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Emerging Markets Strategy Update

First Quarter, 2017

EMERGING MARKETS REVIEW

The MSCI Emerging Market Index ("the Index") gained +11.4% in US Dollar terms, outperforming the MSCI World Index return of +6.1%. In local currency terms, the Index returned +7.8% and a weaker US Dollar added +3.7% to returns. Most EM currencies held up relatively well in the face of the Federal Reserve's recent rate hike. An upswing in global economic data and lack of follow-through on protectionist trade policy rhetoric from the Trump Administration supported investors' appetite for Emerging Markets assets. EM Asia (+13.4%) outperformed, followed by Latin America (+12.1%) and EMEA (+2.7%). In a reversal from the fourth quarter, currencies that were more negatively impacted by the protectionist policies rebounded strongly, with the Mexican Peso and the Korean Won appreciating 10.0% and 8.7% respectively.

India (+17.1%) led the gains in Asia as Prime Minister Modi delivered a resounding victory in state elections, supporting investors' optimism towards India's on-going reform agenda. China posted a strong gain (+12.9%) as leading industrial indicators stabilized despite tightening monetary policy. Korea (+16.9%) and Taiwan (+11.9%) benefited from an acceleration of global trade and strong performance of the semiconductor sector. Philippines (+6.1%) was the regional underperformer; it was hurt by investors' concerns about President Duterte's policies. Poland (+17.8%) was the best performing country in the first quarter, supported by strong economic momentum. By contrast, Russia (-4.6%) was the worst performing country in line with waning energy prices. Turkey registered a robust rally (+10.8%) despite the Lira's weakness (-3.9%). Mexico (+16.0%) staged a strong rebound as investors' fears of US leaving NAFTA receded.

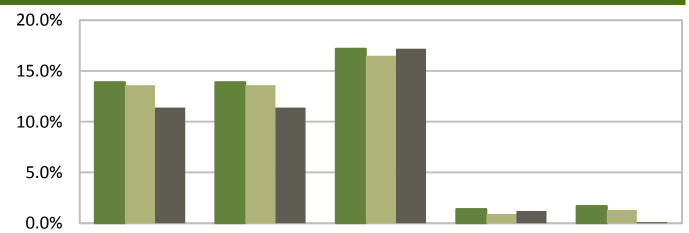
Information Technology (+12.3%) was the best performing sector driven by new product cycles and upgrade demands. Industrials (+9.9%) and Consumer Discretionary (+9.4%) also outperformed supported by brighter growth prospects. The Energy sector (+0.5%) was the worst performing sector as oil prices dropped due to a potential oversupply from rising US rig counts coupled with high oil inventories. Less economically-sensitive sectors, such as Consumer Staples (+3.3%), Healthcare (+2.3%), and Telecommunications (+5.2%), lagged the overall market.

PORTFOLIO REVIEW

The Boston Common Sustainable Emerging Markets Equity strategy returned +12.4% during the quarter, gross of fees, outperforming the Index. Stock selection in China was the primary driver of relative outperformance. Yingde Gas Group, a leading Chinese industrial gas supplier, surged +106.5% on takeover bids from its American rival as well as from private equity investors. Gas distributor ENN Energy (+36.9%) benefited from higher gas demand as the Chinese government has tightened environmental regulations to enforce coal-to-gas conversions. Property developer KWG (+27.9%) rallied after reporting strong financial results, while our e-commerce holdings Alibaba (+21.6%) and Ctrip (+21.6%) reversed course after their fourth quarter sell-off. Stock selection in South Africa and South Korea also contributed to relative results, with solid returns from Naspers (+16.3%) and Samsung Electronics (+23%). From a sector point of view, the Financials sector was a source of strength, led by Indian bank HDFC (+23.6%) and Itau Unibanco in Brazil (+18.3%).

Our stock selection in India was the primary detractor from performance. Indian pharmaceutical company Dr. Reddy's declined -11.7% due to heightened regulatory risk following negative FDA inspection results. Movie producer Eros International (-19.5%) was hurt by soft demand due to India's demonetization. Stock selection in Indonesia was also a drag. PT Kalbe Farma (+2.0%) and gas distributor Perusahaan Gas (-5.1%) were hurt by weaker profit prospects. From a sector perspective, key detractors included

PERFORMANCE



	QTD	YTD	1Yr	3Yr	Since Inception*
Gross	13.9%	13.9%	17.2%	1.4%	1.7%
Net	13.6%	13.6%	16.5%	0.9%	1.3%
MSCI EM	11.4%	11.4%	17.2%	1.2%	0.1%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
SAMSUNG ELECTRONICS CO	5.6%	23.0%	0.62%	Technology
YINGDE GASES GROUP CO	0.8%	106.5%	0.50%	Materials
ALIBABA GROUP HOLDINGS	4.5%	21.6%	0.41%	Technology
ENN ENERGY HOLDINGS	1.8%	36.9%	0.38%	Utilities
HDFC BANK	2.9%	23.6%	0.32%	Financials
KWG PROPERTY HOLDING	1.5%	27.9%	0.23%	Real Estate
ITAU UNIBANCO HLDG	3.2%	18.3%	0.20%	Financials
NASPERS	4.5%	16.3%	0.20%	Consumer Discretionary
PTT GLOBAL CHEMICAL	1.7%	24.1%	0.19%	Materials
CTRIP COM INTL	1.8%	21.6%	0.16%	Consumer Discretionary
			3.21%	

BOTTOM 10				
DR REDDYS LABS	2.0%	-11.7%	-0.48%	Healthcare
EROS INTL	1.0%	-19.5%	-0.33%	Consumer Discretionary
SBERBANK RUSSIA	1.8%	-0.2%	-0.20%	Financials
LG HOUSEHOLD & HEALTH CARE	1.9%	2.3%	-0.19%	Consumer Staples
PT KALBE FARMA	1.7%	2.0%	-0.17%	Healthcare
HENGAN INTL GROUP CO	1.7%	1.7%	-0.16%	Consumer Staples
BANK OF COMMUNICATIONS CO	2.0%	7.1%	-0.15%	Financials
PERUSAHAAN GAS	0.9%	-5.1%	-0.15%	Utilities
RAIA DROGASIL SA	1.3%	-1.6%	-0.14%	Consumer Staples
STANDARD BK GR	1.1%	-0.7%	-0.13%	Financials
			-2.10%	

*Since Inception: December 31, 2012

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Healthcare and Consumer Staples. LG Household & Healthcare (+2.3%) trailed the benchmark due to intensifying political tension between South Korea and China. Other notable detractors included Sberbank Russia (-0.2%), Brazilian drugstore operator Raia Drogasil (-1.6%) and Standard Bank (-0.7%) in South Africa.

PORTFOLIO ACTIVITY

Among our portfolio actions this quarter, we purchased Sociedad Quimica y Minera De Chile (SQM), a Chilean specialty chemical producer with leading global market share in lithium, iodine, and specialty plant nutrients. Lithium carbonate demand is expected to grow by double-digits in the next several years, driven by Electric Vehicle adoption while supply is relatively constrained. As a low cost producer with fully integrated logistics, SQM is well positioned to benefit from this secular end demand growth. We are optimistic about EV adoption outlook and view SQM as attractively valued given the strong earnings potential.

We also purchased Brazilian pharmaceutical company Hypermarcas this quarter. The Brazilian pharmaceutical industry remains resilient despite a challenging macro environment thanks to favorable demographic trends and increasing generics penetration. With a dominant position in the OTC market and a healthy balance sheet after recent portfolio divestures, Hypermarcas should be able to deliver above-market earnings growth driven by continued product innovation and channel penetration. In our opinion, its valuation of 11.7x EV/EBITDA looks compelling compared to global peers.

Another position initiated this quarter was Hungary's OTP Bank, which offers universal banking services to customers across the CEE region. Economic momentum in Hungary remains strong, supported by favorable foreign investment trends and a stable macro environment. We expect OTP's profitability outlook to improve as risk costs normalize and regulatory pressures ease. Given the solid earnings prospects, we see the recent price weakness as an attractive buying opportunity.

During the quarter, we sold Lenovo Group, a global PC and mobile phone manufacturer based in China. Despite its leading position, we have become increasingly skeptical of Lenovo's ability to turn around the handset business it acquired from Motorola as the smartphone market in China is becoming more mature and competitive. As Lenovo's share price rebounded we exited the position to deploy capital into other investment ideas.

ECONOMIC & MARKET OUTLOOK

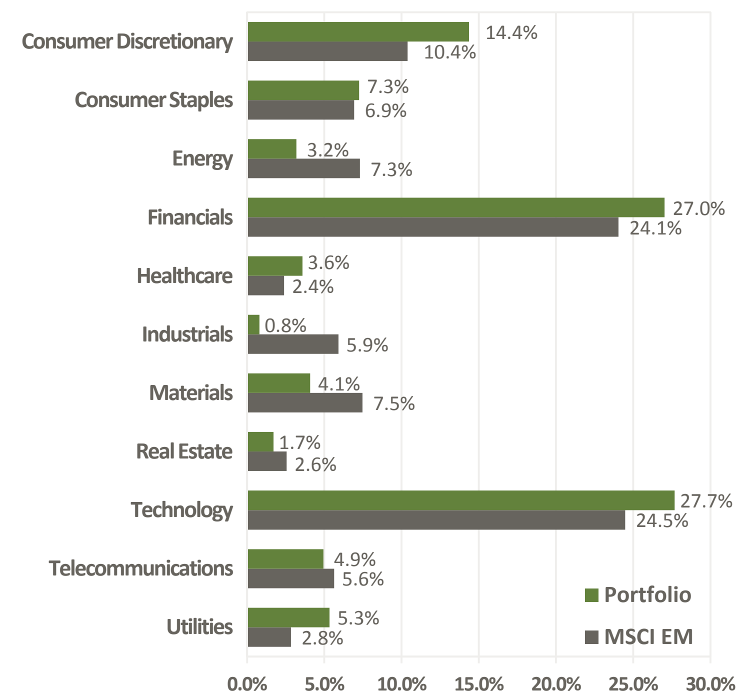
After five consecutive years of declines, corporate profitability in Emerging Markets has finally begun to recover. Stronger global economic growth and an acceleration of trade flows bode well for Emerging Market countries. Earnings growth is accelerating, and is projected to grow 20% in 2017.

Meanwhile, the near-term inflation outlook is relatively benign, allowing EM central banks to maintain accommodative monetary policies. In our view, further tightening by the Fed, a factor that weighed on EM over the past few years, should prove to be less disruptive. The MSCI EM Index is trading at 12.5x forward earnings, attractive particularly when compared with 16.9x for the MSCI World Index. We are mindful of the risk that protectionist policies or geopolitical instability could have on the positive fundamental momentum.

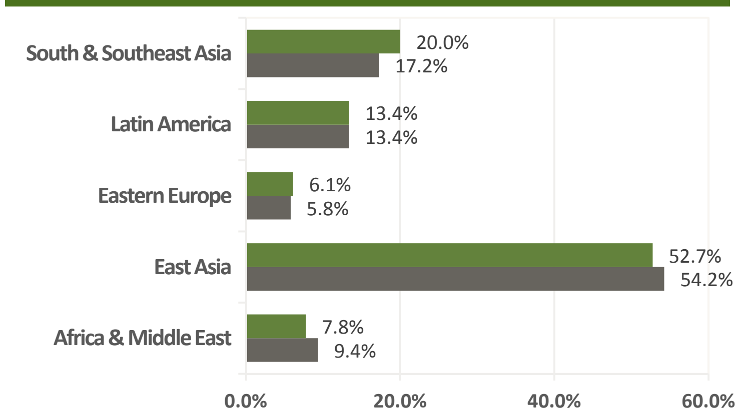
Asia

Incremental evidence points to a broad-based improvement in China's economic activities. This improvement has flowed through corporate earnings, as 80% of the companies that have reported financial results so far this year either beat or met forecasts. As a result, consensus earnings growth for 2017 has been revised up by 2%. At the same time, policymakers continue to work to

SECTOR ALLOCATION



SUB-REGIONAL ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	MSCI EM
# HOLDINGS	53	830
Valuation		
Next 12m Price to Earnings	14.8	12.0
Price to Book Value	2.2	1.6
Price to Sales	1.8	1.2
Dividend Yield	1.9%	2.6%
Growth		
5yr Sales Growth	4.7%	4.1%
5yr EPS Growth	4.4%	3.0%
Risk		
Wtd Avg Mkt Cap	60,684	64,317
LT Debt/Cap	23.9%	25.5%
Beta	1.10	1.00

rebalance the economy towards more sustainable growth drivers. Curtailment of excess capacity has been a focus for China's supply-side reform. In 2016, China cut capacity for steel and coal production by about 6%, exceeding government's targets. Infrastructure investment has been redirected towards environmental improvements; investment spending for pollution treatment and water management increased 40% and 20% respectively. We seek companies that should benefit from this trend and the portfolio has several holdings that provide environmental solutions.

As its economy stabilized, China's policy focus has subtly shifted from stimulating growth at all costs to reining in financial leverage. The central bank has raised its policy rate twice recently in an effort to discourage excess credit growth. We are mindful of the increasing leverage issues in China, but we believe investors should view this in the context of the high Chinese savings rate, which, in our opinion, makes an imminent financial crisis less likely. Looking forward, the progress of deleveraging and structural reforms, such as reducing excess capacity, is critical for China's outlook.

With a domestically oriented economy, India remains relatively insulated from the negative effects of potential trade wars and is projected to be the fastest growing of the large economies this year. Prime Minister Narendra Modi's BJP party easily won a state election viewed as a popular mandate for more pro-growth policies. Meanwhile demonetization did not have any meaningful negative impact on India's economy, as many have feared. Longer term, we expect demonetization to be a positive for India's economic development as it promotes the 'organized' economy at the expense of the informal economy.

Latin America

Brazil has been among the best performing EM markets, yet the economic recovery has been weak and growth forecasts have been revised downwards. On the bright side, Brazil is projected to return to slight growth in 2017 thanks to declining inflation, improved confidence, and a more accommodative monetary policy. However, private consumption, which accounts for 64% of Brazil's GDP growth, remains challenged as the unemployment rate continues to rise; it reached 13.2% in February, which was the highest reading in 15 years. Industrial activity is showing signs of recovery but high corporate indebtedness and idle capacity could constrain further improvement. The next important milestone on the political reform agenda is to change the pension system. Naturally, this is unpopular and faces much resistance. Investors' expectations are high and we are concerned that there is a risk that Congress only passes watered-down pension reform with the prospects of the 2018 election further complicating any meaningful outcome. We remain underweight Brazil until we see a better balance between risk and reward.

Mexico was targeted excessively during the US election campaign, yet the Trump Administration has toned down its rhetoric and is looking to make only modest changes to NAFTA as opposed to scrapping it entirely. With a more benign stance from its northern neighbor, the Mexican Peso has rebounded almost back to its pre-election level. In the meantime, consumer confidence has rebounded and manufacturing activities have shown strong momentum supported by external demand. While uncertainty remains, we expect further dialogue between the two governments to be less adversarial.

Europe, the Middle East, and Africa ("EMEA")

We expect growth in the EMEA region to accelerate as the economies in central Europe continue to benefit from improving economic growth prospects in the euro area and the inflow of EU-funded investments.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
LENOVO GROUP LTD	Technology	1.0%
TOTAL CLOSED		**1.0%**

NEW	SECTOR	% OF PORT.
HYPERMARCAS SA	Consumer Staples	1.0%
OTP BANK PLC	Financials	1.0%
SOCIEDAD QUIMICA MINERA DE CHI SPON ADR SER B	Materials	1.6%
TOTAL NEW		**3.5%**

SPOTLIGHT: BEIJING ENTERPRISES WATER

Description

Headquartered in Beijing, Beijing Enterprises Water Group (BEW) is an environmental solutions company whose main business is building and/or operating waste water treatment and seawater desalination facilities in China. BEW provides municipal water distribution and technical consulting services for others involved in waste water renovation projects. The company is developing additional business lines including environmental hygiene and is investing in the development of membrane technology. Almost 90% of revenues are from China where BEW has a national footprint with projects in over 20 provinces as well as operations in Malaysia and Portugal.

Integrated Investment Thesis

A leading provider of water treatment and environmental protection services, BEW is positioned to benefit from China's increased focus on pollution and water safety. A strong track record and financing capability give BEW a competitive edge in winning new wastewater treatment projects. BEW's profitability outlook is bright with water tariffs increasingly enhanced by the government, encouraging investment. China's water industry remains fragmented, with the top 20 players accounting for only 20% of market share, providing ample room for BEW to act as a consolidator. Trading at 13x earnings, the valuation is compelling considering the strong earnings growth prospects driven by underlying secular demands.

ESG Highlights

BEW is well-positioned to benefit from China's new environmental efforts to address the impact of urbanization. One such plan, the "Sponge Cities" initiative, directs cities to absorb or reuse 70% of rainfall.The company has adopted corporate governance practices in line with industry best practices, separating the role of Chairman and CEO and appointing two women to its 17 member Board of Directors. Still, only six of BEW's directors are independent, an area the company could further improve upon.

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At the same time, political uncertainty remains. On April 16, Turkey voted in favor of constitutional amendments that give President Erdogan executive control over the legislative and judicial branches of the government. Turkey has rallied 11% in the first quarter as investors expect less uncertainty after Mr. Erdogan consolidates his power. We have become more concerned about the potential damages the affirmative vote could impose on the institutional strength in Turkey. We see less attractive risk-reward after the strong rally and have shifted our exposure in this region towards Central and Eastern European countries such as Hungary.

To tighten his grip on power, South Africa President Jacob Zuma sacked 20 members of his cabinet including the finance minister Pravin Gordhan, who is well-regarded by investors for his prudent fiscal policies. The turmoil triggered a downgrade from a major rating agency, and the South African Rand tumbled 10% in a week after being the best-performing currency in the past year. Mr. Zuma now faces increasing pressure from his own ANC party to step down. We think the market has not fully priced in the heightened political uncertainties, yet the Party election later this year may create the possibility for a regime change. We have an underweight in South Africa but are closely monitoring the situation for any indication of investment opportunity.

Shareholder Engagement Highlights

Milestones	**Banks & Climate Change:** In 2016 we engaged 45 global banks on our 2015 bank report recommendations and assessed policy changes through a survey and active dialogue including **Barclays, Fifth Third Bank, JPMorgan Chase, HSBC Holdings, Mitsubishi UFJ, Orix, PNC Financial, SEB, Standard Chartered, TD Bank, and Unicredit**. In a newly released update report **"On Borrowed Time: Banks & Climate Change"**, we highlight that over 80% of the 28 banks assessed have made substantive policies changes including sector specific policies for coal financing and increased climate adaption financing but there remains a real gap in embedding climate risk management across the banking sector. In 2017, we are partnering with UK-based ShareAction to broaden the investor coalition and banks engaged
Work in Progress	**Eco-Efficiency:** In January we led our inaugural Eco Efficiency dialogue calls with **BMW** and **National Grid**. Working with Ceres we are encouraging BMW to **join the EP100** as BMW seems already on track to double its energy productivity by 2025. National Grid shared its findings that carbon efficient infrastructure construction projects also cost less to build. Next up, eco efficiency calls with **Air Liquide** and **Statoil**.
	Responsible Sourcing - Commodities/Minerals: Under the current deregulation focus, Boston Common was the lead investor to organize a 129 investor coalition with over $4.8 trillion in assets under management to call on the SEC to **continue comprehensive implementation of Section 1502 of the Dodd-Frank Act known as the Conflict Minerals Rule**. The law has catalyzed positive change in the region's mining sector, encouraged an effective response by U.S. companies to address material risk in their supply chains, and contributed to the economic development in the DRC. The investor coalition has reached out to the SEC staff and Commissioner to engage further.
New Initiatives	**Responsible Sourcing - Animal Welfare:** Factory farms are increasingly linked to a range of serious social and environmental consequences, from pollution to pandemics. Boston Common's Steven Heim wrote about drug-resistant superbugs in a recent Guardian article. We support the **Business Benchmark on Farm Animal Welfare,** which focuses not just on the environmental and social risks posed by this issue but also the opportunities for companies to benefit from improved reputation and product quality with responsible and advanced animal welfare practices. This quarter we reached out to **Casino Guichard** to better understand how the company is assessing animal welfare practices in its supply chain, and whether Casino's leader practices in France are informing their approach in Brazil and Columbia. Casino was the first supermarket chain in France to commit to sourcing cage-free eggs at the national level for all its brands by 2020. While Casino has programs in place to address animal welfare in their beef, dairy, poultry, pork and soy sourcing, they are undertaking a more comprehensive review in 2017 to prioritize next steps.

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