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U.S. Large-Cap Value Strategy Update

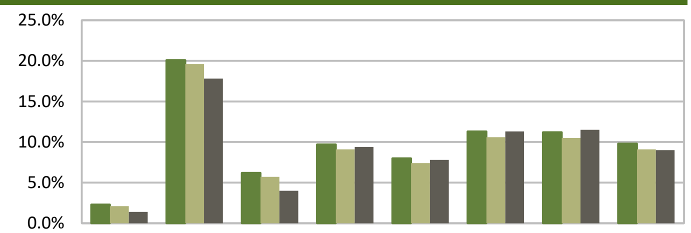
Third Quarter, 2019

market review

The Russell 1000 Value Index (the "Index") rose +1.4% for the third quarter. The index has returned over +17% year-to-date but is only marginally higher than it was a year ago. The market's trajectory was mostly driven by increased or diminished fears around trade, tariffs, and the economic consequences to global growth. The Federal Reserve, responding to weakening global industrial economic data, reduced interest rates twice during the quarter, each time by 25 basis points, contributing to a significant decline in yields. The 10-year Treasury yield ended September at 1.68%, down almost a full percentage point from the beginning of the year.

As interest rates declined and concerns over global growth mounted, the higher-yielding, defensive sectors did well. Utilities (+8.2%), Real Estate (+8.0%), and Consumer Staples (+5.9%) significantly outperformed. Communication Services (+3.8%) was buoyed by the higher dividend-paying telecommunication companies. On the other hand, the cyclical Industrials (-2.1%) and Materials (-2.2%) sectors lagged. Consumer Discretionary (+3.3%) and Information Technology (+3.1%) saw industry-specific strength in retail and semiconductors offset by weakness in consumer services and tech equipment, respectively. Financials (+2.2%) also rallied. Energy (-6.6%) and Healthcare (-3.1%) were the worst-performing sectors. The former was weighed down by slowing economic activity while the latter by potential drug pricing legislation.

performance



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	2.3%	20.1%	6.2%	9.7%	8.0%	11.3%	11.2%	9.8%
Net	2.1%	19.6%	5.7%	9.1%	7.4%	10.6%	10.5%	9.1%
Russell 1000	1.4%	17.8%	4.0%	9.4%	7.8%	11.3%	11.5%	9.0%

contributors & detractors

top 10	% of capital	return	relative contrib.	sector
TARGET CORP	2.6%	24.4%	0.56%	Consumer Discretionary
PROCTER & GAMBLE CO	2.7%	14.1%	0.32%	Consumer Staples
CME GROUP INC	2.3%	9.2%	0.22%	Financials
VERIZON COMMUNICATIONS INC	4.0%	6.8%	0.22%	Communication Services
DIGITAL RLTY TR INC	1.9%	11.1%	0.19%	Real Estate
KROGER CO	1.1%	19.6%	0.19%	Consumer Staples
BAXTER INTL INC	2.2%	7.1%	0.12%	Healthcare
APPLE INC	1.0%	13.6%	0.12%	Technology
AT&T INC	0.6%	9.9%	0.10%	Communication Services
JPMORGAN CHASE & CO	2.2%	5.9%	0.10%	Financials
			2.13%	

bottom 10				
MOHAWK INDS INC	1.9%	-15.9%	-0.38%	Consumer Discretionary
FIRST SOLAR INC	2.1%	-11.7%	-0.28%	Technology
DISNEY WALT CO	2.9%	-6.1%	-0.22%	Communication Services
EOG RES INC	0.9%	-12.6%	-0.16%	Energy
ORACLE CORP	2.4%	-3.1%	-0.14%	Technology
GILEAD SCIENCES INC	1.9%	-5.3%	-0.13%	Healthcare
CONOCOPHILLIPS	1.6%	-6.3%	-0.13%	Energy
CUMMINS INC	1.9%	-4.2%	-0.12%	Industrials
AMERICAN EXPRESS CO	2.1%	-3.8%	-0.11%	Financials
XYLEM INC	1.5%	-4.5%	-0.09%	Industrials
			-1.75%	

portfolio review

Boston Common's Tax-Exempt Value composite rose 2.3% this quarter, comfortably outpacing the benchmark and further increasing its lead over the Index for 2019 year-to-date. Strong stock selection augmented by longstanding sector allocation drove this quarter's relative performance. Retailers Target and Kroger, each with its improving ESG metrics, were top contributing holdings this quarter.

Franchise company names that we deem as undervalued, such as Apple and Procter & Gamble, were also among the top relative performers, reflecting increasing investor preference for large, stable-growth companies. As investors sought yield and recognized the underlying stabilization within the telecom industry, Verizon and AT&T rallied. Other strong performers this quarter included semi-equipment manufacturer Applied Materials and data storage REIT Digital Reality.

*Since Inception: December 31, 2002

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Disappointing company-specific news impacted several of the holdings that were among the larger detractors to this quarter's performance. Flooring-company Mohawk continues to struggle with higher input costs, while Disney reported unexpectedly high restructuring costs for its merger with Fox. Weak overseas demand, a result of trade-tariff uncertainty, continues to impact global engine manufacturer Cummins.

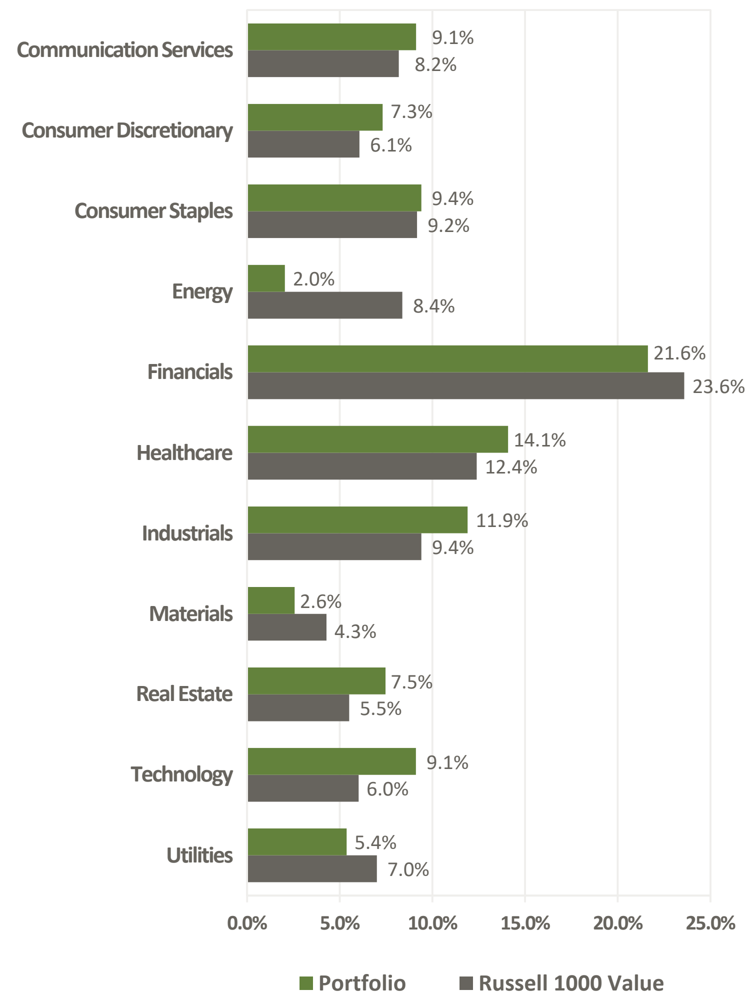
From a sector perspective, relative performance was strongest in Healthcare. Concerns about pricing and profitability within the industry continue to ramp into the election cycle and negatively impact sentiment towards the larger pharmaceutical and biotech holdings. Yet, medical supply provider Baxter International continued to do well. Financials benefited from an overweight to capital markets, including Futures marketplace CME Group, which is helped during times of increased market volatility. This more than compensated for the drag from American Express and Morgan Stanley. Our long-term underweight to Energy continues to enhance relative performance, with uncertainty about global growth depressing the sector. Finally, the underweight to the best-performing sector, Utilities, was the largest detractor from an allocation perspective.

portfolio activity

Faced with economic uncertainty, we remain focused on building portfolios of undervalued, quality companies. Our sector-level roadmaps, created by financial and ESG research teams, allow us to identify areas of risk and opportunity and potential leaders and laggards in society's transition to sustainable, inclusive prosperity. On an ongoing basis, we combine our financial analysis and valuation discipline with proprietary company-level assessments of Environmental, Social, and Governance issues to identify long-term opportunities among sustainability leaders. These names are on our Focus list, available for purchase at the right price point or portfolio construction opportunity.

As value investors, we look for catalysts that will lead to a "re-rating" of our portfolio names. Our gauge of ESG momentum, both positive and negative, strengthens our conviction in many purchase or sell decisions. This quarter, we added to several companies where we see strong opportunities for eco-efficiency to drive growth, including infrastructure financier Hannon Armstrong and Citigroup, whose lending portfolio will be strengthened by improving environmental financing. Additionally, we purchased Aptiv, an automotive supplier focused on safety and autonomous advancements that should benefit from increasing vehicle electrification.

sector allocation



portfolio characteristics

	boston common	russell 1000 value
# holdings	54	766
Valuation		
Next 12m Price to Earnings	14.9	14.5
Price to Book Value	2.5	1.9
Price to Sales	2.3	1.7
Dividend Yield	2.3%	2.5%
Growth		
3yr Sales Consensus Growth	3.1%	2.7%
3yr EPS Consensus Growth	5.6%	5.0%
Risk		
Wtd Avg Mkt Cap	113,844	121,436
LT Debt/Cap	41.9%	40.7%
Beta*	0.91	1.00

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High levels of pessimism about the auto supply chain gave us the opportunity to start a position in this transforming company, formerly named Delphi Automotive Systems. As the overall market moved to new heights, driven by investor focus on larger, high-growth companies, we pared back on positions whose valuations we believed were becoming stretched. We sold out of long-term holding Thermo Fisher and took profits in software powerhouse Microsoft and green chemical leader Ecolab. Funds from these sales were redirected to other high-quality companies trading at attractive valuation levels, including new positions in broad-based global industrial 3M and rail transportation supplier Wabtec.

From a sector perspective, we look to maintain a barbell between defensive and cyclical names. We purchased telecom provider AT&T, as improved industry dynamics create greater confidence in the company's cash flow and dividend. AT&T's high yield adds stability to the portfolio. We continued to reduce exposure to conventional energy, despite historically low valuations. We have long been underweight this ESG-challenged sector based on concerns regarding long-term global oversupply, exacerbated by slowing demand.

economic & market outlook

As we enter the last quarter of this year, 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. 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.

Both actual and expected inflation continue to shift lower, giving central banks around the globe the latitude to ease further. The strength of the US dollar has kept prices of imports and commodities lower than they might otherwise have been. Another interest rate cut is widely expected this year, as the Federal Reserve joins other major central banks in providing monetary stimulus. The US treasury yield curve (2-year to 10-year) inverted for the first time since 2007, setting off recession fears based on historical precedent. Global capital flows have driven US rates to be negative in real terms, but still very attractive compared to the negative absolute rates that prevail in major European markets.

new & closed positions

closed	sector	% of port.
EOG RES INC COM	Energy	1.1%
TE CONNECTIVITY LTD	Technology	1.1%
THERMO FISHER SCIENTIFIC INC COM	Healthcare	1.5%
total closed		**3.7%**

new	sector	% of port.
3M CO COM	Industrials	2.0%
APTIV PLC SHS	Consumer Discretionary	1.0%
AT&T INC COM	Communication Services	2.1%
WABTEC CORP COM	Industrials	1.0%
total new		**6.1%**

company spotlight: tjx companies inc.

Company Spotlight

The TJX Companies, Inc. is an off-price clothing and home fashion retailer and the largest apparel seller in the US. The company sells family apparel, footwear, and accessories and home basics, such as accent furniture and giftware. Located in the United States and abroad, the company operates ~3,300 stores, which include familiar names like T.J. Maxx, Marshalls, and HomeGoods. TJX Companies, Inc. was founded in 1956 and is headquartered in Framingham, Massachusetts.

ESG Integrated Investment Thesis

TJX's off-price business model is proving resilient to the challenge of ecommerce. Offering prices on average ~30% cheaper than peers, its store format appeals as a "bargain hunting" destination for shoppers. Competitors have largely been unable to match the scale and efficiency of TJX's supply chain. The company's opportunistic purchasing model redirects manufacturers' excess inventory, supported by its 1,100 global purchasing agents that source from over 21,000 vendors across 100+ countries. As a last-stop market for merchandise, TJX plays an important role that facilitates the overall sell-through of apparel and home goods to the end consumer, lowering overall waste & scrappage within the industry. As a discount retailer, the company helps stretch low- and middle-income purchasing power. As such, TJX is a potential beneficiary during an economic downturn, as consumers become increasingly price conscious. This defensiveness relative to retail peers can lead to more consistent, less volatile growth through an economic cycle. TJX offers a compelling investment profile, with expectations for consistent low- to mid-single-digit sales growth, margin improvement, and share buybacks. Its operational advantages and niche positioning within the retail space justify the stock's modest valuation premium. *Risks: rising trade barriers, fast fashion*

ESG Engagement Opportunities

TJX has made encouraging efforts to reduce its carbon footprint and is currently establishing science-based emission reduction targets according to best practice. The company is a leader in promoting gender equality, as women represent 46 % of the board of directors and 41% of senior management. However, the company is still exposed to labor risks given its large workforce of 270,000 employees. There are opportunities to encourage the company to adopt better employee engagement practices and living wage commitments, particularly at the store associate level, to ensure retention.

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The Fed's interest rate cuts and improving economic conditions elsewhere in the world can remove this support to bond yields, leading to a lower but more positively sloped yield curve in the US. 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. By long-term valuation metrics, markets are currently at elevated levels. Yet, lower interest rates have created low real discount rates, even as aggregate operating earnings decelerate. We believe this period of unusually correlated stock-level returns, supported further by record low interest rates and the historic growth of indexation, is ending. This creates opportunity to add value through active management, stock selection, and sector emphasis.

As we go to press, trade discussions have dominated news flow, but global risks remain important as well, most notably Brexit, tensions in the Middle East, and the crisis of leadership in many major economies. The freedoms and democratic institutions that brought inclusive prosperity and well-being are suffering challenges. The end of September brought Climate Week to New York and around the world. The interconnected and current risks to our planet and people were brought into focus. For investors everywhere, there is risk to sitting on the sidelines, but also opportunity to deploy capital and voice to address these challenges.

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 Russell 1000 Value Index is a capitalization-weighted index of the largest publicly-traded U.S. companies that have a low price-to-book, price-to-earnings, and price-to-cash-flow valuations relative to a broader universe of 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.*