

Global Catholic Positive Equity Strategy Update

First Quarter, 2017

GLOBAL MARKET REVIEW

The MSCI ACWI Index (the "Index") rose +6.9% in the fourth quarter. In local currency terms, the Index rose +5.7% as a weaker US Dollar added +1.2% to US investor returns. The Yen (+4.7%) was particularly strong, while the Euro (+1.4%) and British Pound (+1.2%) also bolstered U.S. dollar-based returns. The MSCI US Index rose +6.1%, while the MSCI ACWIxUS Index rose +7.9%. Developed Europe (+7.4%) outperformed the developed Asia Pacific (+6.9%) region. The Dutch election results boosted investor confidence in Europe's political stability, while macroeconomic data indicated healthier global growth.

The US economy remains on a solid footing as it enters its eighth year of expansion from the lows of the second quarter of 2009. The European economy appeared to gain positive momentum. Services and manufacturing activity exhibited accelerating expansion, while consumer confidence rose. Over the past six months the UK has averaged a surprisingly strong 4.9% retail sales growth and Prime Minister Theresa May triggered Article 50 of the Lisbon Treaty, officially beginning the UK's departure process from the European Union. In Japan, industrial production gained 6.6% and the unemployment rate declined to 2.8%.

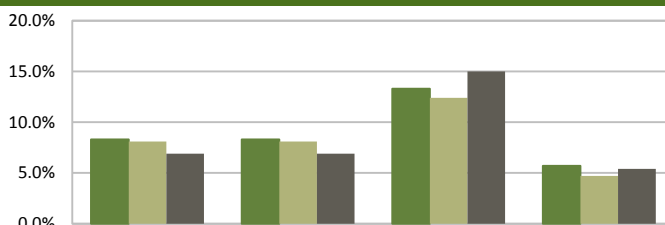
The MSCI Emerging Markets Index rose +11.4% as Asia (+13.4%) and Latin America (+12.1%) performed strongly. India, South Korea and Mexico each rose +16 to +17%, while China rose nearly +13%. Chinese manufacturing and services activity indicators stabilized despite tightening monetary policy. The Chinese government is targeting 6.5% growth this year, likely reflecting tighter monetary policy. Russia (-4.6%) was the worst performer.

Brighter growth prospects helped Technology (+13.0%), Health Care (+8.4%), Consumer Discretionary (+7.8%) and Materials (+7.7%) lead the market. All the sectors had positive returns except for Energy, which declined (-3.9%) as oil prices dropped following reports of rising US oil production. Within the developed countries, Spain (+14.8%), and Netherlands (+11.3%) were amongst the best performers, with a more stable European political picture. A rally in emerging Asia boosted Singapore (+13.5%) and Hong Kong (+13.4%). Commodity-oriented countries Norway (+1.4%) and New Zealand (+2.0%) were the worst performing markets.

PORTFOLIO REVIEW

A composite of accounts invested in the Boston Common Global Catholic Strategy returned +8.3% before fees, meaningfully outperforming the Index. The primary contributors to relative results were stock selection in Technology and Consumer Discretionary along with our underweight of the Energy sector. Strong financial results boosted key technology holdings: Apple (+24.6%), Israeli security software provider Check Point Software (+21.5%), Chinese ecommerce giant Alibaba (+22.8%), and semiconductor equipment manufacturer ASML (+18.4%). Long-term Consumer Discretionary holdings also performed well: Priceline (+21.4%) and Lowe's (+16.2%) in the US, and Naspers (+17.2%) in South Africa.

PERFORMANCE



	QTD	YTD	1Yr	Since Inception*
Gross	8.3%	8.3%	13.3%	5.7%
Net	8.1%	8.1%	12.4%	4.7%
MSCI ACWI	6.9%	6.9%	15.0%	5.4%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
APPLE INC	3.5%	24.6%	0.56%	Technology
UNILEVER N V	1.6%	21.9%	0.22%	Consumer Staples
CHECK POINT SOFTWARE TECH	1.7%	21.5%	0.21%	Technology
PRICELINE GROUP, INC	1.6%	21.4%	0.21%	Consumer Discretionary
ALIBABA GROUP HOLDINGS	1.5%	22.8%	0.21%	Technology
LOWES COS INC	2.2%	16.2%	0.19%	Consumer Discretionary
NASPERS	1.7%	17.2%	0.16%	Consumer Discretionary
HDFC BANK	1.0%	24.0%	0.15%	Financials
HOYA CORP	1.7%	15.1%	0.14%	Healthcare
ASML HOLDING N V	1.2%	18.4%	0.12%	Technology
			2.17%	

BOTTOM 10

VERIZON COMMUNICATIONS INC	1.5%	-7.7%	-0.23%	Telecommunications
APACHE CORP	0.7%	-18.7%	-0.20%	Energy
CIMAREX ENERGY CO	1.0%	-12.0%	-0.20%	Energy
ADVANCE AUTO PARTS INC	1.0%	-12.3%	-0.19%	Consumer Discretionary
BT GROUP	0.8%	-12.2%	-0.16%	Telecommunications
GILEAD SCIENCES INC	1.3%	-4.2%	-0.15%	Healthcare
CARLISLE COS INC	1.4%	-3.2%	-0.14%	Industrials
JPMORGAN CHASE & CO	2.6%	2.3%	-0.12%	Financials
SNAP-ON INC	1.2%	-1.2%	-0.10%	Industrials
NIELSEN HLDGS PLC	0.8%	-0.4%	-0.09%	Industrials
			-1.58%	

Other key contributors include Unilever (+21.9%) in Europe and HDFC Bank (+24.0%) in India. On a regional basis, Europe ex. UK and Emerging Markets were the primary drivers of outperformance.

Stock selection in the Industrials and Telecom sector hurt relative performance. US commercial roofing firm Carlisle (-3.1%) fell on delayed price increases and automotive tool maker Snap-On (-1.2%) declined on fear of negative effects from drop in U.S. used car prices. Telecom providers BT Group (-12.3%) in the UK and Verizon (-7.7%) in the U.S., were also significant detractors. Relative performance at least kept up with the benchmark in all regions.

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PORTFOLIO ACTIVITY

During the quarter, we purchased Royal Caribbean Cruises (RCL), a global cruise vacation operator with an increased presence in Asian destinations, targeting the growing population of affluent Asian customers. After a period of heavy capital investment in its fleet, RCL's building schedule is experiencing a pause. This should allow marked improvement in cash flow over the next few years. We also purchased Sociedad Quimica y Minera De Chile (SQM), a Chilean specialty chemical producer with leading global market share in lithium, iodine, and specialty plant nutrients. Lithium carbonate demand is expected to grow by double-digits in the next several years driven by Electric Vehicle (EV) adoption while supply is relatively constrained. As a low-cost producer with fully integrated logistics, SQM is well positioned to benefit from this secular end demand growth. We are optimistic about EV adoption and view SQM as attractively valued given the strong earnings potential.

We sold Mazda Motors in Japan as we see the US auto cycle nearing a peak and do not have a particular view that the Japanese Yen is likely to depreciate. We also sold Swiss cocoa supplier, Barry Callebaut, on valuation concerns.

ECONOMIC & MARKET OUTLOOK

Global growth is projected to be 2.8%, with most areas of the world participating in a synchronized upswing. Deflation fears seem to be abating around the world, and signs of modest, if fragile, inflation are everywhere. Europe is hitting multi-year highs in industrial activity. Japan's labor market looks robust. In the U.S., the last two rate hikes, in December 2016 and in March 2017, reflect the desire of the monetary authority to move towards normalization. However, monetary policy in Europe and Japan is likely to remain supportive as deflationary pressures are in the early stages of retreat. Emerging Markets are showing solid domestic demand and stable credit conditions, though stark contrasts remain among countries. The MSCI ACWI is trading at 15.9x forward earnings, relative to its 20-year average of 15.3x. Considering estimated earnings growth of 11.2% over the next three years and low bond yields, global equity valuations look attractive.

US & Canada

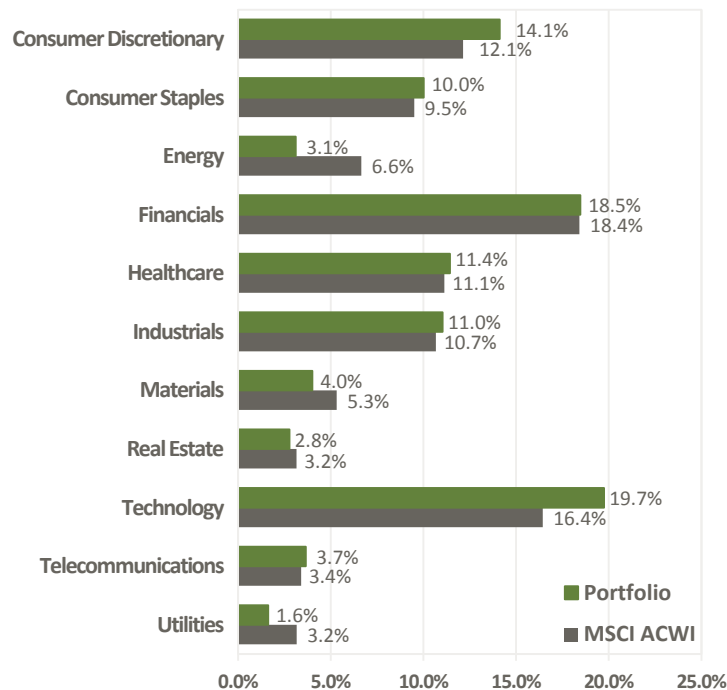
In the US, the new Administration has promised several pro-capital initiatives, including decreased taxes, reduced regulation, and infrastructure spending with the potential to support continued economic growth and further earnings increases. In addition, there are signs that many of the most damaging economic policy initiatives contemplated by the new Administration, such as trade barriers and tariffs, will be watered down, resulting in a less negative impact on growth. This has calmed fears across the economic world, even as ecological and social policy changes roil civil society.

Although recent GDP data looks soft, household balance sheets remain healthy, contributing to overall consumer confidence which is at its highest level since 2000. Along with the consumer, business confidence numbers have also risen strongly with the Purchasing Manager's Index (PMI) rising back to high levels last seen in 2014. Unemployment is at 4.5%, the lowest level since the Great Recession, creating the conditions for wage costs to rise, though average hourly earnings have yet to reflect this. At current market levels, equity valuations remain relatively high in aggregate and will require support from earnings growth, low long-term interest rates, and continued economic strength. We remain interested in identifying pockets of earnings growth and dividend streams that will outperform against this backdrop.

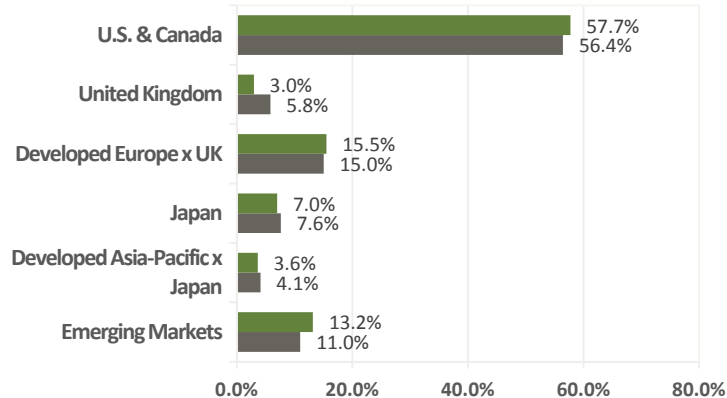
Europe

Last year, the European economy grew faster than the US for the first time since 2008. Although Europe's nearly 2% pace is relatively modest, there are pronounced signs of acceleration in business surveys, which typically signal

SECTOR ALLOCATION



REGIONAL ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	MSCI ACWI
# HOLDINGS	86	2,480
Valuation		
Next 12m Price to Earnings	17.9	15.9
Price to Book Value	3.1	2.2
Price to Sales	2.7	1.6
Dividend Yield	1.7%	2.4%
Growth		
5yr Sales Growth	4.9%	0.4%
5yr EPS Growth	7.5%	3.6%
Risk		
Wtd Avg Mkt Cap	111,937	109,644
LT Debt/Cap	33.3%	39.7%
Beta	1.03	1.00

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future economic improvement. The Eurozone manufacturers purchasing managers index reached a six-year high in the first quarter and exhibited rapid growth in production and new orders. Service providers indicate a similar level of optimism. Both groups of businesses are experiencing sufficient demand to raise prices to reflect higher input costs. While Germany is still the regional stalwart, the economic strength is broad based; for the first time in a decade, all 19 members of the monetary union are projected to report positive growth in 2017. Consumer confidence is also near a post-crisis high and unemployment in the Eurozone fell to 9.5% in February, the lowest reading in nearly seven years. While European economic data has been improving for some time, many investors have been concerned about political developments. The recent electoral victory for the centrist incumbent in the Netherlands halted the far right populist party's run for government control. In France, National Front leader Marine Le Pen is campaigning on a platform to exit the Eurozone and has a slight lead in the polls for the upcoming Presidential election. However, the French election pits the top two candidates from a first round vote in a runoff election, which Le Pen looks unlikely to win.

Since the United Kingdom voted to exit the European Union, its economic performance has exceeded most expectations. However, the two-year process of exit negotiations has just begun. Given Brexit uncertainties, multinational banks are planning to move a part of their London-based workforce to other cities, including Frankfurt, Dublin, and Paris, which guarantee full access to the European market. Global technology companies, on the other hand, have announced additional hiring in the UK. England's task is already complicated by Scotland's call for another referendum on UK membership and Spain's attempt to influence British territory Gibraltar's future relationship. In our view, complex and protracted Brexit negotiations could damage economic prospects and our portfolios are underweight the UK. We are overweight the rest of Europe, as we have a favorable view of corporate profit growth and valuation. We have relatively lighter positions in Italy and France as we foresee structural challenges and political uncertainty. Our portfolios have more exposure to the economically dynamic Scandinavian markets that also have advanced ESG integration.

Japan

Japan now has the lowest jobless rate among the largest 20 economies in the world. Unemployment recently dropped to 2.8%, a more than 20-year low, and the job-offers-to-applicant ratio is at a 25-year high. With solid demand and a shrinking labor force, workers should be gaining bargaining power with their employers. However, average wage growth has been muted thus far, growing less than 0.5% over the past six months. Japan's aging workforce puts downward pressure on average wages because elderly workers often retire or accept lower paid part-time positions. Over the past two decades, part-time workers have doubled their share of total employment to 35%. Rising female labor force participation has also helped offset the 1% annual decline in the working-age population and balanced the labor market. Higher income per hour employed could also come from Prime Minister Shinzo Abe's proposal to narrow the gender wage gap as well as efforts to prevent *Karoshi*, a term that translates to "death from overwork".

Wage growth will be a key factor in the Bank of Japan's effort to raise inflation to its 2% annual target. Given estimates that Japanese inflation will remain below 1.0% in 2017, the central bank will likely continue its extraordinary policy support. We expect the Yen to fall, reflecting Japan's easy monetary and fiscal policies compared to other developed economies. In Japan, we continue to focus on Consumer Discretionary, Industrials, and Healthcare companies that have sustainable growth drivers and should also benefit from an expected weaker Yen. We find companies in the domestically oriented segments of the market less attractive and are modestly underweight Japan in aggregate.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
BARRY CALLEBAUT AG-REG	Consumer Staples	0.7%
MAZDA MOTOR CORP	Consumer Discretionary	0.5%
TOTAL CLOSED		1.2%
NEW	SECTOR	% OF PORT.
ROYAL CARIBBEAN CRUISES LTD COM	Consumer Discretionary	0.8%
SHISEIDO CO LTD	Consumer Staples	0.7%
SOCIEDAD QUIMICA MINERA DE CHI SPON ADR SER B	Materials	0.9%
UNITEDHEALTH GROUP INC COM	Healthcare	0.7%
TOTAL NEW		3.1%

COMPANY SPOTLIGHT: 3M

Description

3M is a high-quality, diversified industrial company with a history of innovative product development. The company serves a global customer base through its business segments: Industrial, Safety and Graphic Business, Health Care, Electronic and Energy, and Consumer. 3M uses science, technology and collaboration to overcome global challenges and improve lives and, in its most recent employee survey, 90% of employees reported they were excited that their work contributes to company success. The company, formerly known as Minnesota Mining and Manufacturing Company, was founded in 1902 and is based in St. Paul, Minnesota.

Integrated Investment Thesis

A focus on R&D drives innovation that sustains 3M's competitive advantage. 3M is focused on developing "green" products and processes that help customers achieve their Greenhouse Gas (GHG) reduction goals. The company is able to assess its impact on customers' use of its products and the impact on GHG emissions through its industry-leading Lifecycle Management Program. In 2015, the company estimates that 14 million tons of CO2 emissions were avoided by customers using 3M products, still a drop in the company's goal to facilitate customer reduction of 250mm tons of CO2 equivalent. 3M takes an impressive approach to product stewardship and conducts life-cycle assessments of its widely-diverse product portfolio. It has adopted a robust Environmental Management System that allows the company to manage and mitigate risks resulting from toxic emissions. 3M is highly profitable with a tremendous long-term track record across different economic cycles. This cycle, it has increased Operating Margin and ROE above the 2007 peak. The company has consistently grown its dividend and, based on its current relative valuation (Price/Earnings ratio), remains attractive.

ESG Highlights

In 2016, as part of Boston Common's Eco Efficiency initiative, we engaged 3M on its industry leading management systems to reduce energy and water use and eliminate wastes. The company met its 2015 Sustainability Goal (set in 2010) to assess 80% of suppliers in 10 higher risk countries and has set a new goal for 2025 which is to drive supply chain sustainability through targeted raw material traceability and supplier performance assurance.

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Asia Pacific & Emerging Markets

World trade volume has accelerated to a seven-year high, which bodes well for export-oriented Asia Pacific and Emerging Market countries. In Hong Kong and Singapore, hubs of the global supply chain, annual output growth has recovered from a low of 1% to about 3% over the past year. While recent trends are encouraging, protectionist policies and geopolitical tensions are important issues we are monitoring carefully.

Mexico was targeted excessively during the election campaign, yet the Trump administration has toned down its rhetoric and has proposed only modest changes to NAFTA as opposed to eliminating the trade agreement. With a more benign stance from its northern neighbor, the Mexican Peso has rebounded nearly 10% this year. While China is also susceptible to the US adopting a more confrontational stance, Chinese policymakers appear focused on managing its domestic economy towards more sustainable growth drivers.

In 2016, China cut effective capacity for steel and coal production by about 6% and redirected capital toward environmental improvements; investment spending for pollution treatment and water management increased 40% and 20% respectively. The People's Bank of China also raised interest rates in an effort to discourage excessive credit growth.

With a domestically oriented economy, India remains relatively insulated from the negative effects of potential trade wars and is projected to be the fastest growing of the large economies this year. Prime Minister Narendra Modi's BJP party easily won the election of the largest state, viewed as a popular mandate for more pro-growth policies. Our portfolios are selectively overweight Emerging Markets, located predominantly in Asia. We see sufficient supply to keep oil and metal prices constrained and retain an underweight position in commodity oriented countries, including Australia.

Shareholder Engagement Highlights

Milestones

Banks & Climate Change: In 2016 we engaged 45 global banks on our 2015 bank report recommendations and assessed policy changes through a survey and active dialogue including **Barclays, Fifth Third Bank, JPMorgan Chase, HSBC Holdings, Mitsubishi UFJ, Orix, PNC Financial, SEB, Standard Chartered, TD Bank, and Unicredit**. In a newly released update report "[On Borrowed Time: Banks & Climate Change](#)", we highlight that over 80% of the 28 banks assessed have made substantive policy changes including sector specific policies for coal financing and increased climate adaptation financing but there remains a real gap in embedding climate risk management across the banking sector. In 2017, we are partnering with UK-based ShareAction to broaden the investor coalition and banks engaged

Work in Progress

Eco-Efficiency: In January we led our inaugural Eco Efficiency dialogue calls with **BMW** and **National Grid**. Working with Ceres we are encouraging BMW to **join the EP100** as BMW seems already on track to double its energy productivity by 2025. National Grid shared its findings that carbon efficient infrastructure construction projects also cost less to build. Next up, eco efficiency calls with **Air Liquide** and **Statoil**.

Responsible Sourcing - Commodities/Minerals: Under the current deregulation focus, Boston Common was the lead investor to organize a 129 investor coalition with over \$4.8 trillion in assets under management to call on the SEC to **continue comprehensive implementation of Section 1502 of the Dodd-Frank Act known as the Conflict Minerals Rule**. The law has catalyzed positive change in the region's mining sector, encouraged an effective response by U.S. companies to address material risk in their supply chains, and contributed to the economic development in the DRC. The investor coalition has reached out to the SEC staff and Commissioner to engage further.

New Initiatives

Responsible Sourcing - Animal Welfare: Factory farms are increasingly linked to a range of serious social and environmental consequences, from pollution to pandemics. Boston Common's Steven Heim wrote about drug-resistant superbugs in a recent [Guardian article](#). We support the **Business Benchmark on Farm Animal Welfare**, which focuses not just on the environmental and social risks posed by this issue but also the opportunities for companies to benefit from improved reputation and product quality with responsible and advanced animal welfare practices. This quarter we reached out to **Casino Guichard** to better understand how the company is assessing animal welfare practices in its supply chain, and whether Casino's leader practices in France are informing their approach in Brazil and Columbia. Casino was the first supermarket chain in France to commit to sourcing cage-free eggs at the national level for all its brands by 2020. While Casino has programs in place to address animal welfare in their beef, dairy, poultry, pork and soy sourcing, they are undertaking a more comprehensive review in 2017 to prioritize next steps.

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