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U.S. Large-Cap Core Strategy Update

Third Quarter, 2016

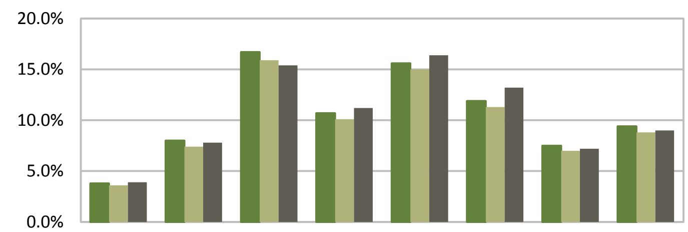
MARKET REVIEW

In the third quarter, the S&P 500 Index (the "Index") rose +3.9% with most of the gain occurring in early July. Investors' initial panic over the UK vote that set the country on a path to withdraw from the European Union ("Brexit") was assuaged by solid company earnings and continued good economic reports, especially continued signs of the revival of U.S. wage growth that is supporting solid consumer confidence. In August and September, with U.S. markets trading close to all-time highs, returns were relatively flat. There was a moment of volatility prior to the September U.S. Federal Reserve ("the Fed") meeting, but the Fed left rates unchanged. However, its commentary made clear that increases are coming, although at a more gradual pace than previously expected. The 10-year Treasury bond yield ended the quarter at 1.60%, still well below the 2.2% level a year ago.

Technology (+12.9%) was by far the strongest performing sector during the quarter with many companies providing double-digit returns after weak performances in the first half of the year. Valuations, confidence in earnings outlook, and investors seeking growth, not yield, helped to fuel this sector's returns. Financials (+4.6%), especially the regional banks and brokerage houses, rallied in anticipation of a steeper yield curve. Industrials (+4.2%) and Materials (+3.7%) performed in line with the market, responding well as economic worries receded. All other sectors lagged the Index. Investors took profits in the higher-yielding stocks of Real Estate (-1.6%), Consumer Staples (-2.6%), Telecom (-5.6%), and Utilities (-5.9%) reversing the strength from previous quarters. Consumer Discretionary (+3.0%), Energy (+2.3%), and Healthcare (+1.0%) had positive returns.

A year ago, concerns were mounting about China's growth, falling commodity prices, and a debt crisis in the oil patch. In addition, the Fed had indicated it would raise interest rates, prompting investors to worry that a stronger Dollar would be a deflationary force in the economy and depress U.S. multinational company profits as well. The slow, steady pace of economic growth in the U.S., improving global growth conditions, and continued monetary support over the last year have led U.S. markets to all-time highs, with an S&P 500 index return of almost 8% thus far in 2016 and 15% over the last 12 months!

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	3.8%	8.0%	16.7%	10.7%	15.6%	11.9%	7.5%	9.4%
Net	3.6%	7.4%	15.9%	10.1%	15.0%	11.3%	7.0%	8.8%
S&P 500	3.9%	7.8%	15.4%	11.2%	16.4%	13.2%	7.2%	9.0%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
APPLE INC	4.4%	18.6%	0.59%	Technology
BIOGEN INC	1.8%	29.6%	0.44%	Healthcare
FLEETMATICS GROUP PLC	0.5%	38.4%	0.34%	Technology
MORGAN STANLEY	1.8%	24.2%	0.33%	Financials
MICROSOFT CORP	3.4%	13.3%	0.29%	Technology
ALPHABET INC	3.1%	12.3%	0.24%	Technology
EOG RES INC	1.6%	16.2%	0.19%	Energy
FIFTH THIRD BANCORP	1.5%	17.0%	0.19%	Financials
PRICELINE GROUP, INC	1.2%	17.9%	0.16%	Consumer Discretionary
JONES LANG LASALLE INC	1.4%	14.9%	0.15%	Real Estate
			2.91%	

BOTTOM 10				
BRISTOL MYERS SQUIBB CO	1.1%	-26.8%	-0.37%	Healthcare
VERIZON COMMUNICATIONS INC	3.0%	-6.0%	-0.30%	Telecommunications
COGNIZANT TECHNOLOGY	1.3%	-16.7%	-0.29%	Technology
LOWE'S COS INC	2.2%	-8.4%	-0.27%	Consumer Discretionary
FIRST SOLAR INC	1.0%	-18.5%	-0.23%	Technology
CROWN CASTLE INTL CORP	2.0%	-6.7%	-0.21%	Real Estate
GILEAD SCIENCES INC	2.0%	-4.6%	-0.17%	Healthcare
CVS HEALTH CORP	1.5%	-6.6%	-0.16%	Consumer Staples
JOHNSON & JOHNSON	2.8%	-2.0%	-0.16%	Healthcare
DISNEY WALT CO	1.9%	-4.4%	-0.16%	Consumer Discretionary
			-2.32%	

PORTFOLIO REVIEW

Boston Common's U.S. Large-Cap Core (tax-exempt) composite of accounts has kept pace with the S&P 500 this quarter and outpaced the strong, absolute market returns of the last twelve months, net of fees. Stock and sector selection continued to drive our relative performance despite the growing belief that the current market environment is challenging for active, long-term oriented managers.

For the third quarter, our stock selection in the Energy and Financials sectors added value. Although we remain underweight in Energy, most of our holdings, like exploration and production company EOG Resources, fared well, as crude and gas prices moved back towards recent highs. In Financials, regional banks like Fifth Third Bancorp, rallied along with other lenders. While Healthcare and Consumer Staples sectors lagged the Index, stock selection again provided positive relative returns. Biotech holding Biogen recovered after reporting solid earnings results and demonstrating the appeal of its

*Since Inception: December 31, 2002

R&D capabilities. Global consumer products giant Procter & Gamble rallied as signs of restructuring finally appear to be taking hold. In the Tech sector, Apple, Microsoft, and Alphabet were among the top ten strongest performers rebounding from the prior quarter's weakness. During the quarter, we had two companies benefit from takeover announcements: Fleetmatics and Spectra Energy Corp.

The Technology sector was the major detractor from relative performance. In aggregate, our holdings did not keep up with overall sector strength, while specific holdings, like solar panel energy company First Solar and information outsourcing company Cognizant Technology, were among the portfolio's worst performing stocks. Stock selection negatively impacted relative performance in Consumer Discretionary and Industrials. In the former, housing retailer Lowe's and media and entertainment company Disney were among the portfolio's weakest performers. In the latter, a strong rebound in cyclically based companies outperformed our less capital-intensive holdings. In a reversal of previous quarters, companies considered more defensive in nature and those with high yields were among the poor performers, including telecom provider Verizon, REIT operator Crown Castle International, and pharma and consumer products company Johnson & Johnson. Pharmaceutical company Bristol Myers Squibb was the worst performing holding, as investors reacted negatively to disappointing drug trial news.

ECONOMIC OUTLOOK

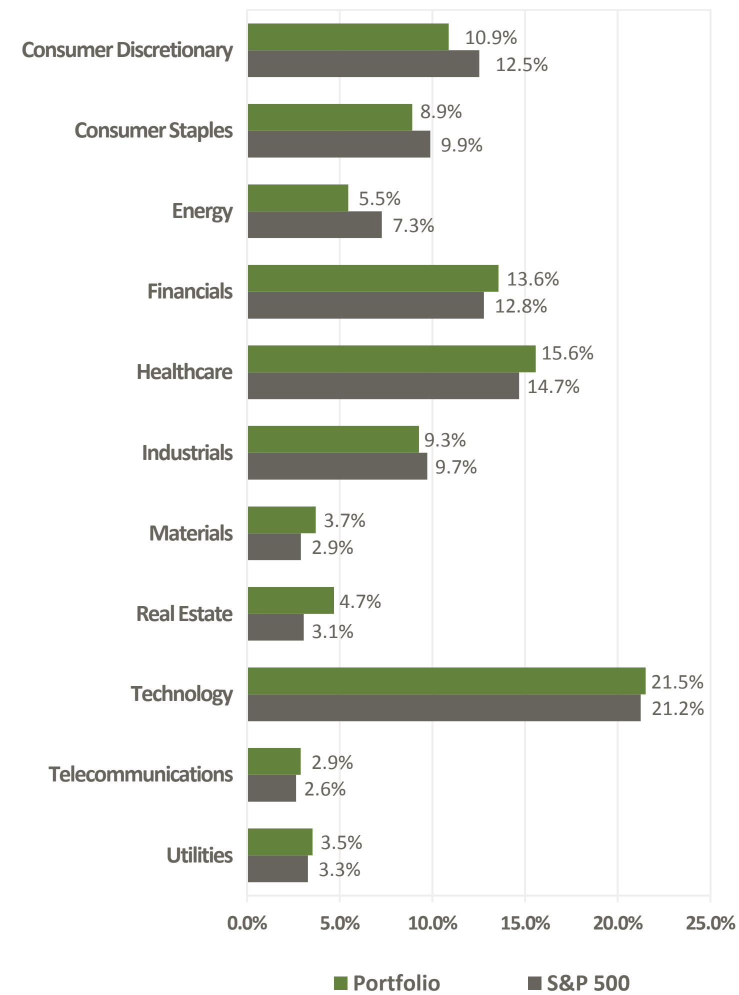
The U.S. economy looks set for another year of muted but steady growth. Consumer confidence continues to rise to post recession highs, fueled by higher employment, wage gains, and strong household balance sheets. Unemployment is holding steady at just under 5% even as the participation rate has started to increase. Households' net worth has been bolstered by a higher savings rate, strong equity market, and appreciated housing prices. Household formation, which had collapsed after the Financial Crisis, has recovered nicely off the bottom, and looks set to grow steadily. Combined, this has created a "wealth effect" supporting consumer spending on autos, housing, and services and gives us confidence that the economy can continue to grow at a slow and steady pace for an extended period of time.

On the other hand, even as corporate profits remain near all-time highs, companies are holding back on capital spending with private non-residential fixed investment actually declining slightly in the most recent month. A longer-term trend is declining capital intensity, as services and software become greater parts to the mix. Still, the tepid recovery following the Financial Crisis has made corporate managements risk averse, and they have opted to use profits and low-cost debt for equity buybacks rather than capital spending. One outcome from the current election cycle is that infrastructure spending looks likely to be a focus of the next Administration. This may spur manufacturing sector investments.

The World Trade Organization recently cut its forecast for world trade growth in 2016 to 1.7%. This is the first time in fifteen years that global trade is likely to grow at a rate slower than the global economy. Trade has expanded at twice the rate of global GDP growth since the 1990s. Domestic demand could become a more important driver for economic growth in the years to come.

Global growth remains anemic and major central banks and governments continue to act in creative ways to ignite demand and to counteract

SECTOR ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	S&P 500
# HOLDINGS	69	500
Valuation		
Next 12m Price to Earnings	17.0	16.6
Price to Book Value	3.1	2.8
Price to Sales	2.6	1.9
Dividend Yield	1.8%	2.1%
Growth		
5yr Sales Growth	5.6%	1.9%
5yr EPS Growth	11.1%	3.8%
Risk		
Wtd Avg Mkt Cap	135,380	146,810
LT Debt/Cap	37.2%	43.0%
Beta	1.01	1.00

deflationary pressures. However, the U.S. is much further along in its recovery, and we expect the Fed to increase interest rates later this year. Strong employment and early signs of inflation in the U.S. have made it possible for the Fed to take this next step. Wages have started to move up, and oil prices are higher. At the same time, global uncertainty is likely to keep further interest rate increases modest.

Higher inflation would normally cause the yield curve to steepen, as yields on long-term bonds rise to reflect inflation expectations. But in the current environment, there is a growing consensus that long-term interest rates in the U.S. will remain "lower for longer." In previous quarters, we have commented on the global flow of investment capital into the U.S. bond market in search of higher yields, as sovereign yields have fallen dramatically in Germany and Japan. The U.S. Dollar, which has been in a narrow range for some time, could also rise in this environment, and that would be a headwind for trade and corporate profits.

U.S. equity markets have continued to rise for several years, despite brief periods of volatility in response to headline risks from global developments such as Greece, China's slowdown, and Brexit. As investors look for growth or for yield in the current market, they are having to pay more for each asset class, which decreases the potential long-term returns from their investments. There is potential for political risk from the current U.S. election cycle as well. We take comfort from the presence of engaged central banks that can act to moderate the fallout from extreme economic slowdown or major political risk. For the time being, we believe current market valuations appropriately reflect moderate return expectations that can result from the ongoing low-interest-rate environment and steady economic growth.

PORTFOLIO STRATEGY

Over the past quarter, portfolio activity was modest and largely reflected incremental moves to trim positions that had performed well on an absolute or relative basis. We redeployed funds opportunistically to holdings where we see greater return potential. We continue with a “barbell” approach to our portfolios, balancing stability and growth in the types of high-quality companies we hold. The “art” of portfolio management entails considering the near-term concerns with longer-term trends. The “discipline” of portfolio construction focuses on both stock selection and sector allocation. On one side, we hold companies with strong cash flows that can grow dividends over time; these names provide stability in times of market volatility. At the same time, we have been adding companies with strong market positions that can benefit from the favorable industry developments we anticipate.

We sold out of LinkedIn and Fleetmatics; both companies are targeted to be acquired prior to year-end, and we purchased several new holdings. In Consumer Discretionary and Technology we added two positions that address important trends in health and wellness, Chipotle and Fitbit. Both companies have solid consumer franchises but are discounting near-term issues that have depressed their respective stock prices. Chipotle still has a long runway for expansion opportunities. We expect consumer traffic to return as the company successfully communicates progress in addressing specific food safety issues with its loyal customer base. Fitbit is synonymous with fitness wearables. While there are many competing products, we believe Fitbit covers the entry-level market. In addition, it has successfully developed an ecosystem that maintains personal history

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
FLEETMATICS GROUP PLC COM	Technology	1.0%
LINKEDIN CORP COM CL A	Technology	2.0%
TOTAL CLOSED		**3.0%**

NEW	SECTOR	% OF PORT.
CHIPOTLE MEXICAN GRILL INC COM	Consumer Discretionary	0.7%
FITBIT INC CL A	Technology	0.5%
PPG INDUSTRIES INC	Materials	0.7%
UNITEDHEALTH GROUP INC COM	Healthcare	1.0%
TOTAL NEW		**2.8%**

COMPANY SPOTLIGHT: IFF

Description

International Flavors & Fragrance (IFF) creates ingredients that enhance the flavors and fragrances of many consumer products and is well-positioned to help meet the growing consumer demand for natural products. As a global supplier, with globally based household products, personal care & cosmetics, and food customers, just 20% of IFF’s revenues is derived in the U.S. Fifty percent of revenues comes from emerging markets. The fragrance business accounts for slightly more than half of sales while flavors comprise the balance. It is notable that a third of IFF’s directors and executive management are women. The company is located in New York City.

Integrated Investment Thesis

As one of the four top players in the concentrated Fragrance & Flavors industry, we believe IFF can grow sales 4-6%, above the industry average. Favorable trends towards Health & Wellness fits with IFF’s diverse supply chain where 50% of materials are naturally derived botanical products. The other 50% of IFF’s inputs are synthetics and chemicals. IFF is a leader amongst its peers in chemical safety, as it has formally adopted the Principles of Green Chemistry as a part of its R&D, product design and manufacturing processes. For IFF’s increasingly consolidated customer base, these ingredients pose a relatively small cost to the overall product but are crucial to the quality and to end-consumer experience. IFF’s heavy focus on R&D creates high barriers to entry and builds long-term relationships with customers. With global scale, IFF has been able to improve margins over time. Tuck-in acquisitions have also helped to round out both product offering and expertise. We continue to like IFF for its strong cash flow and its high return on invested capital relative to its peers.

ESG Highlights

In 2013, IFF created a Green Chemistry Product Evaluation Tool to evaluate its ingredients according to the 12 Principles of Green Chemistry. IFF has assessed the biodegradability of more than 1,000 fragrance ingredients, and has certified half of its manufacturing sites to the ISO 14001 environmental management standard. IFF has adopted a vendor code of conduct and conducts third party audits of major suppliers.

and engages friends and family, keeping the consumer loyal. We believe that the current stock price already discounts uncertainty about the success of recent new upgraded products.

In general, we maintained our sector exposure and continue to focus on consumer consumption across various industries, with exposure to housing, travel, and technology. In healthcare, we diversified our exposure to include the services sector with the purchase of United Healthcare. UNH is the largest diversified provider of managed health care in the United States, managing over $165 billion in aggregate health care spending. UNH has dominant scale as an insurance payer (in commercial, Medicare, and Medicaid markets) and a large presence in services (PBM, care management, IT). Historically, UNH has demonstrated the ability to deliver bottom line results organically, through acquisitions and buying back stock. We expect this to continue, and despite its size, UNH is expected to deliver 13-17% EPS growth, which supports its current 17x multiple.

During the quarter, a new sector, Real Estate, was added to the Index, carving out Real Estate Investment Trusts (REITs) and other related companies from the Financials sector. We are overweight this new sector (4.5% to the Index's 3.1%), owning Crown Castle International (cell towers), Simon Property Group (Class A retail malls), and Jones Lang LaSalle (global real estate management). REITs have been solid performers over the last few years as investors have been attracted by the high dividends. We continue to see long-term appeal in the REIT segment as under lying growth is fueled by expansion and rent increases and their structure returns cash flow to investors.

In an environment where interest rates are likely to remain low(er) for a substantially longer period of time than initially anticipated, we expect equities to provide greater total returns and continue with a tactical overweight to stocks versus bonds in balanced portfolios.

Shareholder Engagement Highlights

Milestones	**Corporate Lobbying:** Boston Common's lobbying disclosure resolution received a 34.6% in favor - one of 50 resolutions filed during the 2016 proxy season with **Oracle** and **Verizon Communications**, encouraging **increased disclosure on their lobbying practices**. We voted in favor of 26 shareholder proposals focused on political and lobbying disclosure during the 2016 proxy season. Lauren Compere co-authored an International Corporate Governance Network (ICGN) Viewpoint "Corporate Lobbying Practices in the U.S."
Work in Progress	**Eco-Efficiency: 3M's** new 2025 Sustainability Goals address further reductions in energy, water, waste, and GHG emissions and it has made substantial reductions since 2005. 3M's 40-year old Pollution Prevention Pays program has prevented over 2.1 million tons of pollutants and saved 3M nearly $2 billion. **Panasonic's** Green Plan 2018 focuses on CO2 reduction, resources recycling, water, chemical substances, and biodiversity. Panasonic has extensive initiatives to promote Eco-conscious Products and Factories. Panasonic's Green Factories initiative directs each factory to reduce its environmental impacts plus share best practices worldwide. **Origin** said it was the first energy company to adopt all 7 climate change commitments of the We Mean Business coalition. Origin Energy said its business, and its products and services, are centrally positioned around delivering more energy for less carbon. Origin aims to be the renewable and low carbon energy leader for Australia.
	Banks and Climate Change: Boston Common will issue an update to **"Are Banks Prepared for Climate Change?"** during the fourth quarter to highlight progress made in 2016 post COP21 across the **45 global banks** covered in the initial report.
New Initiatives	**Food Waste and Sustainable Protein:** We joined other investors in withdrawing the **food waste proposal** filed at **Costco** after the company discussed its current efforts, including leadership in California, and its commitment to include food waste in its next Sustainability Report. We encouraged Costco to adopt specific metrics and report on its progress, including aggregate, company-wide data on the quantity and final destination (i.e. donations, animal feed, industrial uses, compost, or landfill). We also joined an initiative organized by ShareAction and FAIRR with 35 investors and more than USD $1.25 trillion AUM to engage 16 food manufacturers and retailers, including **Mondelez** and **Unilever**, on the **development of sustainable protein supply chains** in supermarkets, food retailers, and multinational food manufacturers.