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U.S. Large-Cap Value Strategy Update

Fourth Quarter, 2018

US MARKET & PORTFOLIO REVIEW

In the fourth quarter, the Russell 1000 Value Index (the "Index") fell -11.7%, the sharpest one-quarter decline since 2011. Reversing recent trends, Value-style benchmarks outperformed their Growth-style counterparts by declining less. 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%.

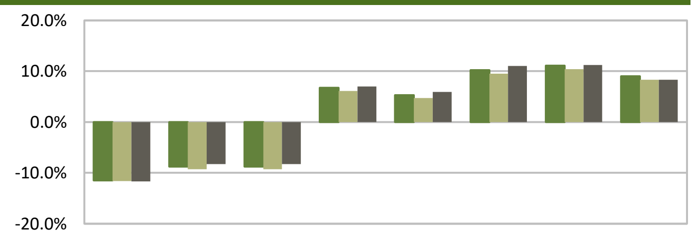
As the market sell-off accelerated in the fourth quarter, investors sought safety in the traditionally defensive sectors of Utilities (+1.1%), Consumer Staples (-4.2%), and Healthcare (-7.1%). Real Estate (-6.5%) outperformed, supported by its constituents' higher yields. The Consumer Discretionary (-12.8%) and Information Technology (-12.5%) sectors also lagged. The flattening yield curve hurt the earnings outlook for Financials (-13.5%), while Materials (-13.7%) and Industrials (-19.4%) underperformed on concerns over economic slowdown and trade disruptions. The Energy sector (-24.6%) was the worst performer for the quarter.

For the year, the Index declined -8.3%, the first negative year since 2015. Healthcare (+8.1%) and Utilities (+4.5%) were the strongest-performing sectors. Technology (-1.0%), a strong performer earlier in the year, gave up its gains. Cyclical sectors continued to lag, with Industrials (-19.0%) and Energy (-17.5%) as the worst sectors for 2018.

Boston Common's Tax-Exempt US Value Equity account composite declined in line with the Russell 1000 Value Index, gross of fees. The portfolio's cash holdings and underweight to Energy helped performance, but stock selection, especially in the Consumer Discretionary sector, hurt returns. The Healthcare sector was the largest contributor to relative performance. Even though many economically sensitive names sold off, stock selection in Industrials helped portfolio performance.

At the stock level, performance was helped by many of the portfolio's more defensive holdings – those characterized by strong dividend yields and stable operating businesses. Pharmaceutical company Merck continued to benefit from its key immuno-oncology franchise and was the portfolio's top relative performer.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	-11.5%	-8.8%	-8.8%	6.7%	5.3%	10.2%	11.1%	9.0%
Net	-11.6%	-9.3%	-9.3%	6.1%	4.7%	9.5%	10.4%	8.3%
Russell 1000	-11.7%	-8.3%	-8.3%	7.0%	5.9%	11.0%	11.2%	8.3%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
MERCK & CO INC	3.4%	8.5%	0.66%	Healthcare
VERIZON COMMUNICATIONS INC	2.2%	6.5%	0.37%	Communication Services
AVANGRID INC	1.9%	5.4%	0.31%	Utilities
PROCTER AND GAMBLE CO	1.5%	12.2%	0.30%	Consumer Staples
INTEL CORP	2.3%	-0.6%	0.26%	Technology
ARTHUR J GALLAGHER & CO	1.2%	-0.7%	0.16%	Financials
AMERICAN WTR WKS CO INC	1.1%	3.7%	0.16%	Utilities
DISNEY WALT CO	2.3%	-5.5%	0.15%	Consumer Discretionary
NOVO-NORDISK A/S	1.3%	-2.3%	0.13%	Healthcare
DANAHER CORP	1.6%	-4.9%	0.12%	Healthcare
			2.61%	

BOTTOM 10				
EOG RES INC	2.0%	-31.8%	-0.51%	Energy
CITIGROUP INC	1.2%	-17.9%	-0.36%	Financials
PVH CORP	0.8%	-36.9%	-0.32%	Consumer Discretionary
APACHE CORP	0.7%	-45.0%	-0.32%	Energy
WEYERHAEUSER CO	1.3%	-32.0%	-0.29%	Real Estate
MOHAWK INDS INC	1.2%	-33.7%	-0.28%	Consumer Discretionary
APPLE INC	1.2%	-30.0%	-0.28%	Technology
EMERSON ELEC CO	2.0%	-22.1%	-0.27%	Industrials
CIMAREX ENERGY CO	1.1%	-28.5%	-0.27%	Energy
SOUTHWEST AIRLS CO	1.2%	-25.4%	-0.21%	Industrials
			-3.08%	

Merck, along with telecom provider Verizon, water utility American Water Works, electric utility Avangrid, and consumer product giant P&G, actually rose this quarter. Media conglomerate Disney, semiconductor powerhouse Intel, and insurance broker Arthur Gallagher were also among the top ten contributors.

Increased investor pessimism about the economy hurt cyclical sectors. Concerns around the outlook for US housing hurt flooring company Mohawk and timber REIT Weyerhaeuser, while apparel company PVH's Calvin Klein orders disappointed.

*Since Inception: December 31, 2002

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Investors shied away from discretionary spending beneficiaries like airliner Southwest. We believe these fears are overblown. With an almost 40% drop in the price of oil during the quarter, many of the portfolio's energy and energy-related holdings, such as Emerson Electric, detracted from relative performance. Citigroup, a new addition to the portfolio, and Apple were also among the top detractors. The latter fell as concerns mounted about future iPhone demand and increased competition.

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 the Technology, Industrials, Healthcare, and Financials sectors. We looked to upgrade the quality within many sectors, redeploying funds to increase weights in holdings we consider ESG leaders or companies with improving ESG profiles. Finally, we reduced or eliminated several positions where fundamentals looked to be deteriorating.

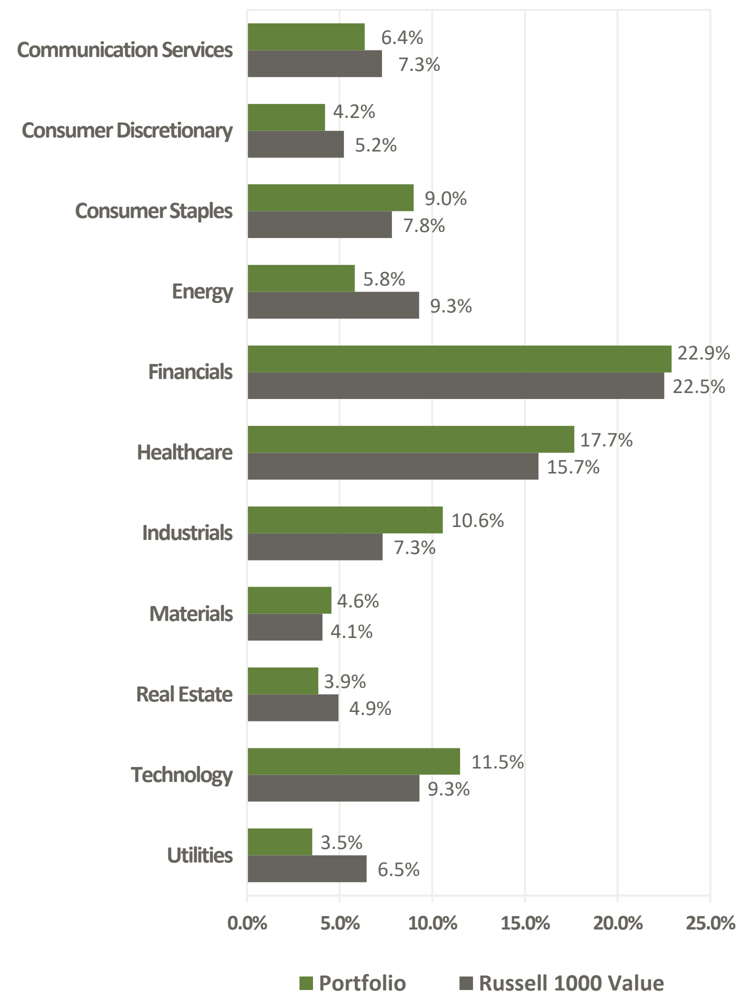
We initiated a new holding in the Financials sector: Citigroup. Our ESG research indicates ESG momentum is on an upswing, as management has improved on many issues like access to financial services and climate risk assessment. The bank is also a leader among peers in corporate governance. With strong 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.

As part of this purchase, we trimmed long-term holding JPMorgan to reduce the portfolio's large overweight while also reducing exposure to capital markets by selling CME Group and T. Rowe Price.

While reducing our overall cyclical and energy exposure, we did purchase ConocoPhillips (COP), a globally diversified name, to replace the more geographically-focused Cimarex. COP has made strides to reduce the carbon intensity of its portfolio. The "Disclosing the Facts" report, co-authored by Steven Heim of Boston Common, indicates that COP is one of the top energy companies for disclosure on methane management. Finally, rising ESG concerns on product safety and better opportunities within healthcare led us to complete the gradual sale of Johnson & Johnson.

Over the course of the year cash as a percent of the portfolio has gradually risen, with a significant bump in the fourth quarter, to end the year at 8%. Cash provides an alternative to ESG-challenged defensive sectors like Utilities. We hope to redeploy it opportunistically, as valuations have improved. Our approach is to seek misvaluations rather than seeking low multiples per se. We believe the current volatile environment is conducive to active management, using judgment to assess forward-looking opportunity.

SECTOR ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	RUSSELL 1000 VALUE
# HOLDINGS	59	725
Valuation		
Next 12m Price to Earnings	13.0	12.5
Price to Book Value	2.2	1.8
Price to Sales	2.1	1.5
Dividend Yield	2.3%	2.7%
Growth		
5yr Sales Growth	2.0%	1.7%
5yr EPS Growth	7.6%	7.8%
Risk		
Wtd Avg Mkt Cap	106,358	106,941
LT Debt/Cap	39.2%	39.0%
Beta	0.96	1.00

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Our valuation metrics vary by sector, and we are mindful of balance sheet quality as well as free cash flow generation.

We retain a neutral to modestly positive equity position within balanced accounts. We have reaffirmed 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 also 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, technology-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.

With the past quarter's significant drop in the market indices and the expectation that earnings are still growing, albeit at a significantly 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.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
ARES CAP CORP COM	Financials	1.0%
CIMAREX ENERGY CO COM	Energy	1.9%
CME GROUP INC COM CL A	Financials	1.0%
JOHNSON & JOHNSON COM	Healthcare	1.6%
METLIFE INC COM	Financials	0.9%
PVH CORP COM	Consumer Discretionary	1.1%
T ROWE PRICE GROUP INC COM	Financials	1.4%
WORLDPAY INC CL A	Technology	1.0%
TOTAL CLOSED		**9.8%**

NEW	SECTOR	% OF PORT.
CITIGROUP INC COM NEW	Financials	2.6%
CONOCOPHILLIPS COM	Energy	2.0%
ARES CAP CORP COM	Financials	1.0%
TOTAL NEW		**5.6%**

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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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.**