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US Large-Cap Core Strategy Update

First Quarter, 2018

US MARKET & PORTFOLIO REVIEW

The S&P 500 Index (the "Index") declined -0.8% during the first quarter of 2018, the first quarterly loss since late 2015. After a strong start to the year, the Index reached an all-time high on January 26rd. In February, volatility returned following worries about wage growth, inflationary pressures, and trade conflicts. The Federal Reserve, under the new leadership of Jerome Powell, continued on its path of incremental monetary tightening; the 10-year Treasury bond yield almost touched 3% before ending the quarter at 2.74%, up almost a half percentage point from 2.3% just six months ago.

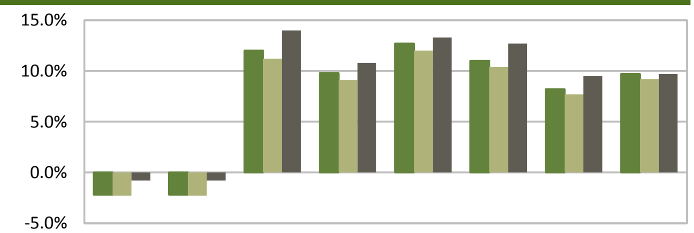
In the quarter, Information Technology (+3.5%) and Consumer Discretionary (+3.1%) were the best performing sectors, as several large tech- and internet-related companies rallied. The Financials (-1.0%) and Health Care (-1.2%) sectors turned in mixed results. In Industrials (-1.6%), the steep decline in GE's stock overshadowed strong expectations for US Defense spending. With the expectations of rising interest rates, investors avoided the more defensive, bond-proxy sectors of Utilities (-3.3%), Real Estate (-5.0%), Consumer Staples (-7.1%), and Telecommunications (-7.5%). The commodity-oriented Materials (-5.5%) and Energy (-5.9%) sectors were also weak.

Boston Common's Tax-Exempt US Large-Cap Core account composite lagged the Index this quarter, as several stock-specific issues hurt returns.

On a sector basis, relative performance was strongest in consumer staples and financials. In the former, Estee Lauder continued to post better than expected earnings, helped by its global footprint and strong consumer sentiment. In the latter, regional banks performed well on the expectation that they will experience better margins as interest rates move higher. Many of this quarter's best performing portfolio holdings were in the strong Technology and Consumer Discretionary sectors, including Microsoft, Visa, Applied Materials, Booking Holdings (new name for Priceline.com). However, relative performance in both sectors was negatively impacted by strength in companies we did not own.

Stock selection detracted from performance this quarter. Albemarle, the worst performing holding, sold off on concerns that pricing for Lithium, a key component in batteries for electric vehicles, will decline due to oversupply in the coming years. We remain confident in the longer-term demand outlook for lithium-ion batteries for transportation and power storage. As high-growth stocks continued to do well, brand name defensive holdings like Johnson & Johnson, Verizon, and PepsiCo underperformed along with higher-yielding equities of 8Point3 Energy (Yieldco) and Hannon Armstrong (REIT). Cimarex Energy declined despite rising oil prices due to its mix favoring natural gas, which has not seen price appreciation. Biotech company Biogen declined as earnings missed estimates. A new position, Facebook, held back relative returns, but we continue to see value in the multiplatform social media company and see areas for engagement to address recent headline controversies.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	-2.2%	-2.2%	12.0%	9.8%	12.7%	11.0%	8.2%	9.7%
Net	-2.3%	-2.3%	11.2%	9.1%	12.0%	10.4%	7.7%	9.2%
S&P 500	-0.8%	-0.8%	14.0%	10.8%	13.3%	12.7%	9.5%	9.7%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
ESTEE LAUDER COMPANIES	2.0%	17.9%	0.35%	Consumer Staples
MICROSOFT CORP	4.5%	7.1%	0.32%	Technology
BOOKING HOLDINGS	1.5%	19.5%	0.24%	Consumer Discretionary
CME GROUP INC	1.5%	11.1%	0.16%	Financials
ADVANCE AUTO PARTS INC	0.9%	19.0%	0.15%	Consumer Discretionary
JPMORGAN CHASE & CO	3.8%	3.3%	0.13%	Financials
COGNIZANT TECHNOLOGY SOLUTI	1.1%	13.6%	0.13%	Technology
VISA INC	2.4%	4.9%	0.12%	Technology
APPLIED MATLS INC	1.2%	9.4%	0.12%	Technology
CHIPOTLE MEXICAN GRILL INC	0.2%	14.3%	0.08%	Consumer Discretionary
			1.80%	

BOTTOM 10				
ALBEMARLE CORP	1.7%	-27.2%	-0.49%	Materials
CIMAREX ENERGY CO	1.7%	-23.3%	-0.42%	Energy
FACEBOOK INC	1.6%	-13.0%	-0.30%	Technology
BIOGEN INC	1.6%	-13.6%	-0.21%	Healthcare
8POINT3 ENERGY PARTNERS LP	0.7%	-20.6%	-0.21%	Utilities
VERIZON COMMUNICATIONS INC	2.4%	-8.6%	-0.20%	Telecommunications
HANNON ARMSTRONG SUST INFR	0.9%	-19.0%	-0.19%	Financials
MOHAWK INDS INC	1.1%	-15.8%	-0.18%	Consumer Discretionary
JOHNSON & JOHNSON	2.5%	-7.7%	-0.17%	Healthcare
PEPSICO INC	1.4%	-8.5%	-0.15%	Consumer Staples
			-2.52%	

*Since Inception: December 31, 2002

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PORTFOLIO ACTIVITY

With rising earnings but lower stock prices, the market's valuation has fallen a little, even as long-term interest rates remain range bound. We remain constructive on equities but have become more selective in stock selection and positioning as we monitor the rising global trade tensions. In the quarter, we increased the portfolio's exposure to both cyclical and secular growth trends while taking steps to reduce the interest-rate sensitivity by decreasing exposure to Real Estate and Utilities sectors.

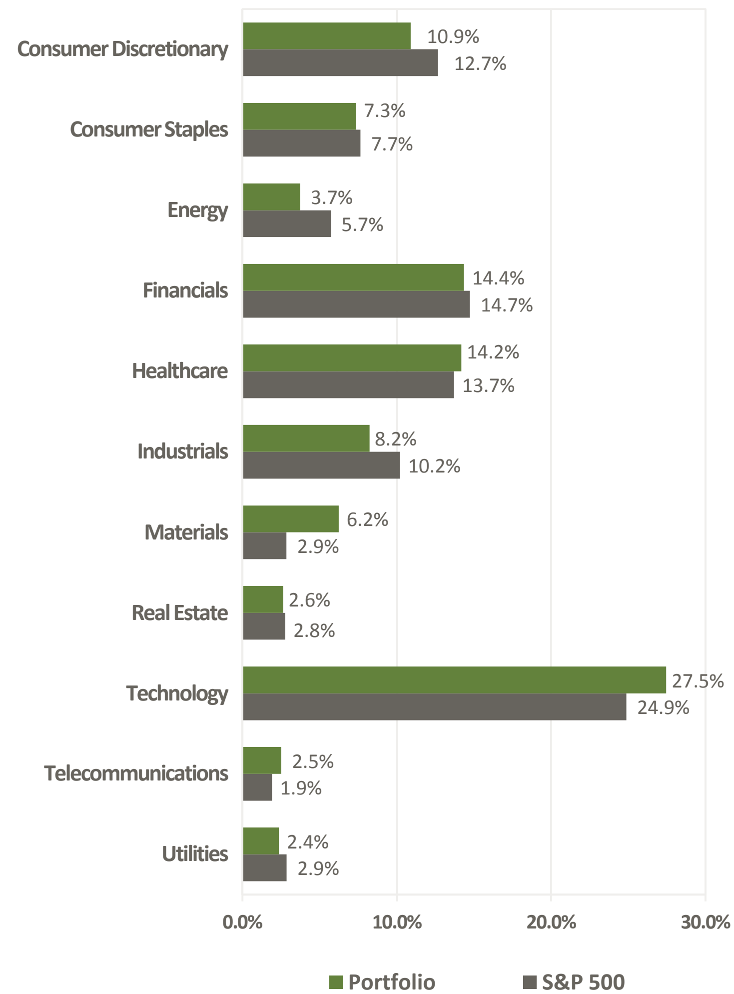
We continue to see strong consumer consumption trends. We initiated a new position in PVH Corp. PVH is an ESG leader in the apparel industry. They maintain a high level of transparency in their supply chain with a strong focus on ethical sourcing. The company, whose major brands include Tommy Hilfiger and Calvin Klein, has demonstrated an ability to grow earnings in a very difficult retail environment, helped by international expansion opportunities. We also added to several of our current discretionary holdings. We see positive dynamics in the US housing market. While we sold out of home improvement retailer Lowe's, these funds were redeployed to retailer Home Depot and flooring manufacturer Mohawk Industries, as both companies are proving better operators. Consumers continue to migrate their spending habits in favor of experiences, including travel. Benefiting from this trend, we added to Booking Holdings, the renamed priceline.com amalgamation of travel websites.

In the quarter, we purchased Facebook (FB). FB is a dominant player in global (ex-China) social media. With multiple platforms (Facebook, Instagram, Messenger), FB should benefit as advertising moves online. The company is a member of the Global Network Initiative (GNI), which independently reviews members' adherence to a set of freedom of expression and privacy principles. We are cognizant of the risks - economic and reputational - around the recent data security and privacy controversies and are engaging with the company to reiterate investor concerns. At current levels, we believe FB remains the dominant player and is compelling on a risk/reward basis.

Several positions were eliminated from the portfolio. We sold out of Mall REIT Simon Property Group, as brick & mortar retailers, even those in Class A properties, continue to be impacted by negative investor sentiment driven by the increasing market share of internet sales. We also eliminated Yieldco 8Point3 Energy Partners after they agreed to be acquired at levels we view as disappointing.

As the economic expansion matures, we expect a firming of inflation to modestly higher levels. In the bond market, after an extended period of declining rates, investors will now start to factor in higher short-term rates as well as the possibility of higher long-term rates. We will watch for policy changes from the new Fed chair and from global central bankers. For balanced accounts, we continue to maintain a preference for equities versus fixed income.

SECTOR ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	S&P 500
# HOLDINGS	60	500
Valuation		
Next 12m Price to Earnings	16.7	16.5
Price to Book Value	3.5	3.2
Price to Sales	3.2	2.2
Dividend Yield	1.6%	2.0%
Growth		
5yr Sales Growth	4.6%	3.1%
5yr EPS Growth	8.3%	7.0%
Risk		
Wtd Avg Mkt Cap	209,625	199,351
LT Debt/Cap	35.3%	44.5%
Beta	1.02	1.00

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ECONOMIC & MARKET OUTLOOK

The US economy remains on a positive growth trajectory. Consumption remains strong with low unemployment and incremental signs of wage growth. Last year's tax bill and the recently passed Federal Budget Resolution support increased fiscal spending, creating additional stimulus for an already strong economy, solidifying near-term confidence in the longevity of the current economic expansion.

There are many factors supporting a positive, near-term view on the economy and profitability. Corporate earnings are set to grow, helped by the tax bill. Corporations are expected to redeploy some of the savings into share repurchases, providing an additional boost to earnings per share. One estimate of the size of the potential buybacks came to $850 Billion or slightly more than 3% of the US market's public capitalization. In addition, corporate profitability remains near all-time highs partially helped by the weakening US Dollar.

Many of the positive near-term trends appear at odds with longer-term developments. As we look beyond the next year or two, these divergences are potentially unsettling.

The Federal Reserve is moving interest rates higher, taking measured steps to reverse the expansive easing of the last decade. In anticipation of rising inflationary pressures, short rates have increased more than 1.5 percentage points. The yield curve has flattened as long-term rates remain range bound, kept lower by today's restrained inflation and low long-term rates in Europe and Japan. But looking out a few years, the federal deficit is set to expand by $1 trillion by most estimates, and the associated debt-servicing burden could stifle future growth prospects as interest rates move to even higher levels.

With unemployment at historic lows, we are starting to see wage growth accelerate. However, confidence that the trend will continue remains elusive. It remains to be seen if corporations will reinvest in their employees beyond the bonus checks of last December. Technology has improved productivity but is also changing the employment landscape. Longer-term, higher-paying manufacturing jobs are being replaced with lower-wage, service jobs, often with few benefits. On one hand, companies can manage moderate wage pressures, but on the other hand, earnings stagnation bodes ill for future healthy consumption growth.

Geopolitical and domestic policy headwinds may be the greatest near-term risks to investor expectations for continued global growth. At a minimum, these risks have increased the market's volatility. Aside from foreign (e.g. North Korea and Russia) or interest rate (e.g. raising rates too quickly or not quickly enough) policies, rising global trade tensions represent a key risk to a constructive market outlook. While NAFTA negotiations continue, we view the recently proposed tariffs by both the US and China as opening moves that will likely lead to diplomatic negotiations and ultimately end in compromise.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
8POINT3 ENERGY PARTNERS LP	Utilities	1.1%
CHIPOTLE MEXICAN GRILL INC COM	Consumer Discretionary	0.6%
LOWES COS INC COM	Consumer Discretionary	1.0%
NIELSEN HLDGS PLC SHS EUR	Industrials	0.9%
SIMON PPTY GROUP INC NEW COM	Real Estate	0.6%
TOTAL CLOSED		4.2%

NEW	SECTOR	% OF PORT.
CITIZENS FINL GROUP INC COM	Financials	1.6%
FACEBOOK INC CL A	Technology	2.0%
PVH CORP COM	Consumer Discretionary	1.2%
TOTAL NEW		4.8%

COMPANY SPOTLIGHT: WEYERHAEUSER

ESG Integrated Investment Thesis

Sustainable forestry is a core tenet of Weyerhaeuser's business, recognizing in trees a remarkable resource that meets human needs while providing vital ecosystem benefits. With over half a century of forest management expertise, WY's unparalleled scale and efficient operations set it apart from its peers.

The company demonstrates a strong approach to biodiversity and land management issues. WY certifies all forests to sustainable management standards and conducts community and biodiversity impact assessments. It also keeps harvesting rates within sustainable levels by using regeneration methods specific to each site and species. The company's notable efficiency goals show environmental and financial synergies. The company generates over 70% of its energy needs from biomass waste from its manufacturing operations and has made important modifications to reduce other sources of waste and emissions.

The US timberland market is highly fragmented and WY owns only 12% of privately held timberlands. Further market consolidation could be an important source of growth. WY's historical stock correlation with lumber prices has decoupled of late as US housing strength and protectionist policies drove lumber prices to near all-time highs. Rising prices should translate into growing earnings and rising quarterly dividends. With an attractive dividend yield, improving financial metrics, reasonable valuation, and important diversification benefits, the company's investment profile looks attractive.

Company Profile

Founded in 1900 and headquartered in Seattle, Weyerhaeuser is North America's largest timber REIT. After the merger with Plum Creek in 2015, the company solidified its position as one of the world's foremost manufacturers and producers of wood products. Four times larger than its next competitor, the company controls over 12 million acres and generated $7.2 billion in revenues in 2017 in the following segments: Wood Products (69% of sales), Timberlands (27%), and Real Estate, Energy, and Natural Resources (4%).

WY has linked employee compensation, including for senior management, on meeting its environmental targets and is overall an industry leader on labor management. Among global peers, WY is a leader in carbon emissions management. Through its annual "diaper drive" campaign the company provides aid to low-income families with young children.

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Conventional economic wisdom rejects protectionism because rising trade barriers tend to spread and cause collateral damage. The most notorious example of the negative consequences would be the beggar-thy-neighbor tariffs in the 1930s, which exacerbated the Great Depression. Today, the world is even more interconnected with global supply chains and rapid cross-border flows in information, capital, and technology. For example, a significant portion of many countries' exports are assembled from imported intermediate goods. We expect these interdependencies will ultimately lead to a negotiated agreement and avert a full-scale trade war.

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.