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Global Equity Strategy Update

Fourth Quarter, 2018

GLOBAL MARKET REVIEW

The MSCI ACWI Index (the "Index") fell -12.8% in the fourth quarter. A combination of slowing global growth, geopolitical uncertainty, and trade tensions dragged down global markets. In local currency terms, the Index fell -12.5%, but the stronger US Dollar subtracted -0.3% from US investor returns. The Euro (-1.6%) and the UK Pound (-2.3%) declined against the US Dollar as the Federal Reserve raised short-term interest rates for the fourth time in 2018. The Yen (+3.5%) appreciated relative to the Dollar, reflecting Japan's status as a safe haven. ACWI Europe (-12.5%) lagged the Asia Pacific (-11.0%) region, while MSCI US fell -13.8%.

Trade tensions and various one-time factors from Brexit uncertainty to yellow vest protests in France have contributed to the global growth slowdown. In the Eurozone, the forward-looking Purchasing Managers' Index (PMI) declined to its lowest level in more than four years, while Gross Domestic Product (GDP) growth decelerated from 2.4% in 2017 to an estimated 1.9% in 2018. Japan's 2018 GDP growth forecasts contracted from 1.5% to 0.9%, primarily due to natural disasters. China's leading indicators also deteriorated, and its trade dispute with the US was only briefly interrupted by a December truce. Downbeat demand forecasts and supply increases related to US waivers on Iranian sanctions caused oil prices to decline by 35%.

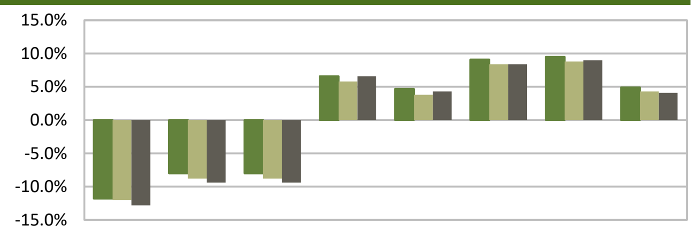
All sectors, except Utilities, declined over the quarter. Utilities (+0.8%) held up due to its defensive characteristics. Real Estate (-4.0%) benefited from declining global bond yields. Consumer Staples (-6.5%) also outperformed the Index. Energy (-20.1%) suffered from a significant drop in oil prices and was the worst-performing sector. Rising risk aversion pressured cyclical sectors: Technology(-17.3%), Materials (-13.7%), and Industrials (-15.6%).

The MSCI Emerging Markets Index declined -7.5%, while Emerging Market (EM) currencies in aggregate held flat against the US Dollar. Brazil (+13.4%) was the best-performing country this quarter, as investors celebrated the victory of a right-wing candidate in the presidential election. Mexico (-18.8%), on the other hand, was among the weakest markets, as President Andrés Manuel López Obrador (AMLO) stoked investor fears with less than market-friendly policies. In Asia, tech-heavy markets Taiwan (-13.7%) and Korea (-13.1%) were dragged down by the sharp declines in the US tech sector.

PORTFOLIO REVIEW

A composite of accounts invested in the Boston Common Global Equity strategy declined -11.8% before fees, outperforming the Index. The strategy's 2018 calendar year return was -8.0%, outperforming the Index's annual return of -9.4%. Strong stock selection in Financials, Consumer Staples, and Healthcare, as well as in Japan and North America, was the leading contributor to annual performance. The Consumer Discretionary and Energy sectors, along with Emerging Markets, were the largest detractors from calendar year returns.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	-11.8%	-8.0%	-8.0%	6.6%	4.7%	9.1%	9.5%	4.9%
Net	-12.0%	-8.8%	-8.8%	5.8%	3.8%	8.4%	8.8%	4.3%
MSCI ACWI	-12.8%	-9.4%	-9.4%	6.6%	4.3%	8.4%	9.0%	4.1%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
MERCK & CO INC	2.7%	8.5%	0.55%	Healthcare
CME GROUP INC	1.6%	12.0%	0.38%	Financials
ITAU UNIBANCO HLDG SA	1.1%	24.7%	0.35%	Financials
BANK RAKYAT	1.0%	20.4%	0.32%	Financials
VERIZON COMMUNICATIONS INC	1.5%	6.5%	0.27%	Communication Services
HDFC BANK LIMITED	1.0%	10.1%	0.24%	Financials
ENN ENERGY HOLDINGS LTD	1.0%	14.5%	0.22%	Utilities
PT KALBE FARMA	0.8%	14.1%	0.21%	Healthcare
CROWN CASTLE INTL CORP	1.6%	-1.4%	0.20%	Real Estate
HOYA CORP	1.2%	1.6%	0.17%	Healthcare
			2.91%	

BOTTOM 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
APPLE INC	4.5%	-29.9%	-0.91%	Technology
EOG RES INC	1.3%	-31.5%	-0.31%	Energy
UMICORE	1.4%	-28.8%	-0.28%	Materials
AMS	0.3%	-57.4%	-0.19%	Technology
CIMAREX ENERGY CO	0.7%	-33.5%	-0.18%	Energy
MOHAWK INDS INC	0.6%	-33.3%	-0.18%	Consumer Discretionary
GRUPO FINANCIERO BANORTE	0.8%	-31.4%	-0.16%	Financials
CTRIP COM INTL LTD	0.9%	-27.2%	-0.16%	Consumer Discretionary
ROYAL CARIBBEAN CRUISES LTD	1.1%	-24.2%	-0.15%	Consumer Discretionary
WEYERHAEUSER CO	0.6%	-31.2%	-0.14%	Real Estate
			-2.67%	

For the quarter, Healthcare and Financials were the largest positive factors for returns, as these sectors accounted for seven of our top ten contributors. US pharmaceutical company Merck (+8.5%) and Indonesian PT Kalbe Farma (+14.1%) as well as Medical equipment company Hoya (+1.6%) in Japan, all outperformed, reflecting the less economically sensitive aspects of their businesses. The Financials sector was led by Emerging Market banks: Brazilian Itau Unibanco (+24.7%), Indonesian Bank Rakyat (+20.4%), and Indian HDFC Bank (+10.1%). US futures exchange CME (+12.0%) and telecom provider Verizon (+6.5%) were also among our top contributors. Regionally, North America delivered the best relative performance, driven primarily by stock selection.

*Since Inception: March 31, 2008

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Our stock selection in the Technology sector was the largest detractor from performance, followed by the Consumer Staples and Consumer Discretionary sectors. Apple (-29.9%) and its sensor supplier ams AG (-57.4%) were among the worst performers on a relative basis, as concerns mounted about future iPhone demand. US companies were six of the ten worst performers, including energy companies EOG (-31.5%) and Cimarex (-33.5%), flooring tile maker Mohawk (33.3%), and cruise operator Royal Caribbean (-24.2%). Our stock selection in the UK was the largest regional drag on relative returns.

PORTFOLIO ACTIVITY

During the quarter we purchased Advanced Information Service (AIS), Thailand's mobile telecommunications company. With a dominant position in the Thai mobile market and a fast launch of fiber network, AIS should continue to deliver stable revenue growth with nearly 8% free cash flow yield. AIS performs strongly on sustainability practices by increasing access to communications in underserved Thai markets. It has launched a digital platform for sustainable agricultural development that enables farmers to access crucial farming information.

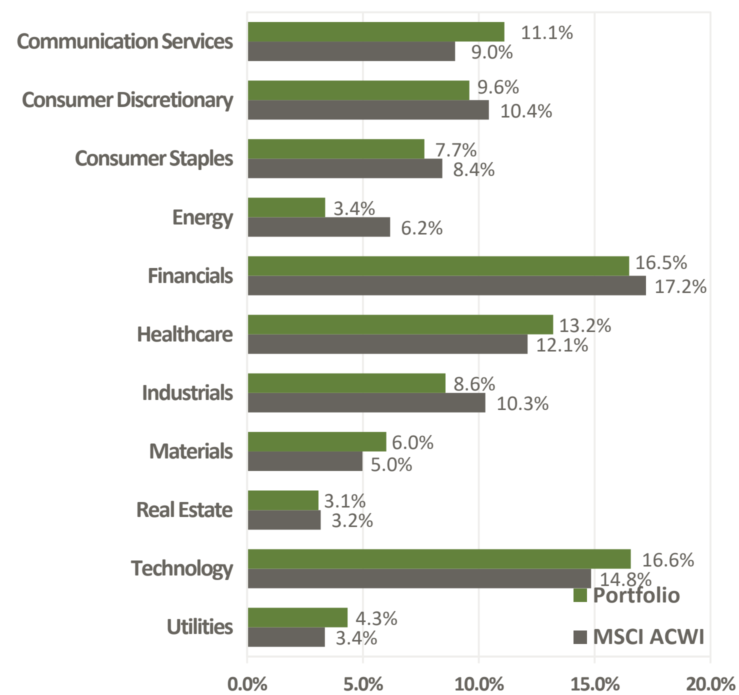
We acquired US tax and accounting software company, Intuit, which has a strong brand and dominant installed base that reduces long-term competitive threats. Relative to peers, the company performs well on key ESG issues including management of its environmental footprint, labor relations, corporate governance, privacy, and data security. We also applaud how the company's products facilitate personal financial management. Given its solid growth profile, the recent sell-off afforded us with an opportunity to initiate a new holding.

During the quarter, we sold Korean water purification appliance maker Coway on fears of corporate governance deterioration. One of Korea's premier private equity firms sold its stake in Coway back to the original maverick founder, who we fear is likely to pursue volume growth at the expense of profitability. We also sold long-term holding US auto and industrial tool manufacturer Snap On, a step towards reducing exposure to the economically sensitive auto cycle. Finally, with growing evidence that engagement was unlikely to improve Facebook's governance and corporate culture in any sort of timely fashion, we opted to eliminate this holding from the portfolio.

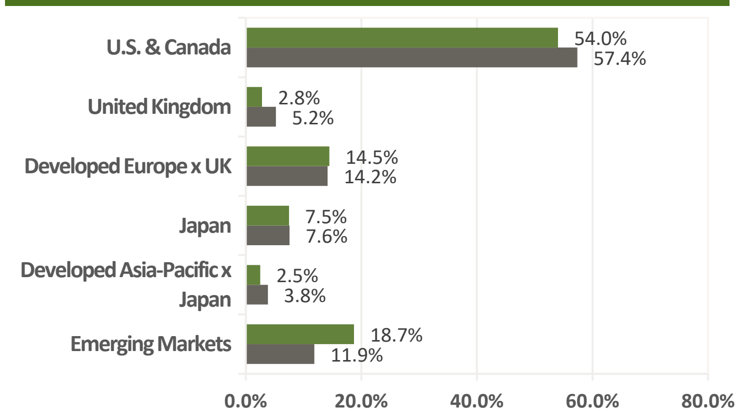
ECONOMIC & MARKET OUTLOOK

Our portfolios are positioned for a stable-to-improving fundamental backdrop, reflecting our base case view. In the US, we expect 2019 to see a slower but still positive 2% growth trajectory. Global growth will likely decelerate, to a 3% level. However, we are mindful of the low but rising probability of a downturn, and we are overweight the defensive sectors, especially Utilities and Healthcare. European economic growth is likely to improve as abnormal headwinds dissipate. China will likely stimulate its economy, which should have positive spillover effects for the rest of the world. Fewer prospective US interest rate hikes should help alleviate currency pressures and capital outflows from international markets. Geopolitical instability remains a key risk, but we expect that the Sino-US trade war and Brexit uncertainty will have reasonable resolutions over the intermediate term. Valuations appear to incorporate a cautious view, with the MSCI ACWI Index trading at 13x forward earnings, below its 15-year average of approximately 13.7x. We continue to emphasize high-quality companies with sustainable growth drivers, including environmentally beneficial products for consumer and industrial applications.

SECTOR ALLOCATION



REGIONAL ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	MSCI ACWI
# HOLDINGS	78	2,758
Valuation		
Next 12m Price to Earnings	15.0	13.3
Price to Book Value	2.9	2.1
Price to Sales	2.5	1.5
Dividend Yield	1.9%	2.6%
Growth		
5yr Sales Growth	4.5%	2.4%
5yr EPS Growth	10.8%	7.1%
Risk		
Wtd Avg Mkt Cap	157,533	132,217
LT Debt/Cap	32.3%	35.1%
Beta	1.01	1.00

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US & Canada

At year end, a further political setback in the US emerged: a budget stalemate has resulted in a government shutdown of indeterminate duration. Such developments have the capacity to disrupt corporate and consumer decision-making, potentially derailing growth and threatening corporate profits. On balance, we expect the recent politically induced turmoil to be resolved in fits and starts, with some progress on trade and some prudent compromises on Capitol Hill.

US investors appear to have adjusted expectations after the earnings boost from 2017's tax cut, and corporate share repurchase activity is likely to support reported earnings growth. Our underweight in US & Canada is primarily driven by lower ownership in the Financials, Consumer Staples, and Energy sectors, where we have found more attractive bottom-up ideas in other regions.

Europe

Europe's populists have disrupted its nascent economic recovery, but their objectives are geared towards fiscal stimulus that could eventually boost short-term growth. Italy's government and the yellow vests protesters have sought lower taxes and higher spending to help disenfranchised citizens. This policy tool looks appropriate in depressed areas, but the movement's broader vision for change is sorely lacking, in our opinion. In contrast, we are encouraged by the overwhelming support for the common currency within the Eurozone as well as the incremental efforts to address structural obstacles. Specifically, France and Germany recently announced a plan for a common Eurozone budget to fund sustainable growth investments and provide stabilizers for national recessions. The ongoing Brexit saga exemplifies the challenging reality of economic separation. We expect the UK will avoid a crash exit from the EU, but remain cautious on domestic British stocks, as the uncertainty discourages business and consumer spending. While Eurozone business surveys have deteriorated, some indicators look healthy. In the latest data releases, Eurozone wages increased 2.6% and loan growth to households and non-financial corporations accelerated to 3.3% and 4.0% respectively, near ten-year highs for all three indicators. Our portfolios are underweight UK and nearly equal weight Europe ex. UK, where we expect macro improvements and find inexpensive companies with leading environmental, social, and governance profiles.

Japan

As active participants in efforts to improve corporate governance in Japan, we are optimistic about the country's progress to date. For example, companies with more than one third independent board directors increased from about 5% in 2014 to 27% in 2017. The rise of impartial boards has coincided with increased public scandals. We view these as healthy markers of improved disclosure that bode well for future behavior. Many Japanese industries have weak profitability due to excessive competitors operating at suboptimal scale. Excess firm capacity holds down prices and inflates labor demand but suppresses productivity. In an encouraging development towards consolidation, Japanese mergers & acquisitions reached a record high in 2018. More transparency and expanding profit margins should translate into higher equity valuations. While we are encouraged by domestic developments in Japan, we are mindful of softer demand in the cyclical segments of the market, where our portfolios are about equal weight.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
COWAY CO LTD	Consumer Discretionary	0.7%
FACEBOOK INC CL A	Communication Services	1.5%
NAVER CORP	Communication Services	0.6%
NIPPON TEL & TEL CORP ORD	Communication Services	1.2%
SINGAPORE TELECOMM	Communication Services	0.4%
SNAP ON INC COM	Industrials	0.7%
TOTAL CLOSED		5.2%

NEW	SECTOR	% OF PORT.
ADVANCED INFO SERVICE PCL FOREIGN	Communication Services	0.8%
AVANGRID INC COM	Utilities	1.1%
DEUTSCHE TELEKOM AG-REG	Communication Services	1.1%
ENN ENERGY HOLDINGS LTD	Utilities	1.2%
INTUIT COM	Technology	0.7%
LG HOUSEHOLD & HEALTH CARE	Consumer Staples	0.8%
TOTAL NEW		5.8%

COMPANY SPOTLIGHT: SVENSKA HANDELSBANKEN

Company Profile

Handelsbanken is a Swedish bank that provides universal banking services such as corporate transactions and investment banking, as well as consumer banking and life insurance. One of the major Nordic banks, Handelsbanken has also successfully exported its customer-centric model across Europe, especially in the UK. The bank has set long-term environmental strategies to reduce the most impactful aspects of its operations, energy and waste, such as purchasing green electricity and fostering climate change awareness. SHB purchases 92% green electricity for its Nordic operations as a whole, and 99% within Sweden. The bank has also set ambitious gender equality goals.

Investment Thesis

Svenska Handelsbanken is one of the strongest and best managed full-service banks in Europe. Operating primarily within Scandinavia's solid macro backdrop, Handelsbanken seeks superior profitability compared with peers by focusing on cost efficiencies, risk management, and customer satisfaction. Handelsbanken's solid employment practices range from strict non-discrimination hiring and internal training to generous home and family services. Instead of bonuses based on short-term metrics, employees receive an equal share of profits through the bank's unique profit-sharing model, Oktogonen. This compensation structure helps create a path to sustainable success by aligning employee and corporate interests with customer satisfaction, the long-term driver of profitability. Given the stability of its earnings, potential savings through digitalization, high dividend yield, and ESG leadership, we believe the stock presents a compelling investment profile. Risks include a downturn in the Swedish housing market and asset quality issues in newer growth markets.

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Asia Pacific and Emerging Markets

China is responding to its economic deceleration with lower reserve requirements for its banks, measured infrastructure spending, and tax cuts. If these efforts fail to halt the slide, China will likely expand its stimulus efforts. The antagonistic relationship between US and China may be a fixture for the future, but in the near term both parties appear to be moving towards a compromise. A partial resolution could go a long way in unwinding economic and investor stress in China and beyond. We balance our underweight of developed Asia Pacific with our exposure to emerging Asian markets, where we find more attractive long-term growth opportunities. Latin America's two largest economies will be guided by new populist leaders inaugurated at the end of 2018. Brazil's election came in the aftermath of a severe recession, social unrest, and a broad corruption scandal. Jair Bolsonaro swept to power with an anti-corruption mandate despite campaign rhetoric espousing far-right social views. Expectations that President Bolsonaro will implement pro-market policies and pension reforms have excited investors. However, Brazil's complex political process will likely make progress challenging, since Bolsonaro's Social Liberal Party only controls one tenth of the seats in the lower house of Congress. In Mexico, current valuations appear to reflect investors' fears of the new AMLO administration's statist policies. AMLO has already made questionable infrastructure development decisions based on referendums with less than 1% voter turnout. Unconventional and unpredictable leadership tends to concern investors, but AMLO's record as mayor of Mexico City looks relatively favorable; he helped reduce crime, encouraged private-sector investment in housing, and implemented inclusive social programs. Our holdings in the region focus on sectors such as Financials and Healthcare where companies benefit from secular demand growth but are still trading at attractive valuations.

Shareholder Engagement Highlights

Milestones	**Quantifying ESG Impact:** Boston Common has been recognized by Real Impact Tracker and the Real Leaders 100 for our ESG Impact. Third party certifications help keep investors informed and prevent "greenwashing" in the investment industry. Listen to a recording of the Real Impact Tracker webinar, featuring Lauren Compere, Director of Shareowner Engagement.
	Strong Show of Support: Our Lobbying Disclosure proposal **received a 28.2% vote in favor** at **Oracle** Corp.'s annual shareholder meeting. We called on Oracle to increase its transparency and accountability in the spending of shareholder resources.
Work in Progress	Our inquiries to **Albemarle** and **Sociedad Química y Minera**, lithium producers, on their water stewardship practices in Chile led to robust dialogues with senior representatives at both companies about their management of water usage, discharges, and site level assessments. We encouraged both to begin to respond to CDP Water to enhance their internal management systems and to adopt a global approach to managing water risks. We joined 60 investors with $6 trillion in assets asking companies to respond to CDP with Boston Common leading with Apache, ConocoPhillips, and Cimarex.
	As an extension of our **Banking on a Low-Carbon Future** work with large global banks, Boston Common joined forces with ICCR and its members to launch an engagement focused on 20 small cap and mid-cap US banks with letters sent in December. Boston Common is leading dialogues with **Associated Banc-Corp, First Horizon National Corporation, First Midwest Bancorp Inc., Fulton Financial Corporation, Moelis & Co., UMB Financial Corp, Union Bankshares Corp., Washington Federal, & Zions Bancorp**.
	Advancing Engagement in Asia: As part of our robust engagement program in Asia, we engaged senior representatives of **Beijing Enterprises Water** on its approach to sustainability disclosure and encouraged the company to take the next step and respond to CDP Water. We advised **Beijing Water** to include oversight and management of material ESG risks and begin reporting on objectives and targets related to water, energy, and waste reductions. As part of an investor inquiry to 22 ICT companies on digital human rights, we reached out to **Samsung Electronics** and **Tencent Holdings** after their evaluation by the Ranking Digital Rights 2018 Corporate Accountability Index on their disclosed commitments and policies affecting freedom of expression and privacy.
New Initiatives	**Plastics:** Boston Common is a signatory of the New Plastics Economy Global Commitment – which envisions a circular economy for plastic, where plastics never become waste. The commitment aims "to create 'a new normal' for plastic packaging. They will review targets every 18 months, and become increasingly ambitious over the coming years. Businesses that sign the commitment will publish annual data on their progress to help drive momentum and ensure transparency."
	Ethical Recruitment: Forced labor in manufacturing is a material risk for the Information and Communications Technology (ICT) sector. Risks include: the potential use of migrant workers paying high recruitment fees, the retention of identification documents, and the use of forced or child labor. We joined ICCR in backing the findings of the KnowTheChain's 2018 Benchmarking Report on Forced Labor in the ICT sector which rated 40 ICT companies on each company's approach to reducing exploitation and protecting the rights of workers in their supply chain. Boston Common led inquiries with **Analog Devices, Hoya, Infineon, Keyence, Nintendo, & TE Connectivity.**

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