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U.S. Large-Cap Core Strategy Update

Fourth Quarter, 2018

US MARKET & PORTFOLIO REVIEW

In the fourth quarter, the S&P 500 (the "Index") fell -13.5%, the sharpest one-quarter decline since 2011. Several factors weighed on investor sentiment in the last few months: concerns around slowing global growth, an escalating trade war between the US and China, the consequences of monetary tightening, and political uncertainty and unrest in many regions of the world. As expected, the Federal Reserve raised interest rates in December, the fourth such hike this year, bringing the Fed Funds rate to 2.5%. The yield curve flattened, with the ten-year Treasury yield ending at 2.7%, only slightly higher than last year's 2.4%.

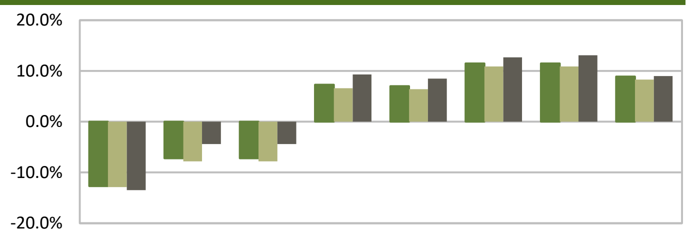
As the market sell-off accelerated in the fourth quarter, investors sought safety in the traditionally defensive sectors of Utilities (+1.5%), Consumer Staples (-5.3%), and Healthcare (-8.6%). Real Estate (-3.8%) outperformed, supported by its constituents' higher yields. The flattening yield curve hurt the earnings outlook for Financials (-13.0%), while Industrials (-17.2%) underperformed on concerns over economic slowdown and trade disruptions. The Consumer Discretionary (-16.2%) and Information Technology (-17.5%) sectors also lagged. The Energy sector (-23.8%) was the worst performer for the quarter.

For the year, the Index declined -4.4%, the first negative year since 2008. Healthcare (+6.6%) was the strongest-performing sector. Consumer Discretionary (+1.1%) and Technology (-0.2%), the best performing sectors earlier in the year, gave up their gains. Cyclical sectors continued to lag, with Energy (-18.1%) as the worst sector for 2018.

Boston Common's Tax-Exempt US Large-Cap Core account composite slightly outperformed on a relative basis, declining less than the S&P 500 Index, net of fees. For the year, the composite lagged the Index, hindered by stock selection, especially in the Consumer Discretionary sector.

During the quarter, relative performance was helped by many of the portfolio's more defensive holdings, those characterized by strong dividend yields and stable operating businesses. Telecom provider Verizon was the top performer and, along with water utility American Water Works and electric utility Avangrid, actually rose this quarter. CME Group's stock price rose more than 10% this quarter, as this dominant futures and commodity exchange benefits when volatile markets heighten trading volumes. Media giant Disney, software powerhouse Microsoft, and mobile tower REIT Crown Castle were also among the top ten contributors.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	-12.7%	-7.2%	-7.2%	7.3%	7.0%	11.5%	11.5%	8.9%
Net	-12.9%	-7.8%	-7.8%	6.6%	6.4%	10.9%	10.9%	8.3%
S&P 500	-13.5%	-4.4%	-4.4%	9.3%	8.5%	12.7%	13.1%	9.0%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
VERIZON COMMUNICATIONS INC	2.9%	6.5%	0.55%	Communication Services
MERCK & CO INC	2.4%	8.5%	0.50%	Healthcare
CME GROUP INC	1.2%	12.0%	0.30%	Financials
AVANGRID INC	1.6%	5.2%	0.29%	Utilities
CROWN CASTLE INTL CORP	1.5%	-1.1%	0.19%	Real Estate
AMERICAN WTR WKS CO INC	1.1%	3.7%	0.17%	Utilities
JOHNSON & JOHNSON	2.3%	-6.0%	0.17%	Healthcare
DISNEY WALT CO	1.9%	-5.5%	0.16%	Consumer Discretionary
MICROSOFT CORP	5.4%	-10.8%	0.14%	Technology
NOVO-NORDISK A/S	1.1%	-2.3%	0.13%	Healthcare
			2.60%	

BOTTOM 10				
APPLE INC	5.9%	-29.9%	-1.13%	Technology
EOG RES INC	2.1%	-31.5%	-0.45%	Energy
CIMAREX ENERGY CO	1.5%	-33.5%	-0.36%	Energy
MOHAWK INDS INC	1.1%	-33.3%	-0.30%	Consumer Discretionary
PVH CORP	1.2%	-35.3%	-0.29%	Consumer Discretionary
WEYERHAEUSER CO	1.1%	-31.0%	-0.23%	Real Estate
SOUTHWEST AIRLS CO	1.3%	-24.9%	-0.18%	Industrials
ROYAL CARIBBEAN CRUISES LTD	1.3%	-24.2%	-0.18%	Consumer Discretionary
EQUINOR ASA	1.4%	-24.4%	-0.18%	Energy
ALBEMARLE CORP	1.7%	-22.5%	-0.15%	Materials
			-3.45%	

The Healthcare sector was a significant contributor to relative performance, helped by our overweight to several pharmaceutical companies including Merck, which continues to benefit from its key immuno-oncology franchise. Although many cyclical names sold off, relative performance at the sector level was not impacted in Industrials or Materials.

Stock selection in Consumer Discretionary was the largest detractor from relative performance this quarter.

*Since Inception: December 31, 2002

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Concerns around the outlook for US housing hurt retailer Home Depot, flooring company Mohawk, and timber REIT Weyerhaeuser, while apparel company PVH's Calvin Klein orders disappointed. Investors shied away from discretionary spending beneficiaries like travel company Royal Caribbean Cruises and airliner Southwest. We believe these fears are overblown. With an almost 40% drop in the price of oil during the quarter, the portfolio's energy holdings detracted from relative performance, while lithium producer Albemarle continues to suffer from worries about over supply. Apple was the worst-performing holding on a relative basis, as concerns mounted about future iPhone demand.

PORTFOLIO ACTIVITY

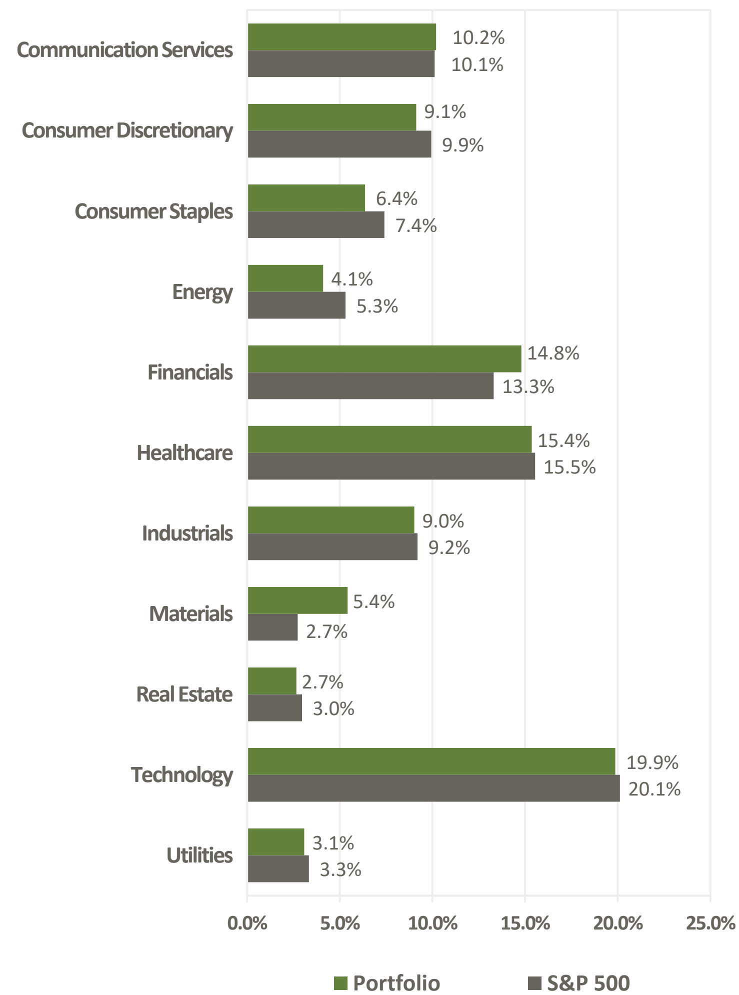
Over the past six months, we have been expecting market volatility to increase. To address this, our portfolios have been positioned for balance in order to participate in any upside but provide protection to weather any market tumult. Cognizant of valuations as we exited the strong markets of September, portfolio activity primarily entailed intra-sector repositioning, with small changes within sectors such as Technology, Industrials, Healthcare, and Financials.

As we have observed, volatility can provide opportunity. During the most recent quarter, we were able to add two new names to the portfolio: Citigroup and Intuit. For Citigroup, our ESG research indicates ESG momentum is on an upswing. Management has improved on many issues like access to financial services and climate risk assessment, while the bank is a leader amongst peers in corporate governance. With strong financials, Citi is expected to buy back more than 10% of its outstanding stock annually over the next two years. Boston Common has engaged Citi since 2016 and found the company responsive. Given our insight and the recent decline in valuation, we now view Citigroup as attractive. We trimmed long-term holding JPMorgan to reduce the large overweight we have held in this name.

Intuit, the tax and accounting software company, 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 long-term holding auto and industrial tool manufacturer Snap On, a step towards reducing exposure to the economically sensitive auto cycle. We also sold Universal Display. We like this company's exposure to the energy-saving LED technology for screen displays and lighting, but these market opportunities may be overshadowed in the near term by the maturation of the smart phone cycle and increased global competition. 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.

SECTOR ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	S&P 500
# HOLDINGS	61	500
Valuation		
Next 12m Price to Earnings	14.2	14.8
Price to Book Value	2.9	2.9
Price to Sales	2.4	2.0
Dividend Yield	1.9%	2.0%
Growth		
5yr Sales Growth	4.2%	4.4%
5yr EPS Growth	10.7%	9.3%
Risk		
Wtd Avg Mkt Cap	202,015	211,764
LT Debt/Cap	36.6%	38.3%
Beta	0.99	1.00

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As regularly mentioned in this space, we are continually assessing our portfolio holdings. As evidenced above, this dynamic process often moves incrementally. In times like these, we remain opportunistic regarding portfolios changes, adding to high-quality companies operating sustainably in growing end markets. We retain a neutral to modestly positive equity position within balanced accounts. We have re-affirmed the shorter-duration, high-quality stance we have held for some time in fixed income portfolios and are holding some cash as we redirect our portfolios.

ECONOMIC & MARKET OUTLOOK

US economic growth is slowing, not faltering. We expect 2019 to see a slower but still positive 2% growth trajectory. Global growth will likely decelerate to a 3% level, but this will likely have only a modest impact on the US economy, as exports are a relatively small part of US GDP, at about 10%.

The domestic economy has many sources of support: strong employment and modest wage growth, expanding corporate profits, and restrained inflationary pressures, to name a few. In addition, a significant amount of fiscal stimulus is in place, with the US running a budget deficit of approximately 5% of GDP.

With inflation remaining modest and a softer global economic outlook, we expect the Federal Reserve to slow the pace of interest rate hikes in 2019. Recently, new and used home sales declined in the face of rising mortgage rates, but as interest rates stabilize and wages pick up, concerns over the housing market may abate.

Though investors will need to readjust expectations after the earnings boost from 2017's tax cut, there are still several sources of support for profit growth in 2019. Alongside revenue growth, technologically-driven productivity gains and cost-reduction strategies will help to offset the impact of rising wages. The US Dollar could become less of a headwind for globally-focused companies as the Fed adopts a more data-dependent approach to future rate increases. Additionally, corporate share repurchase activity continues to support reported earnings growth.

After a long period of relatively low volatility in the markets, macro risks and geopolitical uncertainty have increased in recent months. For some time now, the threat of tariffs and specifically the Sino-US trade dispute have dominated investor concerns. At year end, a further political setback 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 hope that the recent politically induced turmoil will be favorably resolved, with some progress on trade and some prudent compromises on Capitol Hill.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
FACEBOOK INC CL A	Communication Services	1.9%
SNAP ON INC COM	Industrials	1.1%
UNIVERSAL DISPLAY CORP COM	Technology	0.6%
TOTAL CLOSED		**3.5%**

NEW	SECTOR	% OF PORT.
CITIGROUP INC COM NEW	Financials	1.2%
INTUIT COM	Technology	0.7%
TOTAL NEW		**1.9%**

COMPANY SPOTLIGHT: ECOLAB

Company Profile

Founded in 1923 and headquartered in St. Paul, MN, Ecolab (ECL) is a specialty chemical company that provides water, hygiene, and energy technologies and services to help customers keep their environment clean and safe, operate efficiently, and achieve sustainability goals. ECL derives a significant portion of revenues in eco-efficiency related products, such as 20% from water treatment. Additionally, Ecolab has made important strides in improving its own environmental impact. After meeting its internal 2016 waste and water reduction goals (18% versus 2009 levels), ECL now seeks to reduce water use by 25 percent and greenhouse gas emissions by 10 percent by 2020.

ESG Integrated Investment Thesis

Ecolab is a leader among its specialty chemical peers, standing out for its clean technology applications and focus on resource efficiency. The company provides specialized chemistry and services for cleaning, water, and energy applications across many end markets. For example, Ecolab offers commercial laundries proprietary dispensing equipment and chemistry products that achieve comparable cleaning efficacy with 30-40% less water and at lower washing temperatures. Service personnel regularly interact with clients, helping them to shrink their environmental footprint while also benefitting from the cost savings of efficient resource utilization. The power of this value proposition is evident in the premium pricing of Ecolab's products and services. By offering non-discretionary, yet differentiated products, Ecolab derives nearly 90% of its sales from recurring sources. Looking forward, the company expects to shift customer focus beyond simple conservation to a more circular approach to resource management. With annual earnings growth over 10%, Ecolab has historically traded at a premium to its peers, which we find justified by ECL's high-quality product profile, environmental leadership, and reliable cash flow. Risks include higher raw material prices and economic sensitivity such as slower foot traffic in restaurants and hotels.

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With the past quarter's significant drop in the market indices and the expectation that earnings are still growing, albeit at a much reduced pace, valuations appear attractive especially for higher-growth, high-quality companies. The market's price-to-earnings ratio, at 14.7x 2019 consensus earnings, is much more reasonable than the 18x multiple twelve months ago.

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.**