

All Country International Strategy Update

Second Quarter, 2019

INTERNATIONAL MARKET REVIEW

The MSCI ACWIxUS Index (the "Index") rose +3.0% in US Dollar terms. In local currency terms, the Index rose +2.1% as a weakening Dollar added +0.9% to investors returns. The Federal Reserve's looser monetary policy stance boosted the Yen (+2.7%) and the Euro (+1.4%), while the UK Pound (-2.3%) declined on continued Brexit uncertainty. A basket of Emerging Market currencies appreciated slightly (+0.4%) relative to the US Dollar. ACWI Europe (+4.7%) again outperformed the Asia Pacific (+0.8%) region.

The European Central Bank and the Bank of Japan promised additional stimulus if their economies remain stagnant. According to surveys, the Eurozone's factory output is contracting at a deteriorating rate, while service activity is expanding at a faster pace. In the UK, the ruling Conservative party started its process to select the successor to Prime Minister Theresa May. President Trump and President Xi met at the G20 summit in Japan and agreed to a temporary truce in the US-China trade war.

Industrials (+5.2%) was the best performing sector thanks to the progress towards a trade settlement. Financials (+4.4%) and Technology (+4.0%) benefited from improving risk appetite. Real Estate (-1.6%) lagged, and Energy (+0.5%) underperformed with flat oil prices.

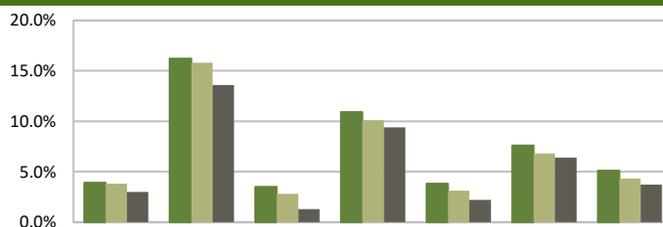
Switzerland (+8.4%) was the best performing developed country in the Index, while Australia (+7.3%) rallied after a surprise election victory for the pro-business governing coalition. Europe's two largest economies, Germany (+7.1%) and France (6.5%), advanced with global sentiment. The UK (+0.9%) was the worst performing major country, driven by its depreciating currency. Japan (+1.0%) also lagged, but for the opposite reason; the strong Yen is viewed as a headwind for Japan's export-oriented market.

The MSCI Emerging Market ("EM") Index rose +0.6%. EM Asia, which is more exposed to global trade, declined -1.3%, lagging EMEA (+7.2%) and Latin America (+4.4%). Within EMEA, Russia rallied strongly (+16.9%), supported by a firmer Ruble (+3.6%). China (-4.0%) and Korea (-1.0%) underperformed, as global trade uncertainty has hurt exports in both countries.

PORTFOLIO REVIEW

A composite of accounts invested in the Boston Common All Country International Equity strategy rose +3.9% before fees, outperforming the Index. For the quarter, stock selection in the Industrials sector was the largest contributor to relative performance. Manufacturers of energy efficient heating systems and power components Spirax-Sarco (UK) and Schneider Electric (France) led the way.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	Since Inception*
Gross	3.9%	16.2%	3.5%	10.9%	3.8%	7.6%	5.1%
Net	3.8%	15.8%	2.8%	10.1%	3.1%	6.8%	4.3%
MSCI ACWIxUS	3.0%	13.6%	1.3%	9.4%	2.2%	6.4%	3.7%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
SAP	1.8%	20.1%	0.28%	Technology
SPIRAX-SARCO ENG	1.2%	25.8%	0.26%	Industrials
HOYA CORP	2.1%	16.0%	0.24%	Healthcare
SCHNEIDER ELECTRIC SE	1.6%	18.2%	0.23%	Industrials
HDFC BANK LIMITED	2.2%	12.7%	0.21%	Financials
CANADIAN PAC RAILWAY LTD	1.9%	14.4%	0.20%	Industrials
ADVANCED INFO SERVICE PCL	1.1%	22.4%	0.20%	Communication Services
FERGUSON	2.1%	13.0%	0.19%	Industrials
ORSTED	1.8%	14.1%	0.18%	Utilities
KION GROUP	1.1%	22.6%	0.17%	Industrials
			2.15%	

BOTTOM 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
UMICORE	1.4%	-27.2%	-0.52%	Materials
SOCIEDAD QUIMICA MINERA DE CHILE	1.4%	-18.0%	-0.32%	Materials
EQUINOR ASA	2.0%	-9.1%	-0.26%	Energy
ALIBABA GROUP HOLDINGS	2.1%	-7.2%	-0.19%	Consumer Discretionary
CTRIP COM INTL LTD	0.6%	-22.7%	-0.19%	Consumer Discretionary
LG HOUSEHOLD & HEALTH CARE	1.3%	-9.0%	-0.16%	Consumer Staples
SHIMANO INC	1.4%	-8.1%	-0.16%	Consumer Discretionary
SUNNY OPTICAL TECH	0.8%	-12.6%	-0.15%	Technology
NOKIA OYJ	0.9%	-12.6%	-0.14%	Technology
INFINEON TECHNOLOGIES	1.0%	-11.3%	-0.12%	Technology
			-2.21%	

Railroad operator Canadian Pacific, German warehouse equipment producer Kion Group, and UK plumbing distributor Ferguson also helped our Industrials performance. Stock selection in the Communication Services and Financials sectors was another source of outperformance. Thai telecom firm Advanced Info Services and India-based HDFC Bank both delivered strong results. Emerging Markets and the UK were the leading regional contributors. Additional individual contributors included Japanese lens manufacturer Hoya and Danish wind farm developer Orsted. Stock selection in the Materials and Consumer Discretionary sectors was the primary drag on relative performance.

All Country International Strategy Update

Second Quarter, 2019

Suppliers to electric vehicles Umicore (Belgium) and Sociedad Quimica & Minera (Chile) were struck by deteriorating supply and demand dynamics. Also, our Chinese ecommerce stocks, Alibaba and Ctrip, underperformed. From a regional perspective, stock selection in Europe ex-UK and Asia Pacific ex-Japan was a negative. Disappointing earnings reports pressured Finnish telecom equipment provider Nokia and Norwegian energy company Equinor. Korean personal Care firm LG Household & Health Care along with lens supplier Sunny Optical in Hong Kong declined with trade war-driven pressures.

PORTFOLIO ACTIVITY

Among our transactions this quarter we purchased bioMerieux. The company's diagnostic tests play a leading role in combatting anti-microbial resistance, a significant global health problem driven in part by the over-prescription of antibiotics. The French company is a pioneer in simultaneous testing of multiple pathogens, which leads to faster diagnoses of infectious diseases. bioMerieux focuses on respiratory infections, which account for about 40% of antibiotic prescriptions in the US. Clinical sales are primarily made up of steady, high-margin consumables, with equipment accounting for only 10% of sales. Trading at 15x EBITDA, we find bioMerieux compelling considering its solution to the dangers of anti-microbial resistance and its high-single-digit underlying revenue growth. We also purchased Alcon, the Swiss eye care company that recently spun out of Novartis. The company is launching a new lens for cataract surgeries and is working to expand margins, which could buoy double-digit earnings growth. Valuation is at a discount to its peer group on an enterprise value-to-sales basis, and Alcon is well positioned to serve the growing contingent of people suffering from eye disease.

During the quarter, we sold Chinese online travel agency, Ctrip. We had trimmed it at the beginning of the quarter on strength and then sold our small position to consolidate into other Greater China holdings like Alibaba and Hang Lung properties. We also reduced European holdings Orsted, Spirax-Sarco, and Assa Abloy, which had outperformed yet are exposed to cyclical demand.

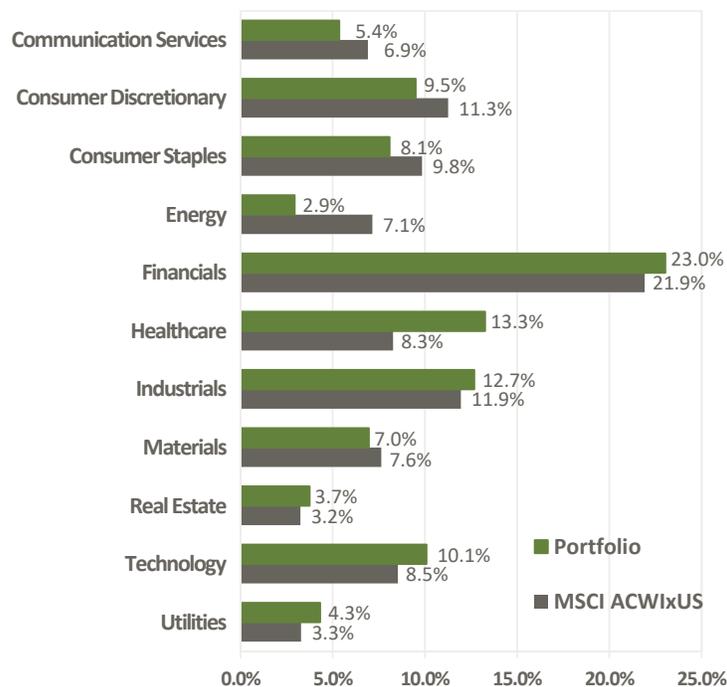
ECONOMIC & MARKET OUTLOOK

Plentiful jobs and rising wages should support healthy consumer demand. The trade war and geopolitical uncertainty have disrupted global supply chains and delayed corporate investment decisions, resulting in a depressed manufacturing sector. We believe the mutual dependence of the global economy will lead to at least a partial US-China trade settlement in the months ahead. Central banks and governments are easing financial conditions and providing stimulus to support the industrial economy.

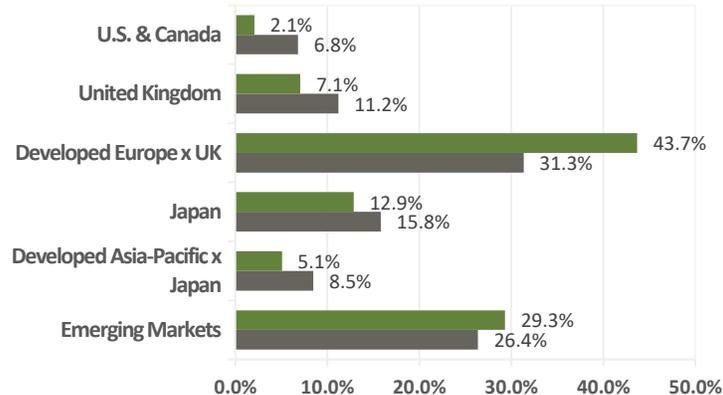
In our view, modest growth and low interest rates is the most likely future economic scenario. Our portfolios are constructed for this base case, emphasizing environmental solutions companies and high-quality ESG leaders with secular growth opportunities. In contrast, value stocks, including some of our financial holdings, would likely lead the market in a period of faster growth and higher inflation expectations.

If there is a significant downturn, our exposure to defensive stocks with relatively high dividend yields would be one of the few areas of stability in the market. If our probability assumptions shift from our base case to the other scenarios, we would reposition our portfolios accordingly.

SECTOR ALLOCATION



REGIONAL ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	MSCI ACWI ex US
# HOLDINGS	71	2,206
Valuation		
Next 12m Price to Earnings	15.5	13.3
Price to Book Value	2.3	1.7
Price to Sales	1.9	1.3
Dividend Yield	2.5%	3.0%
Growth		
5yr Sales Growth	4.2%	1.1%
5yr EPS Growth	9.9%	5.8%
Risk		
Wtd Avg Mkt Cap	73,495	71,769
LT Debt/Cap	28.1%	30.2%
Beta	1.02	1.00

All Country International Strategy Update

Second Quarter, 2019

The Index is trading at reasonable valuations, at or below historical averages, and we think the long-term outlook for international equities is attractive on balance.

Europe

The Eurozone economy is growing a little over 1.0%, supported by a solid labor market. Germany's jobless rate has fallen to 3.1%, the lowest rate since 1980, and Eurozone wage growth of 2.5% is near a 10-year high. However, consumer price inflation remains subdued at 1.1%. In response, the European Central Bank has shifted its focus again to expansionary policies. Credit conditions have eased with lower long-term interest rates, and loan growth recently reached 3.3%, the fastest pace in nearly ten years. Eurozone manufacturers' surveys indicate the sector is contracting, with business conditions near three-year lows. The auto and smartphone industries and their broad network of suppliers are a source of particular weakness. Germany's export-oriented economy has considerable linkages to those industries and has slowed, growing less than 1% this year. Fortunately, the country has ample fiscal resources to offset some of the external pressure. Germany's budget surplus is forecast to decline this year after increasing in each of the past five years. Geopolitical instability is a key risk factor for Europe, but we are encouraged by some recent developments. The European Union (EU) defused tensions with Italy over its Populist government's budget proposal. Eurosceptic political parties failed to achieve great success in the EU parliamentary elections. In fact, the Green Parties were deemed the big winners, increasing their EU seats by 40%. The Greens' strong showing could herald more assertive environmental policies that would benefit our European holdings. The UK continues to appear in a quagmire, as its likely new leader campaigns in favor of leaving the EU on October 31st with or without a deal. Brexit uncertainty leaves us cautious and underweight the UK. Our expectations for normalizing growth and expansionary policies support our overweight of Europe ex. UK with an emphasis on leaders in energy efficiency, green chemicals, or sustainable business practices.

Japan

Improvements in corporate governance are an appealing aspect of the Japanese market, as renewed enthusiasm for best practice standards should lead to better risk control. While Japanese corporate scandals continue to make headlines, the news may reflect greater disclosure that seeks to address conflicts of interest and management malfeasance. Modernizing capital allocation decisions should also benefit minority shareholders through higher profitability and larger dividends or share buybacks. Japan continues to struggle towards its 2%+ inflation goal as a means to boost nominal growth. The Bank of Japan leads global central banks with innovative easing measures and the fiscal budget has been in deficit consistently over the past ten years. Yet Japan's aging and shrinking population has been a powerful disinflationary force. Policymakers have recognized the demographic headwind and gradually opened its restrictive visa rules such that net immigration has increased to a record high. Despite our favorable view of improving corporate governance, we are underweight the Japanese market, as we have found relatively few domestic stocks with attractive growth profiles relative to valuation.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
CTrip COM INTL LTD AMERICAN DEP SHS	Consumer Discretionary	1.1%
TOTAL CLOSED		1.1%
NEW	SECTOR	% OF PORT.
ALCON INC	Healthcare	0.8%
BIOMERIEUX	Healthcare	0.9%
TOTAL NEW		1.7%

COMPANY SPOTLIGHT: AIR LIQUIDE

Company Profile

Air Liquide, inventor of the original scuba diving equipment, pioneered the industrial gas business in the early 1900s and today is a leading supplier across a multitude of industries. With 66,000 employees in over 80 countries, Air Liquide provides industrial gas and energy solutions through a network of plants and pipelines to large industrial and commodity operators. It also supplies high-pressure gas cylinders to diverse businesses in the automotive, food, and pharmaceutical industries, among others.

Investment Thesis

As one of the largest industrial gas suppliers in the world, Air Liquide is well positioned to benefit from growing demand for its products as businesses seek to maximize the Eco-Efficiency of their operations. From heavy manufacturing to electronics and healthcare, Air Liquide's gases help customers to make their own processes less resource-intensive, cleaner, and more efficient. In 2017, the company's Oxygen helped steel manufacturers reduce costs while avoiding 11.5 million tons of GHG emissions. Air Liquide's hydrogen is used to remove sulfur from hydrocarbons, which prevents acid rain. Air Liquide has a leading position in the development of hydrogen as a source of emissions-free energy for both commercial (forklifts) and consumer (automobile) uses. The industrial gas industry is relatively concentrated, with pricing power and long-term contracts guaranteeing stable base volume growth. Expectations of continued improvements to profitability metrics, relative insulation from short-term cyclical pressures, and a positive environmental profile make for a compelling investment. Risks: weaker capital spending could weigh on project pipeline, delays in hydrogen opportunity.

ESG Engagement Opportunities

While Air Liquide has one of the highest total GHG emissions among portfolio holdings, its products help others reduce emissions and pollution. We began engaging the company in 2016 to improve its Eco-Efficiency practices and reduce its carbon footprint. By 2018, the company had committed to developing new energy efficiency targets and to conducting a global water risk assessment. Air Liquide also announced the goal of reducing carbon intensity by 30% (between 2015-2025), the most ambitious climate goals for its industry.

All Country International Strategy Update

Second Quarter, 2019

Asia Pacific and Emerging Markets

Asia Pacific and Emerging Markets tend to be subject to volatile capital flows and their prospects are closely tied to trade tensions, China's economic outlook, and the US Dollar. A Sino-US trade deal seems likely as the dispute has had negative consequences for an increasingly broad group of businesses. Chinese policymakers are pursuing easier monetary policy as well as tax cuts to boost its domestic economy and by extension many non-US markets and currencies. Australia is the latest country to experience a surprise election outcome. In May, the incumbent coalition government, led by Prime Minister Scott Morrison, won a third three-year term against the Labor opposition that had been leading in the polls.

Investors cheered the result because they expect expansionary fiscal policy and lighter touch regulation, especially for the scandal-prone banking industry, as well as support for a large controversial coal mining project. However, we are concerned that the short-term economic boost from some of these policies will be dwarfed by potential damage to Australia's sustainable development. The country has already suffered from severe droughts, and its commodity exports will likely see flagging demand as the Chinese economic engine shifts from industrial production and infrastructure construction to consumption and services. Our portfolios are positioned to benefit from China's transition with an overweight of emerging Asian consumer and financial stocks and an underweight of Australia.

Shareholder Engagement Highlights

Milestones	Engagement Impact – We published our 3rd annual Engagement Impact Report, Igniting Impact in Global Public Equities!
	Lobbying transparency - For the second year, our shareholder resolution at American Water Works on Lobbying disclosure received strong investor support (39.6% in favor) .
Work in Progress	Access to Nutrition (ATNI) – We engaged Grupo Bimbo, PepsiCo, and Unilever on adopting the 2018 ATNI Global and US Index recommendations , which include improving access to healthier products for low-income and communities of color. Unilever improved compliance with its Highest Nutritional Standards: 48% of the volume sold in tons was compliant in 2018, compared with only 9% in 2017.
	Banks and Climate Change – We issued a new survey to assess and benchmark 59 global banks progress against 2018 metrics . We focused on TCFD governance, client engagement, and adoption of a climate scenario analysis —with new questions on Just Transition, deforestation, and human rights . We engaged Bank Rakyat on lending to palm oil producers; palm oil represents over 5% of its lending portfolio. The company encourages clients to adopt Roundtable on Sustainable Palm Oil (RSPO) best practices, though many still adopt only the minimum legal requirement (ISPO).
	Eco-Efficiency - 3M and BMW made progress under our Eco-Efficiency initiative since 2016: 3M committed to 100% renewable energy for all facilities globally by 2050. One core ask for 3M: join the EP100 as it works toward doubling energy productivity. BMW adopted factory-level targets for energy efficiency and benchmarked performance globally to share best practices. One core ask for BMW: adopt the US Department of Energy's 50001 Ready program for US factories.
New Initiatives	Wholesale Dialogues with Retailers - We engaged retailers Costco, Kroger, and Target on a range of issues: health and well-being/nutrition and marketing, food waste, and improving sustainability practices. Kroger's Zero Hunger, Zero Waste initiative seeks to eliminate waste in stores by 2025. Toward that goal, the company assessed its food waste footprint and engaged supplier vendors. We used Target's public nutrition profiling system as a model for Kroger to guide consumers.
	Protecting Shareholder Rights - Ahead of another attempt to limit the rights of shareholders' access to the US shareholder proposal process, we urged the SEC not to change the current process, which would make it harder for investors to engage with companies on ESG and sustainability issues
	Plastic Waste – We commended several portfolio companies for joining the New Plastic Economy Global Commitment , asking for progress updates—a positive approach that helps advance our dialogues. Companies included: Apple, Colgate-Palmolive, Danone, PepsiCo, Henkel, Johnson & Johnson, Target, Unilever, Veolia, and Schneider Electric . Joining the Plastics commitment will be a core ask for our Eco-Efficiency initiative.

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 MSCI ACWI ex. U.S. Index is a free-float adjusted, market capitalization weighted index of the largest publicly traded companies listed on the exchanges of developed and emerging market countries around the world, excluding U.S.-based 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 these 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.