketing purposes.

Disclosure of Information Required to Conduct Business on Your Behalf

In the normal course of conducting our business acting as a fiduciary on behalf of our clients, we must share or disclose some data about our clients to custodial organizations (who usually also possess detailed personal information about you as their client), brokerage firms who may be selected to execute transactions on behalf of our clients, clearing agent firms and law firms

pursuing shareholder class action lawsuits. All of these organizations have their own privacy and customer confidentiality obligations and policies, and many are subject to Regulations S-P and S-AM. It is important for you to understand that we would not be able to conduct business on your behalf without disclosing certain limited information regarding you and your account to these unaffiliated third parties.

Disclosure of Information with Your Consent

In the normal course of our business, company associates are frequently requested by clients to provide confidential client information including, but not limited to, gain/loss ledgers, portfolio appraisals, asset cost basis and market value data etc. to accountants, lawyers, financial planners/advisors or brokers. We are happy to comply with such client requests. However clients must provide written or electronic confirmation or authorization before the information can be released by Anchor Capital.

Disclosure of Information to Legally Empowered Regulatory Entities

Anchor Capital is subject to registration requirements with The Securities and Exchange Commission and state regulatory authorities for essentially all 50 states. Both Federal and State authorities are empowered to perform certain audit functions to ensure our companies comply with federal, state and local laws governing Registered Investment Advisory Firms. In the course of performing such audit functions, these regulatory authorities may request data and information regarding our clients. We will take all possible steps to ensure this information will be protected and not removed from our premises nor recorded in any form where it might become subject to public disclosure under applicable state and federal laws. We could also be required to provide information about you without your consent, as permitted by law, to respond to a subpoena or court order or in connection with proposed or actual sale, merger or transfer of ownership of our businesses.