BOSTON COMMON
ASSET MANAGEMENT

BOSTON
200 State Street, 7th Floor
Boston, MA 02109
tel (617) 720-5557
fax (617) 720-5665

SAN FRANCISCO
225 Bush Street, Suite 1825
San Francisco, CA 94104
tel (415) 757-5760
fax (415) 233-4871

www.bostoncommonasset.com
invest@bostoncommonasset.com

Global Equity Strategy Update

Third Quarter, 2019

global market review

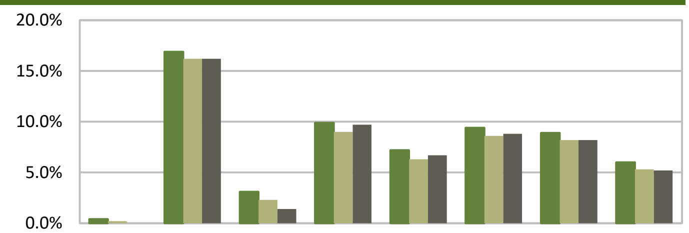
The MSCI ACWI Index (the "Index") was flat (0.0%) in the third quarter. In local currency terms, the Index rose +1.1% as a strengthening Dollar subtracted -1.1% from returns. Weaker European economic indicators and easing monetary policy pressured the Euro (-4.3%) and the UK Pound (-3.2%). The Yen was relatively stable (-0.3%), as it tends to move inversely with global growth expectations. A basket of Emerging Market currencies fell -2.2% relative to the US Dollar. The Asia Pacific region (-1.4%) outperformed Europe (-1.8%), led by Japan, while MSCI US rose +1.4%.

The defensive Utilities (+5.5%), Consumer Staples (+3.6%), and Real Estate (+2.8%) sectors outperformed as risk appetite and interest rates decreased. Energy (-5.5%) was the worst performer as oil prices declined, despite an attack on a Saudi processing facility. Concerns about the business cycle caused the Materials (-4.6%) and Industrials (-1.0%) sectors to underperform.

The narrow Belgium (+3.4%) market was the best-performing developed country in the Index. Japan (+3.1%) also outperformed, bolstered in part by a recovery in autos. Hong Kong (-11.9%) was impacted by civil unrest. Singapore (-5.8%) was weighed down by the Sino-US trade dispute, while Germany (-4.0%) underperformed as its economic indicators deteriorated.

The MSCI Emerging Market ("EM") Index fell -4.3%. EM Asia (-3.4%) fared better than Latin America (-5.6%) and EMEA (-7.0%) this quarter. Taiwan advanced +5.2%, rallying on an improving export outlook. China (-4.7%) marginally underperformed as economic data continue to signal softening growth. In EMEA, Turkey (+11.7%) was the best-performing country this quarter as its inflation outlook improved and political risks took a back seat.

performance



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	0.4%	16.9%	3.1%	9.9%	7.2%	9.4%	8.9%	6.0%
Net	0.2%	16.2%	2.3%	9.0%	6.3%	8.6%	8.2%	5.3%
MSCI ACWI	0.0%	16.2%	1.4%	9.7%	6.7%	8.8%	8.2%	5.2%

contributors & detractors

top 10	% of capital	return	relative contrib.	sector
APPLE INC	3.4%	13.6%	0.44%	Technology
ALPHABET INC	2.7%	12.8%	0.31%	Communication Services
HOME DEPOT INC	1.9%	12.2%	0.22%	Consumer Discretionary
UMICORE	1.2%	18.7%	0.21%	Materials
TAIWAN SEMICONDUCTOR MFG LTD	1.1%	18.7%	0.19%	Technology
MICROSOFT CORP	4.0%	4.1%	0.16%	Technology
ASML HOLDING N V N Y	0.8%	19.5%	0.16%	Technology
CROWN CASTLE INTL CORP	1.9%	7.5%	0.14%	Real Estate
VERIZON COMMUNICATIONS INC	1.9%	6.8%	0.13%	Communication Services
APPLIED MATLS INC	1.2%	11.6%	0.13%	Technology
			2.10%	

bottom 10				
SAP SE	1.5%	-13.8%	-0.23%	Technology
SPIRAX-SARCO ENG	1.2%	-17.3%	-0.23%	Industrials
EOG RES INC	0.9%	-20.1%	-0.22%	Energy
AIA GROUP LTD	1.4%	-12.0%	-0.17%	Financials
MOHAWK INDS INC	0.9%	-15.9%	-0.16%	Consumer Discretionary
HDFC BANK LTD	1.2%	-12.1%	-0.16%	Financials
KASIKORNBANK PCL	0.8%	-16.7%	-0.16%	Financials
REGENERON PHARMACEUTICALS	1.2%	-11.4%	-0.15%	Healthcare
UNITEDHEALTH GROUP INC	1.3%	-10.5%	-0.14%	Healthcare
SOCIEDAD QUIMICA MINERA DE CHILE	1.1%	-10.0%	-0.13%	Materials
			-1.74%	

portfolio review

A composite of accounts invested in the Boston Common Global Equity strategy rose +0.4% before fees, slightly above the Index. Stock selection in the Technology and Materials sectors was the top contributor to relative returns. US mega-cap technology led with stellar results from Apple and Microsoft. The outlook for the semiconductor industry stabilized, and Taiwan Semiconductor, lithography manufacturer ASML, and equipment maker Applied Materials were leading contributors. Within Materials, specialty chemical holdings outperformed the metal and mining companies in the Index.

Specifically, Belgian metal recycler and cathode producer Umicore rallied on news of a large order from an important customer. From a regional perspective, our stock selection in the US helped returns. In addition to mega-cap tech, other US large-cap stocks also performed strongly, such as Alphabet (Google), the largest online search and advertising platform, home refurbishing retailer Home Depot, mobile telecom provider Verizon, and tower REIT Crown Castle. Stock selection in the Financial Services sector was the largest detractor from performance, led by emerging market banks, Kasikorn in Thailand and HDFC in India.

*Since Inception: March 31, 2008

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The civil unrest in Hong Kong weighed on Asian life insurance provider AIA. The Industrials sector was also a drag on results. After a strong run, British steam specialist Spirax-Sarco declined on some short-term manufacturing hiccups and macro fears of slowing global industrial activity. From a regional standpoint, Emerging Markets was the primary detractor. Other key detractors included German software developer SAP and US based companies – energy producer EOG and floor tiles maker Mohawk.

portfolio activity

We acquired US based tissue and diaper company Kimberly Clark. Trading at an attractive valuation and anticipating an improving cost structure, we viewed it as a buy at current levels. We also acquired Chinese insurance firm Ping An, which has a strong franchise in an under-penetrated market and deep emphasis in developing digital tools using dynamic consumer data.

We have long been underweight conventional energy, and this quarter, we closed out our holding in Cimarex, amid concerns about oversupply in the natural gas market. We also sold Chinese gas utility ENN Energy due to a sudden governance shift by the Chairman, who was the controlling shareholder. The Chairman swapped his interest in ENN, a Hong Kong-listed firm, for a smaller interest in a Shanghai-listed entity.

During the quarter, Naspers spun off 26% of its newly formed subsidiary, Prosus, whose primary asset is a 31%-stake in China Internet giant Tencent. Upon flotation on the Amersterdam exchange, Prosus shares rallied, and the valuation gap relative to Tencent narrowed. We took this opportunity to sell Prosus and redirect proceeds to more attractively valued companies.

economic & market outlook

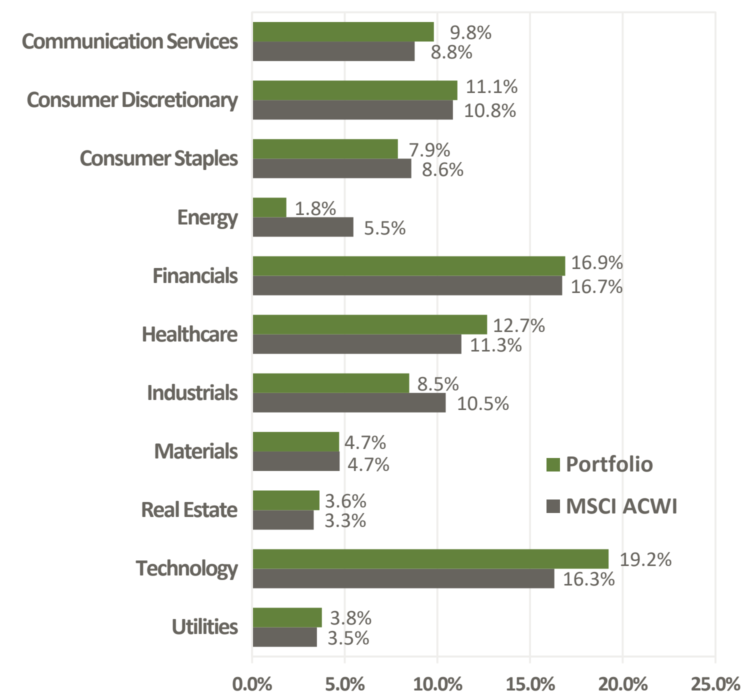
Global industrial demand appears to be deteriorating, but policymakers are responding with pro-growth actions. The US-led trade war is the primary suspect responsible for sharp declines in manufacturing activity. While political expediency may make a partial deal between the US and China more likely in the near term, broader structural disagreements will remain. Central banks have already started to ease monetary conditions, and new fiscal stimulus should be forthcoming, particularly from Germany. We are mindful of geopolitical hot spots including the Middle East and Brexit, but international equity valuations look attractive, especially relative to the US.

Our portfolios are built with bottom-up analysis and are focused on sustainable growth drivers; common themes include energy efficiency, healthy consumption, sustainable transportation, and technology leadership. In aggregate, our portfolios are balanced with overweights in health care and technology, and underweights in energy and industrials.

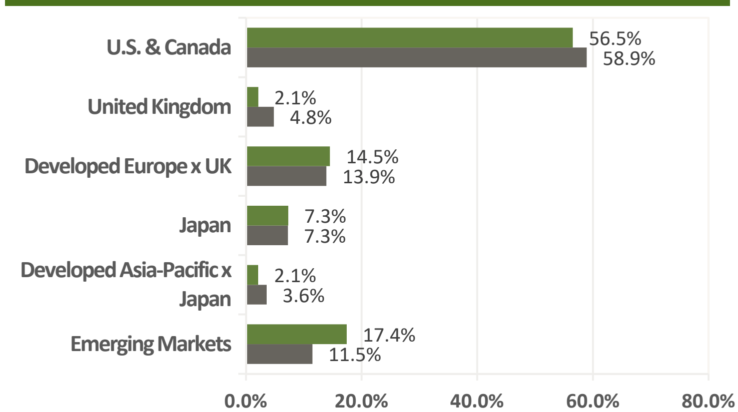
US & Canada

The US economy is slowing but unlikely to head into recession. Supported by monetary ease, economic growth is more dependent on the consumer than ever before. Manufacturing remains weak, and capital spending has been hobbled further by low capacity utilization and prolonged uncertainty over trade negotiations.

sector allocation



regional allocation



portfolio characteristics

	boston common	msci acwi
# holdings	76	2,852
Valuation		
Next 12m Price to Earnings	16.3	15.4
Price to Book Value	3.0	2.2
Price to Sales	2.7	1.7
Dividend Yield	2.0%	2.4%
Growth		
3yr Sales Consensus Growth	4.8%	3.4%
3yr EPS Consensus Growth	6.5%	5.4%
Risk		
Wtd Avg Mkt Cap	200,387	164,007
LT Debt/Cap	33.9%	36.5%
Beta*	0.95	1.00

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Consumer spending, on the other hand, is buoyed by low unemployment, modest wage increases, and low interest rates. Consumers have been reluctant to borrow, preferring to shore up household balance sheets and pay down debt.

While US earnings growth has flattened, most of this year's stock market gains have come from multiple expansion, as buying support came in following last December's sharp market declines. Lower interest rates have also helped. Markets are currently hovering around their 5-year average level in terms of 12-month forward price-to-earnings, but are trading at elevated levels on a very long-term perspective. As interest rates have moved lower, real discount rates are very low as well. We believe the period of unusually correlated stock-level returns, supported further by record low interest rates and the historic growth of indexation, may dissipate. Our underweight in US & Canada is primarily driven by lower ownership in the Energy sector followed by Financials.

Europe

The German economy is likely in a recession, given its probable contraction in the third quarter. A deceleration of global trade volume is weighing on the world's third-largest exporter. However, a dramatic decline in auto production related to changing emissions standards may be an even larger factor for the economy's malaise. The German government has had a fiscal surplus in each of the last four years and is now poised to inject stimulus. We are encouraged by its new plans to invest in electric car infrastructure, wind power, and cleaner heating systems to get the country back on track to reach its 2030 carbon emissions reduction targets. France and the Netherlands, where economic growth has been more stable, have also recently announced fiscal stimulus plans. Fiscal support is important because the ECB's policies, including more negative interest rates and bond purchases, are likely yielding diminishing returns.

Political uncertainty has been a headwind for European investors, but stabilization in Italy is an important positive development. The Brexit saga has become more raucous, and the UK's service sector is deteriorating faster than those of all other major European economies. Although we expect a general election will be held prior to any permanent decision, we remain underweight the UK market based on the disruptive effects of Brexit. We are overweight the rest of Europe, where we find many ESG leaders with attractive valuations relative to fundamentals.

Japan

Japan has implemented aggressive policies to offset deflationary headwinds, yet it has also occasionally looked to shore up its fiscal imbalances; its debt has soared to 238% of GDP, and its aging population will increasingly strain its public resources. In a nod to these challenges, Japan hiked its consumption tax from 8% to 10% on October 1st. To ease the burden on consumers, the government devised a scheme including rebates for electronic payments and a list of exempted products.

new & closed positions

closed	sector	% of port.
CIMAREX ENERGY CO COM	Energy	0.5%
ENN ENERGY HOLDING	Utilities	1.2%
PROSUS N.V.	Consumer Discretionary	0.7%
total closed		**2.3%**

new	sector	% of port.
KIMBERLY CLARK CORP COM	Consumer Staples	1.4%
PING AN INSURANCE	Financials	0.9%
PROSUS N.V.	Consumer Discretionary	0.7%
total new		**3.0%**

company spotlight: shiseido

Company Profile

Shiseido is Japan's largest cosmetics company and is ranked fifth globally. With a history dating back to 1872, the company now operates in nearly 120 countries and offers a wide portfolio of brands in prestige skincare, fragrance, color cosmetics, professional, and personal care products. With refillable models for over 700 products in Japan, Shiseido is enabling the transition to a circular economy. The company also certifies its manufacturing sites to industry-best ISO 14001 environmental standards and responds annually to the CDP (formerly known as the Carbon Disclosure Project).

ESG Integrated Investment Thesis

Over the past five years, Shiseido has significantly restructured its business to regain its brand power as a global leader in cosmetics. The company has not only reversed declines, but actually gained market share through renewed strategic investment and distribution network optimization. With a strong culture of product innovation, industry-leading R&D capabilities, and a diversified brand portfolio, we believe Shiseido will continue to benefit from the faster growing prestige beauty industry. Management has made important sustainability improvements: product lifecycle assessments are helping reduce carbon emissions at each step of the value chain, and governance reform has led to much greater board diversity, with women now accounting for 45% of board seats. We expect Shiseido will continue to close its margin gap with its global peers thanks to operating leverage from strong topline growth as well as renewed focus on expense controls, leading to consistent, double-digit earnings growth. *Risks: deteriorating consumer confidence, delay in operating improvements*

ESG Engagement Opportunities

The company's revenues are derived from products that contain significant amounts of palm oil. While Shiseido is a member of the Roundtable on Sustainable Palm Oil, it does not certify its palm oil sources to the most stringent standards and has not yet committed to a policy of zero deforestation, regarded as best practice within the cosmetics industry. We see an important opportunity for the company to improve its image as a sustainable leader while also protecting its supply chain from operational risk.

The net effects may still be negative, but Japan will likely avoid a repeat of the recession that followed the larger sales tax increase in 2014. Decelerating global trade poses an external challenge for Japan. Many Japanese corporations are facing profit headwinds from the US-China trade war. Japan did sign a trade deal with the US, but that merely averted further damage. Importantly, corporate governance in Japan is improving. Increased female labor participation, higher capital returns to shareholders, and inexpensive valuations are appealing characteristics of the Japanese market. We are about equal weight Japan.

Asia Pacific and Emerging Markets

While the effectiveness of monetary policy in Europe and Japan may be waning, Asia-Pacific and Emerging Markets have more room to maneuver. Real interest rates are positive in most major Emerging Markets, and inflation is relatively low, setting the stage for more expansionary policies. Central banks in China, India, and Australia have recently moved to ease credit conditions and lower borrowing costs. Since the group is sensitive to trade woes, domestic policy support is important to promote growth, especially in China. Massive protests and clashes with police in Hong Kong are straining China's long-standing policy of "one country, two systems." This may be a protracted problem, but China will likely avoid a violent escalation in the near term. The city has proven resilient to turbulent events in the past. We believe emerging Asia's economic development will be a source of global strength, and our portfolios are overweight the region with an emphasis on businesses geared to sustainable consumption.

Shareholder Engagement Highlights

Milestones	**Lobbying Disclosure:** We have withdrawn our lobbying disclosure resolution with **Oracle** given their substantive implementation of the resolution ask! This was our third resolution with Oracle requesting greater disclosure of direct and indirect lobbying expenses, calling for transparency and accountability in the spending of shareholder resources.
	Private Prison Labor: In a win for investors, activists, and the immigrant community, which have collectively put pressure on banks to stop financing the private prison industry, nine major banks have publicly committed to cut lending activity to private prisons!
Work in Progress	**Indigenous Peoples' Rights:** Boston Common is leading a coalition of investors representing $2.9 trillion, calling for the **Equator Principles** to be strengthened to respect the rights of Indigenous Peoples. 13 of the 17 banks that financed the Dakota Access Pipeline project were signatories to the Equator Principles.
	Advancing Sustainability in Japan: Boston Common met with **Hoya, Kao, Orix, NTT, NTT DoCoMo, Panasonic, and Shiseido** on improving ESG performance. Recently, our engagements have shifted from developing ESG awareness and policies to establishing ESG metrics and assessing the impact of companies' policies on people and planet.
	Methane: Led by ICCR, Boston Common asked 7 oil and gas companies to support stricter regulation on methane emissions – supported by 130 investors representing $5.5 AUM. **Equinor** publically issued positive support for this.
	Global Health: Along with ICCR, Boston Common expanded engagement with 11 food and beverage companies, including **Mondelez, PepsiCo**, and **Unilever** to promote positive public policy on health and wellness through lobbying activities. The three companies have provided robust examples of how they are engaging globally.
	Racial Equity & Gender Equality: Founder & President Geeta Aiyer moderated a Confluence Philanthropy webinar, "It's About Time: A Call to Advance Racial Equity in the Investment Industry" based on their recent report.
Industry Leadership	**Climate Week in NYC:** Geeta Aiyer, Steven Heim, and Lauren Compere represented Boston Common at Climate Week and attended various investor and multi-stakeholder events throughout the week.

**The Beta calculation is based on the trailing five-year performance of a representative account within a portfolio's strategy. Source: Bloomberg & Factset. 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 (Net) ACWI Index is a free-float adjusted, market capitalization-weighted index of the largest publicly traded companies listed on the exchanges of the developed and emerging market countries around the world. 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.*