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Emerging Markets Strategy Update

First Quarter, 2018

EMERGING MARKETS REVIEW

The MSCI Emerging Market Index ("the Index") rose +1.4%, with EM currency appreciation against the US Dollar accounting for +0.7% of the Index return. After a strong start to the year, a report of higher US inflation sparked a sharp increase in global interest rates and a sell-off in equity markets. The Trump administration in March imposed a set of tariffs that raised the threat of a trade war. While global economic growth remains solid, investors are concerned that escalating protectionist action will disrupt supply chains and reduce global economic growth. Despite rising market volatilities, the Index outperformed the MSCI World Index's decline of -1.3%, with Latin America (+8.0%) leading Asia (+0.8 %) and EMEA (-0.9%).

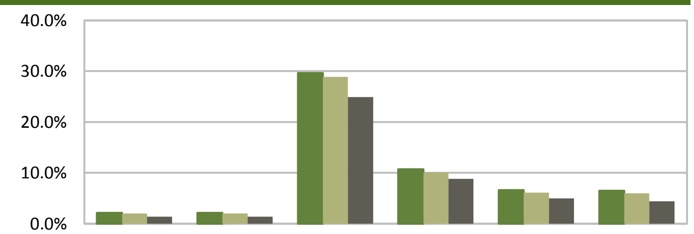
Brazil (+12.4%) was the best performing Emerging Market this quarter as the economy continues to recover from a deep recession. The Philippines (-11.6%) fared the worst, driven by inflation concerns and worsening current account balances. Elsewhere in Asia, Thailand (+9.0%) led regional performance, buoyed by strong economic momentum. Malaysia (+8.5%) also registered solid returns aided by a strong Ringgit (+4.6%). In contrast, Indonesia (-7.2%) and India (-7.0%) posted sharp declines, as signs of subdued growth weighed on sentiment. China (+1.8%) performed in line, as the economy remains resilient. In EMEA, Russia rallied (+9.4%) as the central bank continued to cut interest rates and the ratings agency S&P upgraded Russian debt to investment grade. Poland lagged (-8.2%) as political tensions with the European Union continued to intensify. Turkey fell (-5.0%) weighed down by a depreciating Turkish Lira (-4.3%), one of the worst performing currencies this quarter.

Energy (+7.5%) was the best performing sector, aided by higher oil prices. Anticipation of OPEC extending its production cuts has sent Brent oil prices higher by +7.5%. Healthcare (+7.0%) was boosted by favorable earnings outlook, especially in South Korea. Financials (+4.2%) also outperformed given expectations that earnings will continue to be upwardly revised. Consumer Discretionary (-6.1%) was the worst performing sector, dragged down by weakness in select markets including Turkey and Mexico. Telecommunications (-3.7%), hurt by higher interest rates, also underperformed.

PORTFOLIO REVIEW

The Boston Common Sustainable Emerging Markets Strategy returned +2.1% during the quarter before fees, outperforming the Index. Stock selection in China was the primary driver of relative performance. Optical manufacturer Sunny Optical (+44.0%) and gas distributor ENN Energy Holdings (+25.4%) outperformed after reporting better-than-expected earnings. Online flash-sale retailer VIPS (+42.7%) benefited from improving profitability through newly formed strategic partnerships. Stock selection in Russia was another source of strength, as Sberbank (+11.5%) and Internet company Yandex (+20.3%) were buoyed by improving fundamentals. Additional key contributors included Thai chemical company PTT Global Chemical (+15.6%) and Taiwan Semiconductor Manufacturing Co (+10.2%). On a sector basis, Financials also contributed positively to performance: Standard Bank (+16.5%) in South Africa and Itau Unibanco (+24.8%) in Brazil advanced on strong results.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	Since Inception*
Gross	2.1%	2.1%	29.6%	10.7%	6.6%	6.5%
Net	2.0%	2.0%	28.9%	10.1%	6.1%	6.0%
MSCI EM	1.4%	1.4%	24.9%	8.8%	5.0%	4.4%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
ITAU UNIBANCO HLDG SA	3.2%	24.8%	0.64%	Financials
SUNNY OPTICAL TECH	1.8%	44.0%	0.63%	Technology
ENN ENERGY HOLDINGS LTD	1.8%	25.4%	0.40%	Utilities
TAIWAN SEMICONDUCTOR MFG	5.0%	10.2%	0.39%	Technology
VIPSHOP HLDGS	1.3%	42.7%	0.37%	Consumer Discretionary
YANDEX N V	2.1%	20.3%	0.32%	Technology
SBERBANK RUSSIA	2.8%	11.5%	0.29%	Financials
PTT GLOBAL CHEMICAL	2.4%	15.6%	0.28%	Materials
STANDARD BK GR	2.0%	16.5%	0.28%	Financials
ALIBABA GROUP HOLDINGS	5.4%	6.9%	0.26%	Technology
			3.86%	

BOTTOM 10				
NASPERS	5.6%	-12.5%	-0.76%	Consumer Discretionary
BEIJING ENTERPRISES WATER GR	1.3%	-28.0%	-0.43%	Utilities
SOCIEDAD QUIMICA MINERA DE C	2.0%	-17.1%	-0.40%	Materials
RAIA DROGASIL SA	1.5%	-18.5%	-0.33%	Consumer Staples
GCL-POLY ENERGY HOLDINGS LTD	0.8%	-30.9%	-0.29%	Technology
HENGAN INTL GROUP CO LTD	1.2%	-16.6%	-0.27%	Consumer Staples
KOC HLDG	1.4%	-15.5%	-0.23%	Industrials
PT KALBE FARMA	1.4%	-12.7%	-0.20%	Healthcare
NAVER CORP	1.7%	-8.7%	-0.18%	Technology
SAMSUNG ELECTRONICS CO LTD	5.1%	-1.6%	-0.17%	Technology
			-3.26%	

Our stock selection in South Korea was the primary detractor from relative results. Internet search company Naver (-8.7%) was hurt by larger-than-expected investment expenditures. Stock selection in Brazil and Chile also detracted. Brazilian drug distributor Raia Drogasil (-18.5%) sold off on weaker earnings outlook, while Chilean lithium processor Sociedad Quimica (-17.1%) declined on a mixture of profit taking and rising supply assumptions. From a sector perspective, key detractors included an underweight in Energy and stock selection in Healthcare. Indonesian pharmaceutical company PT Kalbe Farma (-12.7%) performed poorly after it missed estimates. Other notable detractors included Chinese utility company Beijing Enterprise Water (-28.0%), South African media holding Naspers (-12.5%), and Chinese polysilicon manufacturer GCL-poly Energy (-30.9%).

*Since Inception: December 31, 2012

Emerging Markets Strategy Update
First Quarter, 2018

PORTFOLIO ACTIVITY

Among our portfolio actions this quarter, we purchased Airtac International, a pneumatic equipment manufacturer based in Taiwan that is poised to benefit from the secular growth trends in factory automation. The company supplies diversified product lines (e.g. cylinders, air valves, and mechanical valves) to various industrial automation applications such as automotive assembly line, robot arm, and construction machinery. Airtac is vertically integrated with a strong brand and robust R&D capabilities. As a result, it has consistently taken market share from its larger Japanese competitors and is now among the top three players in the burgeoning Chinese market. With improving profit margins and strong end-market demand, Airtac is likely to deliver double-digit earnings growth over the next several years.

Another recent purchase is South Korean chemical company LG Chem. As one of the largest chemical companies in Asia, LG Chem has a highly profitable specialty-chemical business. It is also one of the top global players in the electronic materials business, such as LCD polarizer film, and has a leading position in global lithium-ion rechargeable batteries. As lithium-ion batteries continue to proliferate to power Electric Vehicles and electricity storage systems, LG Chem should be able to generate value through its technology leadership. In addition, strict environmental regulation in China has now led to more favorable supply and demand dynamics for its specialty chemical business. Trading at 13x Price-to-forward earnings with strong balance sheet, LG Chem's valuation looks particularly compelling.

During the quarter we sold Taiwanese semiconductor company MediaTek after its recent move higher. We believe current valuation understates the competitive threats to its smartphone business. We also closed our position in Philippine utility company EDC as we see rising uncertainty after its recent privatization tender bid. We redeployed the proceeds to other defensive names for which we anticipate better long-term opportunities.

ECONOMIC & MARKET OUTLOOK

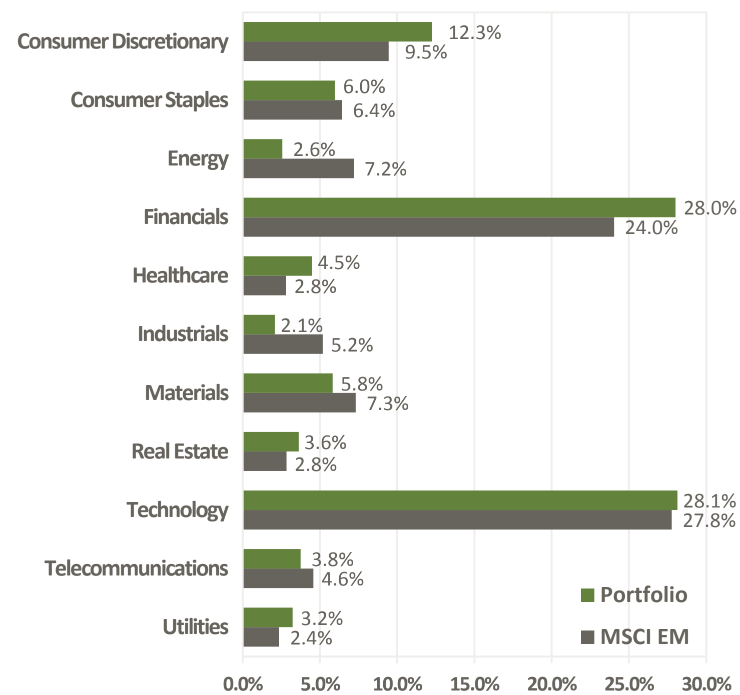
The favorable macro-economic conditions that supported Emerging Markets in 2017, namely, a synchronized global recovery and muted inflationary pressures, are likely to stay in place for 2018. Inflation remains subdued even as global growth picks up. Indeed, the majority of EM economies are experiencing inflation levels lower than policy targets, and we see no reason for aggressive tightening in most EM countries. However, higher interest rates in the US may contribute to tighter overall financial conditions. We remain cautious about the secular outlook for commodities, including energy, given the disruptive nature of US shale production on crude supplies, technological advancement in electric vehicles (EV), and China's diversification away from an investment-led growth model. While we see reasons to expect a tighter supply-demand balance in the near term, we remain underweight.

Looking ahead, 2018 earnings growth is likely to moderate in the wake of last year's strong 24% increase, but should remain healthy, with steadily improving Returns on Equity (ROE) supported by lower financial leverage and improving margins. The political outlook has improved in selected countries, with favorable election results in South Africa and Chile. With a heavy election calendar ahead in 2018, geopolitical risks remain significant. Despite this, we believe the outlook for EM investments remains positive because of the solid growth outlook and attractive valuation discount to developed markets. Our portfolio remains more exposed to domestic cyclical sectors such as Financials and Consumer Discretionary. In the defensive sectors, we have a preference for Healthcare and Consumer Staples stocks.

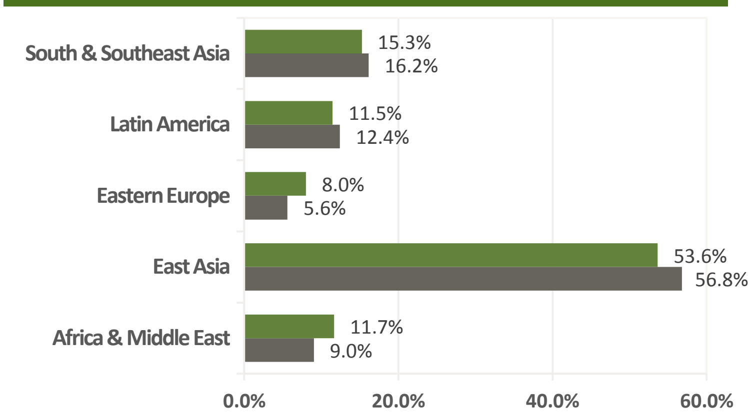
Asia

Asia continues to be a major driver of the global economy. Indeed, emerging Asian economies, collectively almost the size of the US economy, grew almost 7% in 2017. Looking forward to 2018, there are grounds for optimism. We expect steady, albeit slower growth in China, which is consistent with the road

SECTOR ALLOCATION



SUB-REGIONAL ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	MSCI EM
# HOLDINGS	50	846
Valuation		
Next 12m Price to Earnings	15.0	12.0
Price to Book Value	2.3	1.8
Price to Sales	2.0	1.4
Dividend Yield	2.0%	2.4%
Growth		
5yr Sales Growth	5.2%	1.0%
5yr EPS Growth	9.8%	6.3%
Risk		
Wtd Avg Mkt Cap	98,024	102,990
LT Debt/Cap	21.6%	21.7%
Beta	1.07	1.00

map set by the recent 19th Congress Party. Policy emphasis will clearly be geared towards the quality of growth rather than the speed of growth. The Caixin China Services PMI in December 2017 pointed to the strongest pace of expansion in the service sector since August 2014. President Xi has consolidated his political power, and we are monitoring the implications for future economic policy. Meanwhile, improvements are underway and progress is being made in supply-side reforms, financial-sector deleveraging, and environmental cleanup. China has shown renewed commitment to the Paris Climate Accord and is investing heavily in environmental technology, becoming the largest solar panel and EV producer globally.

While pundits debate China's high debt levels and tight political control, China's rapidly growing innovation ecosystems receive less attention. Over the past decade, China's spending on R&D has grown substantially, almost doubling its share of GDP. In a recent global study on which geographical clusters are generating the most patents, Shenzhen-Hong Kong came in at second place, after Tokyo-Yokohama but ahead of San Jose-San Francisco. Our holdings in China are mostly geared towards companies that can provide environmental solutions, address consumption upgrade demands, or benefit as Chinese manufacturers move up the value chain.

Southeast Asian countries lagged behind China in 2017, but we see a more favorable investment outlook in 2018 thanks to encouraging structural reforms and more attractive valuations. In the latest World Economic Forum's Global Competitive Rankings (which captures determinants of long-term growth for 137 countries), Indonesia leaped five places to 36th overall, one of the biggest improvements on the list. The country's performance has strengthened across all pillars, such as financial market development, health, and infrastructure. Indonesia has also been cited as 'one of the top innovators among the emerging economies.' After subdued growth in 2017, the country's GDP growth is expected to accelerate to 5.3%, driven by pent-up investment demand and healthy household consumption. We are overweight Indonesia. It is now trading at 15.6 times forward earnings, in line with its 10-year average relative to EM, but with one of the highest ROEs among Emerging Markets.

The Thai economy is also accelerating, with exports growing at a 9% annualized rate versus no growth in 2016. Growth has been broad based in both products and destinations. Exports to China, India, and CLMV (Cambodia, Laos, Myanmar, and Vietnam), almost 25% of total exports, are on track to grow more than 20% in 2017. Meanwhile, demand from the US and Europe (20% of total) is also strong. As exports gain momentum, we expect manufacturing capacity utilization to improve, potentially leading to renewed private investment. At the same time, the political landscape is stabilizing and the government has launched aggressive public spending initiatives after a decade of under-investment due to ongoing political tensions. We are mindful of potential political risks, but expect a more favorable economic outlook in Thailand to benefit cyclical sectors such as banks and materials. We have increased our exposure to cyclical names where valuations still remain attractive.

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

Regional growth should hold up, supported by tailwinds from Europe and resilient domestic consumption. The political landscape has also improved in certain parts of the region. In South Africa, Cyril Ramaphosa, an antiapartheid activist, trade union leader, and prominent businessman was elected President of the ruling party (ANC) and is likely to become the country's next President. Ramaphosa is the first ANC chief with private-sector experience. While he still faces an uphill battle with existing Zuma loyalists in order to tackle many of the country's economic challenges, fundamentals in South Africa could improve from here. In Turkey, there are early signs of improvement as the US reinstated visa services after a

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
ENERGY DEVELOPMENT CORP	Utilities	0.9%
MEDIATEK INC	Technology	1.0%
TOTAL CLOSED		**1.9%**

NEW	SECTOR	% OF PORT.
AIRTAC INTERNATIONAL GROUP	Industrials	1.1%
LG CHEMICAL	Materials	1.1%
TOTAL NEW		**2.2%**

COMPANY SPOTLIGHT: ENN ENERGY

ESG Integrated Investment Thesis

The Chinese natural gas market is currently one of the world's largest, with unparalleled expectations of growth. Secular demand drivers include urbanization, rising GDP per capita, as well as the government's goal of increasing the gas share in the country's energy mix from 6% currently to 15% by 2030. Burning coal has been a major source of the country's chronic air pollution and the government has prioritized the transition from coal-fired to gas-fired boilers in its long-term planning. ENN Energy is the largest private distributor of natural gas and stands to deliver strong volume growth, supplying a clean bridge fuel to China's solid commercial & industrial base as well as to its growing urban population.

Concerns around the regulation of industry profits have eased after the government announced a 7% cap on asset returns for distributors. Moves to incrementally liberalize the highly regulated gas supply value chain will foment competition among upstream suppliers and lower input costs for ENN. We expect that the company will continue to gain market share through its access to low-cost supply, efficient operations, and geographic positioning to regions such as Northern China, which will bear the bulk of the coal-to-carbon transformation. With strong revenue and cash flow growth, prospects for increasing dividend payout, proactive positioning as an environmental solutions provider, and reasonable valuation, the company offers a compelling risk-reward proposition.

Company Profile

Established in 1993, ENN Energy is the third largest natural gas distributor in China and one of the few private companies in an industry dominated by the Chinese state. With 7% share of the downstream gas distribution market, 2017 revenues were 48.3 billion RMB and generated within the following segments: Sales of piped gas (49.7%), Wholesale Gas (24.6%), Connection Fees (12.3%), Vehicle Gas Refueling Stations (6.4%), and Others (6.4%), and Integrated Energy Services (0.6%). ENN Energy is involved in the provision of clean energy solutions through the distribution of natural gas in addition to a wide range of clean energy solutions, including renewable energy installations, clean burning fuel supplies, innovative recycling systems, capital financing, and integrated energy services that reduce total energy use for commercial and industrial customers.

Investment Thesis

The distribution of natural gas through pipelines can result in negative impacts on local biodiversity as well as result in the release of methane through pipeline leaks. Methane is over 80 times more potent than CO_2 on a 20 year basis as a climate forcer. Boston Common serves on the steering committee for the global PRI investor engagement on methane management and is lead investor for ENN. During a recent meeting with the company in our offices, Boston Common offered to help ENN improve its ESG reporting overall and in particular how it is measuring, reporting and reducing its methane emissions.

diplomatic standoff between the two countries over the detention of two US embassy staff. This should alleviate investor concerns about Turkey's external financing needs. Given the improved fundamental outlook, we selectively added to companies in the region as valuations had become more attractive in the face of near-term political uncertainty.

Latin America

The region is continuing along a path of slow economic recovery, but the outlook is still dependent on political outcomes, particularly in Brazil and Mexico. Brazil's economy is finally growing, supported by lower interest rates, healthy external demands, and an improving labor market. However, political uncertainty continues to escalate as President Temer lost the necessary support to pass fiscal reform, key to a sustainable recovery and the reversal of the untenable public deficit. The window for economic reforms appears to be quickly closing ahead of the October 2018 election. In Mexico, uncertainty about the ongoing NAFTA negotiations and fiercely contested upcoming presidential elections in July cloud the outlook for economic growth. We remain on the sideline and view current valuations as not fully compensating for the uncertainties.

Shareholder Engagement Highlights

Milestones	**Banks & Climate Change:** We published a new report, Banking on a Low-Carbon Future, which examines **climate management by 59 of the world's largest banks; urgent shortcomings threaten to undermine efforts to support the transition to a low-carbon economy.** The report, the latest in our series of analyses undertaken since 2014, finds that: **Only 54%** of banks support the **Taskforce on Climate-related Financial Disclosures (TCFD)**. **Less than half (49%)** of banks are implementing climate risk assessments or **2ºC scenario** analysis. **A majority of banks (61%)** have **failed to restrict the financing of coal** – the most carbon intensive energy source. However, as a result of this collaborative engagement led by Boston Common, **95% of Banks** have now **adopted some degree of governance for climate issues and provide some disclosure** on low-carbon products and services.
	Eco-Efficiency: We negotiated successfully two agreements related to Eco-Efficiency and climate change: In March, **Lowe's Companies** announced its commitment to explore **expanding its renewable energy use in 2018** for its US and Canadian operations to further its **goal of reducing total carbon emissions by 20% from its stores by 2020**. In February, **Kansas City Southern** committed to **expand its reporting in 2018** on its efforts to **improve energy efficiency and reduce GHG emissions of its freight rail operations** in US and Mexico, following withdrawal of a shareholder proposal by Calvert and Boston Common.
Work in Progress	**Gender Diversity:** In 2018, we updated our proxy voting guidelines on Gender Diversity in accordance with the 30% Coalition to vote against company boards in Australia, Canada, Europe, and the US **unless women comprise at least 30% of the Board after the election**. Women hold only 21% of board seats among the largest listed companies in the US as of 2017. We hosted a conference call with **Northern Trust** as part of our ongoing engagement on Gender Equality with key portfolio holdings. Among Northern Trust's top executives, women make up 38%, a level significantly higher than the 27% observed among S&P 500 companies. At the board level however, women represent only 14% of directors. The company is a founding member of the CEO Action for Diversity and Inclusion initiative, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace.
	Shareholder resolutions: Given the ongoing **threat to the shareholder resolution process** under the current Administration, companies have been emboldened to submit a record number of no-action letters to the SEC to ask that shareholder resolutions be omitted from their proxies. Our resolutions with **Gilead Sciences** (renewable energy targets) where we are the lead filer and with **Johnson & Johnson** (separation of chair and CEO), which we co-filed met this fate. However, co-filed resolutions with **Bristol Meyers Squibb** and **Biogen** on drug pricing transparency will be on the ballot (after the SEC would not allow them to be omitted) and thus far, **our lead filer resolutions on lobbying disclosure with American Water Works and Verizon Communications will come to a vote**.
New Initiatives	**Climate Change:** As part of the Climate Action 100+ that was launched in December, Boston Common has committed to actively engage **ConocoPhillips, Cummins, Daikin Industries, Ford, Panasonic, PepsiCo, Philips, Repsol** and **Statoil** with other investors.