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US Large-Cap Value Strategy Update

Second Quarter, 2018

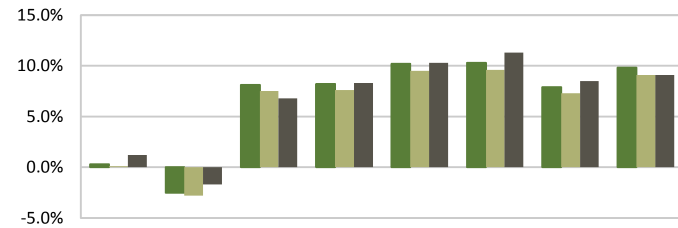
US MARKET & PORTFOLIO REVIEW

The Russell 1000 Value Index (the "Index") rose +1.2% during the second quarter resuming the trend of positive quarterly returns after posting a decline last quarter. Broad macroeconomic indicators remain largely positive for the US economy. As we exited the quarter, volatility was on the rise with rhetoric around the terms of global trade, rising oil prices, and a flattening yield curve appearing to impact market sentiment. In June, the Federal Reserve raised the federal funds rate by 25 basis points for the second time this year, however, the 10-year Treasury yield has not followed suit rising just slightly to end at 2.85% on June 30th.

This quarter, the Energy (+14.5%) sector was the best performer as oil prices moved above $70 a barrel. The Real Estate (+8.3%) and Utilities (4.1%) sectors benefitted from a flattening yield curve. The Consumer Discretionary (+4.2%) sector was helped by takeover activity among several media giants and a strong rally in retailers. In Healthcare (+2.4%), the sector experienced strength in the more economically sensitive equipment companies as well as healthcare providers. Within Materials (+1.9%), chemical companies rallied while in the Information Technology (-1.1%) sector, the more cyclical hardware and semiconductor industries depressed results. Changing investor sentiment with growing concerns around trade tariffs and the strong Dollar impacted the more globally focused sectors of Industrials (-2.9%) and Consumer Staples (-4.0%). Fears of rising input costs (oil) and a strengthening Dollar raised concerns about global growth and earnings prospects. The Financials (-3.5%) sector struggled even as the results from the Fed's most recent stress test suggest opportunity for future increases in dividend payouts.

Boston Common's Tax-Exempt US Large-Cap Value account composite lagged the Index this quarter. A major reason for this was the underweight to Energy, as the sector rose almost 15%. Three exploration & production companies held in portfolios, EOG Resources, Apache, and Cimarex Energy, were among top performing holdings. The Industrials sector also detracted from relative performance. We are overweight this sector as an offset to the low energy exposure, but many of these companies suffered from macro worries. In addition, there were some short-term stock specific disappointments. Cummins, the truck engine manufacturer, continues to work through warranty issues. Industrial products company Illinois Tool Works reported a rare miss versus earnings expectations. As oil prices rose, domestic air carrier Southwest detracted from relative performance but we believe improvements in their business model will enable them to weather these higher costs. The selloff in Financials was felt across the sector as JPMorgan Chase, PNC Financial, Morgan Stanley, and Fifth Third Bancorp were among the top detractors.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	0.3%	-2.5%	8.1%	8.2%	10.2%	10.3%	7.9%	9.8%
Net	0.1%	-2.8%	7.5%	7.6%	9.5%	9.6%	7.3%	9.1%
Russell 1000	1.2%	-1.7%	6.8%	8.3%	10.3%	11.3%	8.5%	9.1%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
EOG RES INC	2.5%	18.2%	0.40%	Energy
MERCK & CO INC	2.7%	12.3%	0.28%	Healthcare
APACHE CORP	1.3%	22.2%	0.25%	Energy
KROGER CO	1.0%	19.4%	0.18%	Consumer Staples
BAXTER INTL INC	1.5%	13.9%	0.17%	Healthcare
TJX COS INC	1.2%	17.2%	0.17%	Consumer Discretionary
UNITEDHEALTH GROUP INC	1.3%	15.0%	0.16%	Healthcare
AMGEN INC	2.0%	9.1%	0.15%	Healthcare
MICROSOFT CORP	2.1%	8.5%	0.15%	Technology
CIMAREX ENERGY CO	1.9%	8.9%	0.15%	Energy
			2.06%	

BOTTOM 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
JPMORGAN CHASE & CO	5.2%	-4.8%	-0.29%	Financials
PNC FINL SVCS GROUP INC	2.6%	-10.3%	-0.27%	Financials
MORGAN STANLEY	2.5%	-11.7%	-0.25%	Financials
CUMMINS INC	1.3%	-17.6%	-0.23%	Industrials
XYLEM INC	1.5%	-12.1%	-0.21%	Industrials
COLGATE PALMOLIVE CO	1.8%	-9.1%	-0.20%	Consumer Staples
ILLINOIS TOOL WKS INC	1.5%	-11.1%	-0.19%	Industrials
TE CONNECTIVITY LTD	1.4%	-9.4%	-0.16%	Technology
FIFTH THIRD BANCORP	1.6%	-9.0%	-0.16%	Financials
SOUTHWEST AIRLS CO	1.2%	-10.9%	-0.16%	Industrials
			-2.12%	

Larger macro factors, including a stronger Dollar, impacted portfolio holdings in the more globally oriented companies like personal care giant Colgate and sensor manufacturer TE Connectivity.

Portfolio returns were helped by our underweight to Financials, while stock selection was strongest in Consumer Staples, Technology, and Healthcare. Food retailer Kroger reported better earnings as its turnaround gains traction. Microsoft, a top performing holding, continues to benefit from growth in cloud computing. Four top contributors were in Healthcare, including UnitedHealth Group, whose operating efficiencies, driven by scale, are helping to support increased earnings expectations, and Merck, where strong clinical data results were a major positive for the stock.

*Since Inception: December 31, 2002

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PORTFOLIO ACTIVITY

Portfolio diversification and risk management seem prudent in the current environment of high political uncertainty, despite moderate economic risk. We expect greater volatility as market participants try to assess the risks to individual sectors and companies from several different sources, including aggressive monetary policy and unexpected political risks to growth from trade-related confrontations. There could also be positive surprises, such as slower monetary action from the Federal Reserve in response to global worries. Such inflection points favor stock selection as a large driver of portfolio returns.

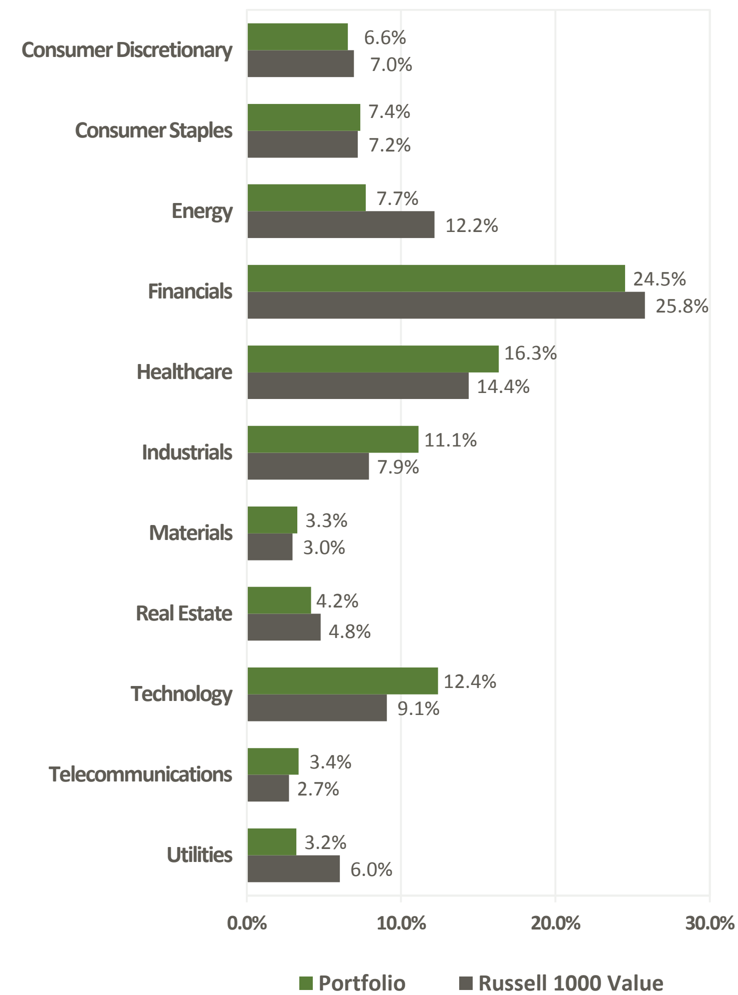
We retain a bi-modal portfolio balanced between cyclical exposure and defensive sectors, ready for pessimistic as well as optimistic outcomes in the current volatile market environment. During the quarter we reduced our underweight in Energy with the purchase of Equinor. We expect crude prices to remain at elevated levels, as supply appears constrained over the near term. 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. In the face of rising rates, we took steps to reduce the portfolio's exposure to interest rate-sensitive Financials by eliminating our holding in asset manager Legg Mason and trimming Morgan Stanley and PNC Financial. However, within the Real Estate sector, we added Digital Realty, a REIT focused on the tech sector and the increased need for data centers. The stock had sold off in line with other REITS, but fundamentals remain solid.

In addition, we continue to make portfolio adjustments in response to opportunities created by attractive valuation or improving fundamentals. We added to Cummins in Industrials, Mohawk in Consumer Discretionary, and Avangrid in Utilities. Cummins should continue to benefit from the need to invest in more efficient heavy-duty engines and Mohawk [*see stock spotlight*] from strong housing turnover. Fundamentals continue to improve for Avangrid, a New England utility and the country's second largest wind farm operator. We sold two companies involved in mergers, 8Point3 and Time Warner. And finally, we exited International Flavors & Fragrances (IFF), as we were disappointed with a recent acquisition for which we felt they paid too high a price.

At the end of the quarter, the annual reconstitution of the Russell Indices was announced. This year's changes include the reduction of the Financials sector from over 27% of the Index to less than 24%, and the Energy weight will also decline. The Index will see an increase in Consumer Discretionary, Materials, and Technology. Over the course of the next few weeks, we may modestly reposition the portfolio to ensure that our active bets remain in place.

In balanced accounts we remain slightly biased towards equities. Within the bond portfolio, we have held a relatively shorter duration profile for some time now, preferring to take credit risk over maturity risk. Yields at shorter maturities have become more attractive in recent months.

SECTOR ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	RUSSELL 1000 VALUE
# HOLDINGS	62	1,000
Valuation		
Next 12m Price to Earnings	14.8	14.0
Price to Book Value	2.7	2.1
Price to Sales	2.7	1.7
Dividend Yield	2.1%	2.5%
Growth		
5yr Sales Growth	1.9%	1.9%
5yr EPS Growth	6.4%	6.7%
Risk		
Wtd Avg Mkt Cap	120,102	115,550
LT Debt/Cap	36.7%	43.5%
Beta	1.00	1.00

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ECONOMIC & MARKET OUTLOOK

The US economy is in its second longest expansion in post-1945 history. 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, before risks of a slowdown and recession appear. Market participants are therefore charged with assessing when the inflection point in the economy is likely to occur, and more importantly, when asset values might reflect those worries. As things stand today, the year ahead looks relatively positive for the economy; however, a few different factors, including interest rates and the US Dollar, employment and inflation, and the recent ramping up of trade tariff talks, may alter this view .

The Fed continues with its stated policy to raise short-term interest rates, but bond yields at longer maturities have not risen in concert. The gap between the 2-year and 10-year US Treasury bond rates is at a very low level, a point where the flattening yield curve, many analysts worry, could be signaling low demand for credit, slowing economic activity, and impending recession. We believe the yield curve is a less reliable indicator of domestic economic cycles today than it was in earlier periods when monetary stimulus and global capital flows played a smaller role. Low global yields and stimulative monetary policy have kept US bond yields and real interest rates low for some time now, and the recent rate increases from extremely low levels have not yet kept pace with inflation levels.

The US Dollar has strengthened in recent months, reversing its earlier decline, in part due to political uncertainty in Europe, trade disputes, and expectations for tighter US monetary policy. In the long run, the Dollar's value is vulnerable to the large and growing deficits in the US budget and current account balance. However, its near-term level could be determined by competing pressures, e.g. support from rising short-term interest rates and its role as a "safe haven" currency in turbulent times.

Declining unemployment has not yet led to significant wage increases, although there are early signs that labor shortages and worker mobility may change this. Inflation has risen to the 2% level targeted by the Federal Reserve, though volatile energy costs have played a big part in driving personal consumption expenditures higher. We expect continued economic strength without exceptionally high inflation.

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

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
8POINT3 ENERGY PARTNERS LP	Utilities	0.8%
INTERNATIONAL FLAVORS&FRAGRANC COM	Materials	0.9%
LEGG MASON INC COM	Financials	1.3%
TIME WARNER INC NEW	Consumer Discretionary	1.0%
TOTAL CLOSED		**4.0%**

NEW	SECTOR	% OF PORT.
DIGITAL REALTY TRUST INC	Real Estate	1.0%
EQUINOR ASA SPONSORED ADR	Energy	1.0%
TOTAL NEW		**2.0%**

COMPANY SPOTLIGHT

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.

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.

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Balancing the various new considerations created by recent tariffs could create a wait-and-see attitude, postponing plans for capital spending and hiring. Should tariff talks deteriorate into a trade "war", global corporations could see a more lasting downshift in their earnings potential and uncertainty around their cash flows. This could, in turn, potentially lower the valuation premium attached to multinational companies overall. Longer term, the trend towards isolation and government policy driven solely by internal economic and political considerations could create a potentially unfavorable environment for innovation and global growth.

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.

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**.

Past performance does not guarantee future results. All investments involve risk, including the risk of losing principal. The information in this document should not be considered a recommendation to buy or sell any security. There is no assurance that any securities we discuss will remain in a strategy at the time you receive this document. The securities discussed do not represent a strategy's entire portfolio and may represent only a small portion of a strategy's holdings. It should not be assumed that any securities transactions we discuss were or will prove to be profitable. A different company is selected each quarter to be featured in our Company Spotlight. The company is chosen based on any potential updates to our investment thesis and/or ESG case. Composite returns are presented in U.S. dollars, net of transaction costs, management fees and withholding taxes, with interest and dividends accrued. Returns for periods greater than one year are annualized. This product invests in foreign securities, which are subject to special currency, political and economic risks. The Russell 1000 Value Index is a capitalization-weighted index of the largest publicly-traded U.S. companies that have a low price-to-book, price-to-earnings, and price-to-cash-flow valuations relative to a broader universe of companies. The index is unmanaged and does not incur management fees, transaction costs, or other expenses associated with separately managed accounts. The composition of our composite is different from the composition of indices because of differences in sector and industry exposure, risk, volatility and holdings. Boston Common claims compliance with Global Investment Performance Standards (GIPS®). For a full listing of Boston Common's composites and to request a GIPS® Compliant presentation, please call the Compliance department at 617-720-5557.