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International Catholic Strategy Update

Third Quarter, 2017

international market review

The MSCI EAFE Index (the "Index") returned +5.4% in US Dollar terms in the third quarter. In local currency terms, the Index gained +3.4% and a weaker US Dollar added 2% to US investors' returns. An improving economic outlook in Europe and policy uncertainty in the US helped the Euro (+3.6%) and UK Pound (+3.3%) to strengthen relative to the Dollar.

The Eurozone reported 2.3% economic growth in the second quarter, its fastest pace in five years, with manufacturing surveys indicating continued robust expansion. Investors were encouraged by labor reform in France that could help boost the long-term outlook for the Eurozone's second-largest country. Inflation remained subdued despite healthy economic growth and tight labor markets, and the European Central Bank (ECB) maintained its stimulative monetary policy. Japan reported its sixth consecutive quarter of real Gross Domestic Product (GDP) expansion, its longest in eleven years. The healthier economic climate helped Emerging Markets (+7.9%) lead global markets higher this quarter.

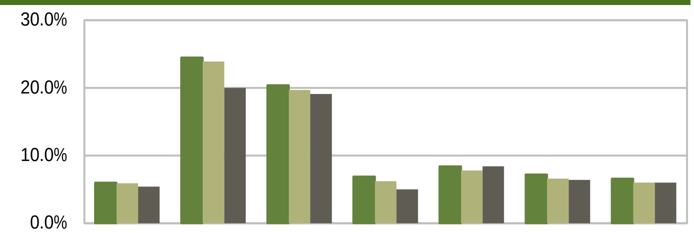
Energy (+13.4%) was the best performing sector in the Index as production cuts helped oil prices rise approximately 20%. The Materials sector (+11.0%) posted strong gains, lifted by higher metals prices, and the Technology (+8.6%) sector also outperformed. Less economically sensitive sectors lagged the Index: Health Care (+0.7%), Consumer Staples (+0.8%), and Telecommunications (+1.7%).

Norway (+19.2%) was the best performing market, buoyed by energy exposure. Improving economic conditions helped Eurozone markets outperform; Italy (+13.7%), the Netherlands (+9.3%), and France (+8.4%) outpaced the Index. Israel (-12.7%) was dragged down by Teva Pharmaceuticals and was the worst performing EAFE country. New Zealand (-0.1%), Switzerland (+2.0%), and Singapore (+3.1%) also underperformed.

portfolio review

A composite of accounts invested in the Boston Common International Catholic Strategy returned +6.0% before fees, outperforming the Index. Stock selection in the Materials and Technology sectors was the largest positive contributor to performance. Regulatory mandates, consumer preferences, and corporate strategies boosted expectations for electric vehicle (EV) penetration and holdings in the EV supply chain rallied: Chilean lithium producer Sociedad Quimica y Minera de Chile (+70.1%) and Belgian cathode manufacturer and metal recycler Umicore (+20.0%). Dutch semiconductor equipment manufacturer ASML (+30.9%) and Japanese sensor developer Keyence (+21.0%) benefited from strong industrial demand, while Alibaba (+22.6%) reported rapid expansion in the Chinese ecommerce market. An improving fundamental outlook helped Danish industrial enzyme company Novozymes (+17.4%), also in the Materials sector. Our underweight of the Healthcare and Consumer Staples sector contributed to returns as these sectors lagged this quarter. From a regional perspective, Emerging Markets holdings helped portfolio performance, including South African media company Naspers (+11.5%) and Taiwan Semiconductor (+7.4%). Spanish energy producer Repsol (+20.4%), Dutch healthcare equipment manufacturer Philips (+16.4%), and Swiss bank Julius Baer (+12.4%) were additional key contributors . Stock selection in the Consumer Discretionary sector was the largest detractor from performance. German media company ProSiebenSat.1 (-18.4%) suffered from declining TV advertising revenue. Disappointing earnings reports weighed on Japanese holdings Shimano (-15.9%), a bike parts manufacturer, and Rakuten (-7.4%), an ecommerce company. In the Industrials sector, Spanish wind turbine manufacturer Siemens Gamesa Renewable Energy (-38.5%) announced challenging conditions in key end-markets. The banking industry was also a detractor as Barclays, Standard Chartered, MUFG, and Bank Rakyat declined modestly. Weak performance in the UK was partially caused by our underweight of commodity stocks.

performance



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	Since Inception*
Gross	6.0%	24.5%	20.4%	6.9%	8.4%	7.2%	6.6%
Net	5.9%	23.9%	19.7%	6.2%	7.8%	6.6%	6.0%
MSCI EAFE	5.4%	20.0%	19.1%	5.0%	8.4%	6.4%	6.0%

contributors & detractors

top 10	% of capital	return	relative contrib.	sector
SOCIEDAD QUIMICA MINERA	1.9%	70.1%	0.93%	Materials
ASML HOLDING	1.6%	30.9%	0.36%	Technology
ALIBABA GROUP HOLDINGS	1.5%	22.6%	0.27%	Technology
NOVOZYMES A/S	2.1%	17.4%	0.25%	Materials
RENESAS ELECTRONICS CORP	1.1%	25.0%	0.20%	Technology
REPSOL SA	1.3%	20.4%	0.19%	Energy
KEYENCE CORP	1.2%	21.0%	0.18%	Technology
JULIUS BAER GRUPPE	2.4%	12.4%	0.18%	Financials
STATOIL ASA	1.1%	22.2%	0.18%	Energy
UMICORE	1.1%	20.0%	0.16%	Materials
			2.90%	

bottom 10				
SIEMENS GAMESA RNWBL EN	0.8%	-38.5%	-0.44%	Industrials
SHIMANO INC	1.8%	-15.9%	-0.40%	Consumer Discretionary
PROSIEBENSAT 1 MEDIA	1.4%	-18.4%	-0.36%	Consumer Discretionary
RAKUTEN INC	1.3%	-7.4%	-0.16%	Consumer Discretionary
COWAY CO LTD	1.0%	-9.2%	-0.14%	Consumer Discretionary
HENKEL AG&CO.	2.4%	-1.0%	-0.13%	Consumer Staples
MELIA HOTELS INTERNATIONAL	1.6%	-2.2%	-0.11%	Consumer Discretionary
HANG LUNG PROPERTIES LTD	1.2%	-4.1%	-0.11%	Real Estate
MITSUBISHI UFJ FINANCIAL	1.4%	-2.2%	-0.11%	Financials
SINGAPORE TELECOMM	1.8%	-1.4%	-0.10%	Telecommunications
			-2.05%	

*Since Inception: March 31, 2010

International Catholic Strategy Update

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Additional detractors included Spanish hotel operator Melia Hotels International (-2.2%) and German personal care company Henkel (-1.0%).

portfolio activity

During the quarter, we purchased Swedish industrial Assa Abloy, the largest global provider of mechanical and electro-mechanical locks and systems. The company has historically been well managed; it has successfully integrated acquisitions and consistently expanded profitability, while surpassing its peers in terms of greenhouse gas emissions reduction and labor relations. Assa Abloy should benefit from a secular trend towards digital entrance systems for commercial customers and a recovery in construction and renovation projects in Europe. We also added to Japanese holdings Daikin and NTT DoComo, Japan's largest telecommunications company. Air conditioning manufacturer Daikin's valuation (10.5x EBITDA) looks attractive for a global leader benefiting from demand for more energy efficient air conditioning in developed and emerging markets.

We sold Gjensidige Forsikring as underwriting results have likely peaked, causing headwinds for earnings, yet valuation looks expensive. In addition, we closed our position in Sunrise Communications, since the stock appeared expensive given fundamentals consistent with other Telecom companies.

economic & market outlook

The world's 20 largest economies are all expected to display solid growth over the next year, creating the conditions for a synchronized global expansion. Europe is experiencing a broad-based recovery and key elections this year have brought political stability. Japan is also enjoying a pick-up in GDP growth and looks set to maintain steady leadership. In both places, inflation is quite low and central banks remain accommodating, helping to form a favorable fundamental backdrop. With aggregate earnings projected to grow 7% and a dividend yield over 2%, international equities, trading at a price-to-earnings ratio of 14.8x, could deliver mid-to-high single-digit returns over the next few years. Key risks include geopolitical shocks, backsliding on European integration, protectionism, and long-term demographic headwinds.

Based on our constructive outlook, we have more exposure to cyclical sectors compared to the Index. End-market themes within these areas include proliferating semiconductor content, energy efficient products, green chemicals, the electric vehicle supply chain, and the rising middle class in emerging markets. Efficiency improvements and shifts in transport should suppress oil demand, and thus we remain cautious on Energy stocks.

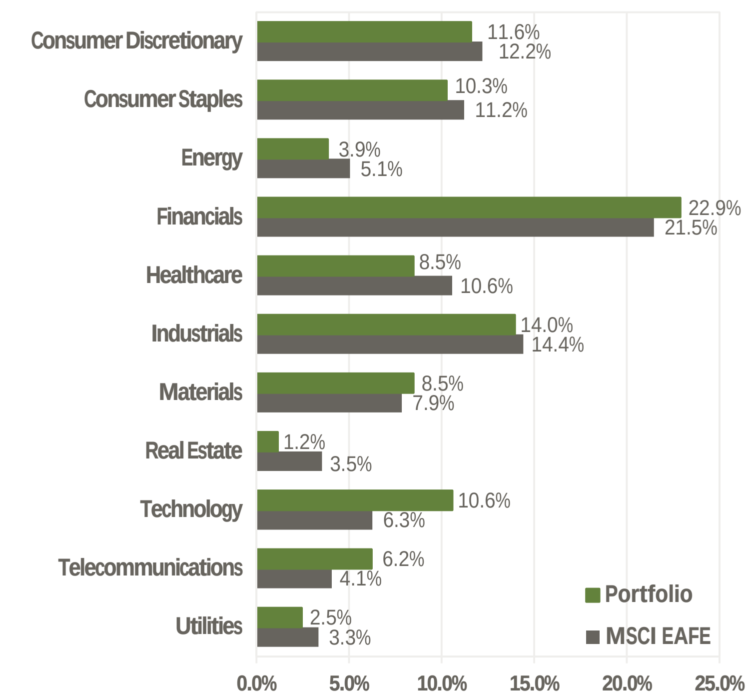
Europe

Economic optimism abounds in the Eurozone; manufacturers' surveys are near a 10-year high and consumers are more confident than at any time since 2001. European corporations are projected to grow earnings about 10% in 2017 and 2018. Despite rising demand and tightening labor markets, inflation looks likely to remain subdued and the European Central Bank has patiently maintained supportive policies. Positive developments in France provided a catalyst for the sharp upturn in European prospects.

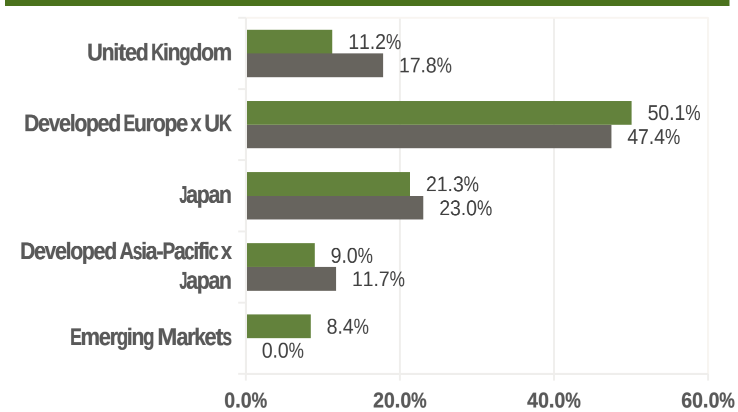
Historically, France has been derided for its stagnant economy, exemplified by the joke: "there is no French word for entrepreneur." In reality, the French economy has grown faster than some boom-and-bust European economies. Productivity has surpassed big neighbors including the UK, as French workers log fewer hours but manage to produce more output per hour. France's long-term strengths include its high ranks in education and infrastructure as well as its demographic profile. Based on its relatively high fertility rate, the French population is growing faster than most of Europe.

France has long endured an inefficient labor market as stringent regulations (including 12 to 24 months of required severance in many cases), persuaded

sector allocation



regional allocation



portfolio characteristics

	boston common	msci eafe
# holdings	67	926
Valuation		
Next 12m Price to Earnings	16.6	14.8
Price to Book Value	2.4	1.7
Price to Sales	1.8	1.2
Dividend Yield	2.2%	3.0%
Growth		
5yr Sales Growth	1.1%	0.0%
5yr EPS Growth	9.2%	2.9%
Risk		
Wtd Avg Mkt Cap	46,948	63,079
LT Debt/Cap	31.2%	35.1%
Beta	1.02	1.00

employers to increasingly hire temporary staff. The system has led to structurally high French unemployment, currently 9.5%, which is above the Eurozone's average and more than double the rate in Germany and in the UK. In September, President Emmanuel Macron signed a new law that will provide businesses more flexibility to negotiate labor contracts and lower the costs of employee dismissals. Importantly, France's large unions were regularly consulted during the legislative process, and two of the three largest unions implicitly supported the changes. The inclusive nature of the reform is reminiscent of Germany's labor reforms of the early 2000s, which have been credited for laying the groundwork for the country's strong economic performance over the past 15 years.

Political uncertainty has been a headwind for the European market over the past seven years. In Germany's recent national elections, Angela Merkel's center-right parties won the largest share of the vote, but the populist, Eurosceptic AfD party won 13% of the vote, sufficient to enter parliament for the first time. Catalonia's contested vote in favor of independence from Spain is a new issue to watch since the region has a population larger than Ireland and contributes about one quarter of Spanish GDP. As the UK has demonstrated, voting for separation is far easier than negotiating a divorce settlement. Brexit negotiations cloud Britain's economic future and our portfolios are underweight the UK. Continental Europe's profit rebound and valuation look compelling and we are overweight the region. Our European exposure is focused on businesses levered to the improving economic cycle, environmental solutions providers, as well as companies with sustainable corporate practices.

Japan

Japan's economy has been experiencing solid growth and full employment without wage pressure. Business sentiment recently reached a ten-year high and the unemployment rate is 2.8%. An aging workforce, a structural shift to lower-paid temporary and female workers, and ingrained expectations of stable prices have kept wages flat over the past 20 years. Stagnant income depresses aggregate demand and prevents firms from raising prices, a driving factor keeping inflation far below the Bank of Japan's (BOJ) 2.0% target. As a result, the BOJ will likely keep purchasing financial assets, a practice known as quantitative easing. The BOJ's balance sheet is already larger than that of the US Federal Reserve, despite the fact that Japan's economy is less than one third its size. As Japan's expansionary monetary policy continues to diverge from other developed countries now moving towards normalization, we expect the Yen will weaken and aid the country's export-led growth efforts.

Since adopting the Stewardship Code in 2014, Japan has worked to update its antiquated corporate governance practices. While Japanese board independence and diversity still substantially lag Europe's, significant progress has been made: the share of Japanese companies with two or more independent directors increased from 18% to 78% over this four-year period. Prime Minister Abe has called for a general election on October 22nd that will likely give him a new four-year term. A fresh mandate for his set of aggressive, pro-growth policies could help build on the current momentum in Japan. We are encouraged by the BOJ's efforts to revive inflation and by incremental attention to the rights of minority shareholders. Our portfolios currently have more exposure to Japan than at any point in the past seven years, although it is still less than the Index. We have been adding to our holdings in those Japanese companies with sustainable growth drivers and progressive management teams.

Asia Pacific & Emerging Markets

Emerging Markets (EM) account for an increasing share of global GDP and have played a key role in upgrading world output growth to a five-year high. Commodity-oriented countries Brazil and Russia have experienced

new & closed positions

closed	sector	% of port.
GJENSIDIGE FORSIKRING ASA	Financials	1.2%
SUNRISE COMMUNICATIONS GROUP	Telecommunications	0.7%
total closed		**1.9%**

new	sector	% of port.
ASSA ABLOY AB	Industrials	1.7%
total new		**1.7%**

company spotlight

ESG Integrated Investment Thesis

Sociedad Quimica y Minera de Chile SA (SQM) is a low-cost producer of various chemicals whose environmental and clean tech applications should continue to benefit from strong secular demand. The company is the world's largest producer of lithium, an integral component in the lithium-ion batteries used in electric vehicles ("EV") and solar panel storage. The expected widespread EV adoption as society transitions to a low-carbon economy should drive demand growth for lithium over the next decade. Suppliers such as SQM stand to benefit from this supply-demand dynamic, especially in the short term, which supports strong pricing. Other chemicals are also seeing increased demand: nitrate use is growing due to a variety of sources, including concentrated solar applications and organic farming, while iodine is benefiting from medical applications and LCD and LED technology.

In addition to its products' positive environmental applications, SQM is also an industry leader in utilizing solar energy in its operations as 93% of the energy used by the company comes from renewable sources, primarily solar. As demand for SQM's products expands, we see opportunities for margins to increase, especially as SQM's access to Chile's Atacama Desert provides it with large reserves at low marginal costs. Valuation appears reasonable for 2-3 years of double digit earnings growth.

Company Profile

Founded in 1968, SQM is a specialty chemicals producer based in Santiago, Chile. With its large brine and caliche ore deposits in the Atacama Desert, one of the driest places on Earth, SQM is the world's largest producer of potassium nitrate, iodine, and lithium. The company's lithium mining primarily involves passively drying brine in large solar evaporation ponds. SQM has adopted an environmental management framework in line with that of the International Organization for Standardization (ISO) and has published detailed, GRI-aligned sustainability reports since 2009.

ESG Engagement Opportunities

The company has policies and programs in place to manage energy, water, wastewater, and biodiversity impacts resulting from its operations. Though the company has made efforts to protect the environment and reduce its impact on local communities, we see potential for SQM to strengthen its efforts concerning the protection of indigenous peoples' rights. The company has notably worked with the Aymara community to preserve local culture, but we would like to see more involvement due to its exposure to potential human rights risks given its location and the nature of its operations.

the most pronounced turnarounds, while China and India have been the fastest growing large EM countries. Indian growth recently moderated after the country instituted two major reforms: demonetization and sales tax centralization. China has also slowed as it pushes to rebalance its economy from infrastructure and investment to more environmentally benign consumption and services. In September, China announced a requirement that new energy vehicles (NEVs), mostly battery electric and plug-in hybrid cars, must account for at least 10% of each auto company's sales by 2019. Generous subsidies, an aggressive mandate, and improvements in EV performance have driven a nearly seven-fold increase in NEV sales over the past two years. Global auto makers are responding to the booming Chinese EV market by retooling their product development strategies.

South Korea, the second largest country in the MSCI Emerging Market Index after China, is more than 3 and 16 times wealthier, in per capita GDP terms, than China and India respectively. Despite its high income classification, South Korea is categorized as an EM by MSCI. From our perspective, the threat of military action from its rogue neighbor to the north, in addition to endemic corporate governance challenges represent significant obstacles and help explain the Korean market's historical discount (typically 15% to 30%) compared to the EM Index. North Korea's military threat is a key risk for both South Korea and the rest of the world, but we believe its enigmatic leader, Kim Jong-un, is more interested in preserving his family dynasty than waging war. South Korea's chaebols (networks of interrelated corporations) dominate industry, are controlled by only a few families, and have demonstrated inherent conflicts of interests. Recently elected President Moon Jae-in plans to reduce the chaebols' influence through reform and boost workers by raising the minimum wage by 16%.

South Korea deserves credit for developing global leaders in technology, a sector that accounts for almost half of its market. The capital-intensive semiconductor industry has been an area of strength; supplier consolidation and demand from new industrial end-markets have limited price deflation for this typically cyclical business. Our portfolios are overweight Asia-Pacific and Emerging Markets with an emphasis on consumer, technology, and financial stocks where we see sustainable long-term growth and attractive valuations.

Shareholder Engagement Highlights

Milestones	**Impact Report** – Our first Engagement Report "**Achieving Impact in Public Equities**", was released, highlighting our engagement results on Environmental, Social and Governance (ESG) issues. We engaged over 190 companies around the world in 2016, resulting in 44 companies making significant changes or commitments on products, processes and practices.
	Banks & Climate Change: We launched the third phase of our Banks & Climate Change engagement in collaboration with **ShareAction**, a UK pension advocacy group, calling on banks to align with the Taskforce on Climate-related Financial Disclosures. Our letters to 60 banks were signed by over 100 investors with $1.8 trillion in AUM. We met with **Bank Rakyat, Barclays, Fifth Third Bank, PNC Financial** and **Standard Chartered**. During July, we held our third in-person senior executive meeting with PNC.
Work in Progress	**International Flavors & Fragrances:** We met with IFF whose **Vision 2020** business strategy uses circular economy concepts to advance their long-term success . We encouraged IFF to explicitly cite cost savings from its Eco- Efficiency initiatives in quarterly earnings presentations and examined how IFF is addressing water risk in its agricultural supply chain and could utilize the **CFP** (Carbon Footprint Project) framework.
	Access to Nutrition Index: As Co-Chair of the Access to Nutrition Foundation (ANTF) Investor Group, we wrote to 19 companies including **Grupo Bimbo, Mondelez, PepsiCo,** and **Unilever**, supporting active engagement & data collection for the 2018 Indices. We participated in a discussion with US companies on the first US Spotlight Index focused on corporate, marketing and sales practices.
	PepsiCo: In September, Boston Common helped to lead a multi-issue engagement with PepsiCo, which included senior level representatives across a number of areas. Issues advanced included sustainability governance, nutrition, human rights, responsible sourcing and water stewardship. PepsiCo shared that it recently adopted a science-based target to reduce its absolute greenhouse gas emissions by 20% by 2030. Boston Common has engaged PepsiCo on E&S risks in its agricultural supply chain since 2013.
New Initiatives	**Tax Transparency**: Boston Common joined the **PRI advisory committee** focused on tax transparency. This initiative will focus on engaging IT and Healthcare companies to encourage best practices in corporate income tax disclosure and mitigating tax risks.
	Gender Diversity on Boards: Boston Common's Lisa Hayles joined the board of the **30% Coalition** this month, a national collaboration of investors, companies and researchers focused on raising the participation of women on the boards of publicly listed companies. Since the launch of the coalition, more than 150 companies have added women to their boards of directors.