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Global Equity Strategy Update

Second Quarter, 2018

GLOBAL MARKET REVIEW

The MSCI ACWI Index (the "Index") rose +0.5% in the second quarter. In local currency terms, the Index rose +2.7%, but the stronger US Dollar subtracted -2.2% from US investor returns. Political uncertainty in Europe, trade disputes, and expectations for tighter monetary policy in the US caused a depreciation of the UK Pound (-5.9%), Euro (-5.0%), and Yen (-4.0%) compared to the US Dollar. ACWI Europe (-1.6%) outperformed the Asia Pacific (-3.3%) region. The MSCI US Index rose +3.4%, while the MSCI ACWI ex-US Index fell -2.6%.

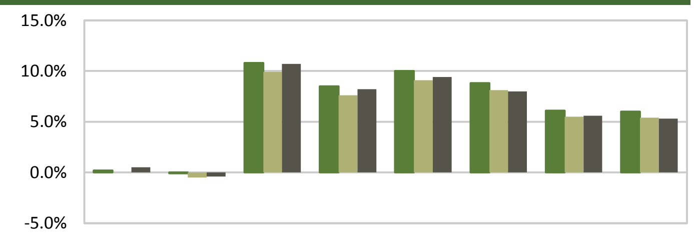
Broad macroeconomic indicators remain largely upbeat for the US economy, which is in its second-longest expansion in post-1945 history. Eurozone indicators also suggest healthy growth, albeit decelerating from its historically fast pace of recent quarters. Business strength in Germany and France helped Eurozone services activity increase in June, even while Italy's new populist government caused investor anxiety. Perhaps feeling the effects of Brexit disruption, the UK economy expanded during the first quarter of 2018 at its slowest rate since 2012. In contrast with the US, the European Central Bank and Bank of Japan both pushed back expectations for the timing of higher interest rates in recent announcements. As of July 6th, China faces new 25% tariffs on $34 billion worth of goods: mostly mechanical and electronic parts, machinery, and transport equipment. As expected, China responded in kind with its own tariffs on US goods.

Energy (+10.3%) was the best performing sector, as oil prices increased about 10% on tighter supply estimates. Technology (+3.9%) was the second best performer with continued strength from the prior quarter. Consumer Discretionary (+3.0%) also outperformed. Financials (-5.6%) was the worst performing sector, impacted by trade tensions and slower global growth prospects. Within developed countries, Australia (+5.2%) and Norway (+2.3%) were among the best performers in the Index thanks to commodity strength. Export-oriented sectors boosted the UK market (+3.0%). Austria (-10.6%) was the worst performing country in the Index due to corporate connections to Russian sanctions. Singapore (-7.5%) and Japan (-2.8%) were seen as vulnerable to collateral damage from tariffs on China. Italy (-7.3%) fell on fears its new populist leadership could bring radical economic policies. The MSCI Emerging Markets Index declined -8.0% including a -4.5% foreign exchange loss, as the US Dollar strengthened against Emerging Market (EM) currencies in aggregate. EM Asia (-5.9%) was more resilient, while EMEA (-10.2%) and Latin America (-17.8%) lagged, with currency depreciation accounting for the majority of the decline, -9.9% and -10.6%, respectively.

PORTFOLIO REVIEW

A composite of accounts invested in the Boston Common Global Equity strategy returned +0.2% before fees, slightly below the Index.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	0.2%	-0.1%	10.8%	8.5%	10.0%	8.8%	6.1%	6.0%
Net	0.0%	-0.5%	9.9%	7.6%	9.1%	8.1%	5.5%	5.4%
MSCI ACWI	0.5%	-0.4%	10.7%	8.2%	9.4%	8.0%	5.6%	5.3%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
APPLE INC	4.1%	10.8%	0.39%	Technology
SHISEIDO CO LTD	1.8%	24.2%	0.39%	Consumer Staples
FACEBOOK INC	1.7%	21.6%	0.33%	Technology
EOG RES INC	1.4%	18.4%	0.23%	Energy
MICROSOFT CORP	3.0%	8.5%	0.22%	Technology
MERCK & CO INC	2.0%	12.2%	0.21%	Healthcare
VISA INC	2.0%	10.9%	0.20%	Technology
ALPHABET INC	2.6%	8.1%	0.19%	Technology
HOME DEPOT INC	1.7%	10.1%	0.15%	Consumer Discretionary
SAP SE	1.5%	11.1%	0.15%	Technology
			2.45%	

BOTTOM 10				
ITAU UNIBANCO HLDG SA	1.1%	-33.4%	-0.45%	Financials
BANK RAKYAT	1.0%	-22.1%	-0.26%	Financials
TAIWAN SEMICONDUCTOR MFG	1.3%	-14.1%	-0.21%	Technology
ING GROEP	1.4%	-12.2%	-0.18%	Financials
3M CO	1.7%	-9.8%	-0.18%	Industrials
PT KALBE FARMA	0.8%	-20.3%	-0.18%	Healthcare
CUMMINS INC	0.9%	-17.3%	-0.17%	Industrials
AMS	0.4%	-21.6%	-0.15%	Technology
PNC FINL SVCS GROUP INC	1.4%	-10.2%	-0.15%	Financials
ORIX CORPORATION	1.3%	-10.4%	-0.14%	Financials
			-2.09%	

During the quarter, the Consumer Staples and Technology sectors were the largest positive contributors to relative results. Within Staples, Japanese cosmetics firm Shiseido (+24.2%) continued its strong performance, while not owning tobacco stocks also helped. Continued strength in the fundamental outlook for Technology helped several of our large holdings outperform – Apple (+10.8%), Facebook (+21.6%), Visa (+10.9%), SAP (+11.1%), and Microsoft (+8.5%). From a regional perspective, stock selection in Japan helped performance. Besides Shiseido, healthcare company Hoya (+13.9%) and industrial firm Daikin (+8.6%) delivered strong returns.

*Since Inception: March 31, 2008

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The Healthcare sector was the largest negative contributor to returns. Global large-cap pharmaceuticals Bristol Myers (-12.0%), Novo-Nordisk (-6.0%), Johnson & Johnson (-4.6%), and Roche (-3.0%) declined on disappointing results, as did Indonesian consumer health company PT Kalbe(-20.3%). The Financials sector also detracted from results, led by emerging market banks: Brazilian Itau Unibanco (-33.4%), Indonesian Bank Rakyat (-22.1%), and Thai Kasikornbank (-9.5%). Developed market financials that performed poorly were ING (-12.3%) in Europe, PNC Financial (-10.2%) in the US, and Orix (-10.4%) in Japan. Regionally, North America was the biggest detractor, as results for industrial firms Cummins (-17.3%) and 3M (-9.8%) were lower than forecast in addition to the above mentioned detractors.

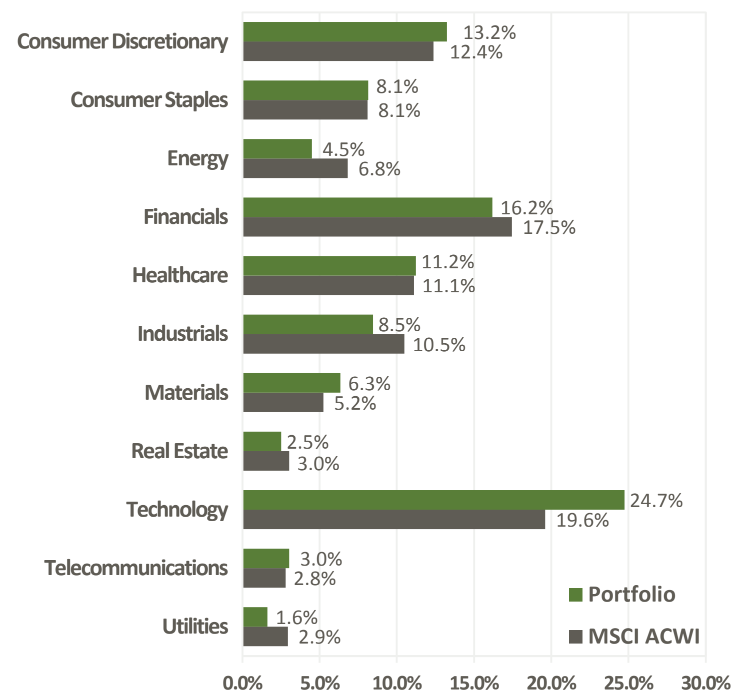
PORTFOLIO ACTIVITY

Among our portfolio actions this quarter, we purchased Mohawk Industries in the US. Mohawk is one of the largest suppliers of tile flooring with an excellent track record of execution and value-added acquisitions. The stock pulled back due to short-term raw material prices impact. We see it as an attractive purchase given our view of continued growth in the residential and office construction and maintenance spending in the US and Europe. We also purchased Equinor, the Norwegian integrated oil company. Previously named Statoil, Equinor remains a dominant force in the North Sea gas production. They are a leader among peers in well efficiency and should benefit as a new major field comes on line in the next few years. Longer term, they are diligently expanding their offshore exposure to wind as they look towards 2030. During the quarter, we sold Israeli cyber security company Check Point Software. In our opinion, persistent market share losses diminish Check Point's long-term growth prospects. We also sold Japanese pharmaceutical company Astellas based on increasing generic and branded competition for its most important product. Patent expirations will pressure some of Astellas' other key drugs and the company's pipeline appears insufficient to offset top-line headwinds.

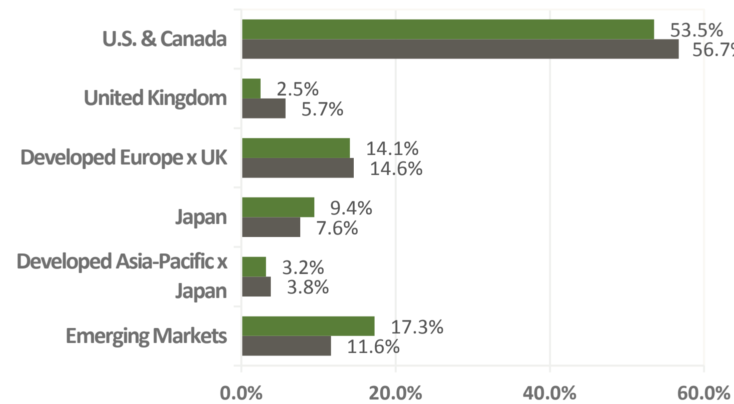
ECONOMIC & MARKET OUTLOOK

In the US, consumer spending is steady and capital expenditures are growing. The large tax cut stimulus package, put in place at the end of last year, is enabling above-trend late-cycle growth. Corporate profits have been supported by synchronized global growth and modest cost pressures, including weak wage growth, and now by lower tax rates. All this reinforces near-term real GDP growth expectations at rates above 3%; and with inflation at 2%, nominal growth will register over 5%. These positive economic trends are likely to continue for another year. Europe and Japan are projected to average low- to mid-single-digit economic growth over the next two years. A broadening trade dispute is a rising risk to the market, but we believe material trade-related damage is still an unlikely scenario. We expect global supply chains will deter policymakers from excessive tariffs, since taxing foreign intermediate goods may ultimately hurt domestic producers. Asia Pacific and Emerging Markets face short-term challenges from higher US short-term interest rates and a stronger Dollar but offer appealing long-term growth opportunities. The Japanese market has positive idiosyncratic attributes, including a stable and supportive policy framework, improving corporate governance, and beneficial leverage to a depreciating Yen. Global equities appear to offer a favorable balance between fundamentals and valuation. The MSCI Global ACWI Index is trading at 14.6x forward earnings, a nearly 5% discount to its 20-year average. The Index's projected earnings growth is 10.5% and it has a 2.4% dividend yield. Our portfolios have higher growth prospects and trade at slightly higher multiples.

SECTOR ALLOCATION



REGIONAL ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	MSCI ACWI
# HOLDINGS	78	2,781
Valuation		
Next 12m Price to Earnings	16.8	14.6
Price to Book Value	3.3	2.2
Price to Sales	2.8	1.6
Dividend Yield	1.6%	2.4%
Growth		
5yr Sales Growth	4.4%	2.3%
5yr EPS Growth	10.1%	9.1%
Risk		
Wtd Avg Mkt Cap	176,401	142,707
LT Debt/Cap	29.9%	38.2%
Beta	1.02	1.00

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We favor the industrial cyclical sectors compared to the Index, especially semiconductors, energy efficient industrial equipment, and green chemicals. In contrast, we are underweight Energy, wary of long-term disruption from electric vehicles, and Financials. Our focus on high-quality financial and ESG leaders should balance our pro-cyclical positioning, but we are prepared to implement changes if we perceive deteriorating investment conditions.

US & Canada

Under this Administration, discussions about tariffs and trade barriers have added uncertainty to the planning process for global corporations. In the recent decades of relatively free trade, global supply chains have become complex and intertwined. Balancing the various new considerations created by recent tariffs could create a wait-and-see attitude, postponing plans for capital spending and hiring. Markets have been relatively sanguine about the timing and magnitude of the trade tensions yet have reacted quickly to create "winners" and "losers" among individual companies viewed as being in the cross-hairs of the trade war, primarily in metals, agriculture, and global machinery-related sub-sectors. The more significant impact longer term would be on the global corporations that make up the major market indices. Some 30% of S&P 500 revenues are globally derived, and global corporations make up a significant share of US market capitalization. We continue to monitor developments. Our underweight in US & Canada is primarily driven by lower ownership in the Financials, Consumer Staples, and Energy sectors where we are underweight, finding more attractive bottom-up ideas in other regions.

Europe

Last year, centrist Emmanuel Macron's election in France was a key catalyst for the European market's strong recovery. This spring, political uncertainty has again disturbed economic and market sentiment. In Italy, the coalition of left (Five Star Movement) and right (Lega) populist parties filled cabinet posts with Eurosceptics, politicians who distrust Europe's collective institutions, including the monetary union. In our view, broad popular support for the Euro is the most important basis for the continent's integrated future, and recent polls show that two-thirds of Italians want the country to remain in the Eurozone. Despite political distractions, the Eurozone labor market continues to heal, with hourly wage growth reaching a five-year high in the first quarter. In France and Germany, average real wages are over 10% above 2007 levels, approximately twice the raise the average US worker has experienced. The UK, on the other hand, has seen a 2.6% contraction of average real wages over the past 10 years, slightly worse than Italy's 2.0% decline. Stagnant living standards for the middle class and rising inequality seem to prime a population for anti-establishment, populist rhetoric. In the UK, domestic debate has delayed constructive progress towards an exit from the European Union, demonstrating the challenges and costs of economic separation. We are concerned that the UK faces more friction ahead and consequently remain underweight that market. We are equal weight Europe ex. UK, with a preference for the Healthcare, Materials, and Technology sectors, based on favorable earnings prospects and our view that political risks are overly discounted in attractive valuations.

Japan

Over the past few years, we have increased our allocation to Japan as its stable leadership implements creative pro-growth policies and the corporate profit outlook improves. Extraordinary monetary stimulus is targeting 2.0% core inflation, which has stubbornly persisted below 1.0%.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
ASTELLAS PHARMA INC	Healthcare	0.8%
CHECK POINT SOFTWARE TECH LTD ORD	Technology	1.2%
SOUTHWEST AIRLS CO COM	Industrials	1.0%
TOTAL CLOSED		**3.0%**

NEW	SECTOR	% OF PORT.
AMS AG	Technology	0.6%
EQUINOR ASA SPONSORED ADR	Energy	1.0%
MOHAWK INDS INC COM	Consumer Discretionary	1.0%
TOTAL NEW		**2.5%**

COMPANY SPOTLIGHT: MOHAWK INDUSTRIES

Company Profile

Mohawk Industries, Inc. is the world's largest flooring manufacturer for both residential and commercial end markets. Headquartered in Georgia, the company generated $9.5 bn in sales in 2017 in three segments: Global Ceramic [36% of sales], Flooring North America [42%], and Flooring Rest of World [22%]. The US is the company's largest single market, accounting for 63% of 2017 revenues. Mohawk has made 13 acquisitions over the past five years, including four in 2017.

Mohawk has gradually enhanced the sustainability of its global operations. From 2010 to 2014, a period of significant corporate growth, Mohawk achieved a range of environmental efficiency gains through reductions in energy intensity [11%], water intensity [16%], and waste-to-landfill intensity [13%]. Underscoring this growing commitment was the appointment of a Chief Sustainability Officer in 2014. As a member of the US Department of Energy's Better Plants Program, Mohawk aims for a further 25% reduction of these same metrics by 2020.

ESG Integrated Investment Thesis

Mohawk is a leading manufacturer and distributor of flooring materials, from carpet to tiles to laminates. The company represents a third of the $25 billion US floor covering market, garnering significant market share through organic growth, product innovation, and well-executed M&A. Expanding home sizes and a rebound in home ownership have contributed to industry growth during the extended US economic recovery. The company invests heavily in product innovation and premium features, such as slip-resistant ceramic tile and hardwood-like vinyl. Such innovation has enabled Mohawk to offset the pricing pressure created by growing competition and the rising prominence of home centers. We consider Mohawk's materials sourcing "best-in-class" from an ESG perspective. Over 50% of the company's finished goods are derived from recycled materials, such as plastic bottles, tires, PVC pipes, and glass. Some products are made from 100% post-consumer recycled PET plastic soda bottles. In fact, the company utilizes 20% of all recycled bottles in the US.

Mohawk has a large global operation and is poised to see sales growth from accelerating worldwide demand for its products. Margins can grow through the company's focus on higher-value products, helping to drive low-double-digit earnings growth over the next few years. At 13x next-twelve-months earnings, the company looks attractively valued based on its history and relative to industry peers.

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The Bank of Japan's stance is likely to stand out as other central banks end bond purchases and raise interest rates. The monetary policy differential should weaken the Yen, helping Japan's export-oriented market. While Japan's shrinking population limits its productive capacity, policymakers have been pushing to utilize existing resources more effectively. Female labor force participation has expanded dramatically, and now the country is softening its immigration requirements. The government recently announced new five-year permits for guest workers to ease labor shortages; the unemployment rate is currently 2.2%. Policy initiatives have been complemented by improvements in corporate profitability and governance: operating efficiencies, more shareholder-friendly capital allocation, more independent members on Boards, and unwinding conflicts of interest. Based on these appealing trends, as well as inexpensive valuations compared to history and global peers, we continue to be modestly overweight Japan.

Asia Pacific and Emerging Markets

Emerging Market currencies and equities have been pressured by interrelated factors. Higher US interest rates have sparked capital outflows and resulted in an appreciating Dollar. Some central banks are responding to foreign exchange market pressures by raising their own interest rates, but that can have a negative effect on growth. Risk aversion related to US trade disputes with China and Mexico has exacerbated cyclical headwinds. China's shift away from debt-financed property development towards consumption and services is timely, since it has the added benefit of reducing its exposure to global trade. In our view, China is capable of navigating trade negotiations given its $3 trillion of foreign exchange reserves and its vast economic controls. Asia Pacific and Emerging Markets include a diverse set of countries with different near-term risks and opportunities. We mostly find attractive sustainable growth companies clustered in the Emerging Markets consumer and financial segments, and our portfolios are thus overweight the region.

Shareholder Engagement Highlights

Milestones	**Lobbying Disclosure & Climate Change:** Boston Common's resolutions on Lobbying Disclosure at **American Water Works (40.3% in favor)** and **Verizon Communications (36.3% in favor)** received strong support from shareholders at their respective Annual meetings in May. **The UN Principles for Responsible Investment (PRI)** launched a new publication, "Converging on Climate Lobbying: Aligning Corporate Practice" with Investor Expectations, which features Boston Common's case study on Lobbying in the banking sector.
	Climate Change: ConocoPhillips became one of the **first major US energy companies to publicly support** many of the recommendations of the **Task Force on Climate Related Financial Disclosure**. Boston Common is leading the investor initiative with ConocoPhillips in the **Climate Action 100+** global collaborative engagement.
Work in Progress	**Conflict Minerals & Child Labor:** Boston Common led an investor call with **Microsoft** on **cobalt sourcing and child labor in the Congo**. The company is mapping participants in its cobalt supply chain (smelters, traders, mine sites, and battery suppliers). As a result of Microsoft's on-the-ground work with Pact, a nonprofit, on the **Children out of Mining program** in the Katanga region of the DRC, Pact has seen a reduction in the use of child labor between 77% to 97% since 2015. Microsoft committed to expand the program to a new region with a further three year financial commitment to Pact.
	Banks & Climate Change: In our Banking on a Low-Carbon Future initiative, we engaged **JPMorgan Chase**, **Morgan Stanley**, **PNC Financial** and **TD Bank** this quarter. TD is using the UN Environment Programme Finance Initiative **Taskforce on Climate-related Financial Disclosures** (TCFD) to inform its own approach to climate risk, as well as with its high-emissions clients. **PNC Financial** provided further insights into its **integrated governance approach to environmental and social risk** due diligence across its lending activities. PNC expanded analysis of key emerging threats and opportunities to include adoption of **electric vehicles, emergence of alternative energy, and stranded assets**.
	Human Rights of Indigenous People: We sent an investor letter to the **Equator Principles Association** advocating for the **rights of Indigenous Peoples** and asking the Association to consult with Indigenous Peoples in the revision of the Equator Principles. Last October, the **Association of over 90 banks globally committed to revise its policies on Indigenous Peoples in response to the Dakota Access Pipeline controversy and a Boston Common-led global investor engagement.**
New Initiatives	**Gun Violence:** Boston Common joined a coalition of 44 investors to engage 20 banks that recently **provided direct financing to firearms manufacturers or are involved in credit merchant processing**. We are urging banks to **prohibit lending or the use of credit cards/payment systems to gun manufacturers that sell, produce, or design specific weapons or ammunition** -as well as those that do not support federal universal background checks and/or endorse the Sandy Hook Principles. Boston Common is leading the outreach with **PNC Financial** and **JPMorgan Chase** and participated in dialogues with **Morgan Stanley** and **Visa**. Other portfolio companies include **Barclays**, **TD Bank**, and **US Bank**.