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International Catholic Strategy Update

Fourth Quarter, 2016

INTERNATIONAL MARKET REVIEW

The MSCI EAFE Index (the "Index") declined -0.7% in the fourth quarter. In local currency terms, the Index gained +7.1% but the stronger US Dollar detracted nearly -8% from returns. The US Dollar strengthened versus most major currencies based on diverging growth and expected policy changes relative to other countries. The Yen (-13%) was the weakest performing currency, while the Euro, Pound, Swiss Franc, and Australian Dollar all declined in the 5% to 6% range. Europe (-0.4%) outperformed the Pacific (-1.0%) region.

The US election result and anticipated policy changes were primary drivers in an improving global cyclical outlook. In the Eurozone, economic indicators improved as manufacturing surveys approached a four-year high. The UK economy has been performing surprisingly well; third quarter GDP grew 2% and retail sales remained robust. Japanese household spending continued to contract but manufacturing activity expanded. Industrial metal prices rallied based on brighter demand prospects in China and in the US. OPEC agreed to cut supply, boosting oil prices.

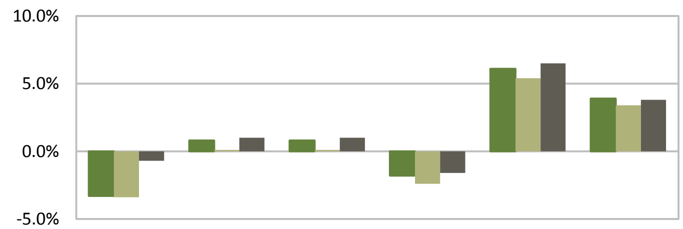
Economically sensitive sectors outperformed this quarter. Energy (+10.4%) was the best performing sector, benefiting from a 13.5% rise in oil prices. Financials (+9.5%) was strong as earnings outlooks were helped by a recovery in capital markets activity and steepening yield curves. Materials (+3.4%) was also relatively strong. Consumer Staples (-10.2%), Health Care (-7.8%), and Utilities (-7.3%) were the worst performing sectors, as high-dividend stable stocks were affected by higher interest rates and investor sentiment shifting away from bond-like stocks.

Eurozone countries with significant exposure to banks and energy generally outperformed; Italy (+10.8%), Austria (+6.5%), and France (+2.9%) were the best performing countries. Hong Kong (-9.0%) was weighed down by its real estate exposure. Israel (-11.3%) and Denmark (-8.7%) were weak along with their large healthcare constituents.

PORTFOLIO REVIEW

A composite of accounts invested in the Boston Common International Catholic strategy declined -3.3% before fees, underperforming the Index. For the 2016 calendar year, the strategy lagged modestly in relative terms, though was notably ahead of the benchmark through the end of October. Going into November the strategy was well positioned for improving economic conditions, though we struggled amidst the unexpected election outcome and subsequent reaction in the international markets. Global investors responded positively to the US election result, focusing on the pro-cyclical aspects of expected policy reform: increased infrastructure spending, lighter regulation, and lower taxes. High-quality growth factors (less financial leverage, more stable earnings, and end-market growth) came under pressure while low-quality value stocks appreciated. Specifically, faster projected growth and easing deflationary pressures boosted interest rates and commodity prices, which particularly helped low-quality banks and commodity producers rebound from depressed levels.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	Since Inception*
Gross	-3.3%	0.8%	0.8%	-1.8%	6.1%	3.9%
Net	-3.4%	0.1%	0.1%	-2.4%	5.4%	3.4%
MSCI EAFE	-0.7%	1.0%	1.0%	-1.6%	6.5%	3.8%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
MITSUBISHI UFJ FINANCIAL GRO	2.2%	23.6%	0.51%	Financials
AXA	2.2%	18.9%	0.38%	Financials
BARCLAYS	1.7%	26.8%	0.38%	Financials
BMW BAYERISCHE MOTOREN	2.1%	11.3%	0.25%	Consumer Discretionary
WOLSELEY	2.1%	10.1%	0.23%	Industrials
ORIGIN ENERGY	1.4%	15.1%	0.21%	Energy
JULIUS BAER GRUPPE	2.1%	8.9%	0.20%	Financials
CHECK POINT SOFTWARE TECH	1.9%	8.8%	0.17%	Technology
SHIMANO INC	2.1%	7.1%	0.15%	Consumer Discretionary
HOYA CORPORATION	2.6%	5.5%	0.15%	Healthcare
			2.63%	

BOTTOM 10				
RAKUTEN INC	1.5%	-23.8%	-0.39%	Consumer Discretionary
VEOLIA ENVIRONNEMENT	1.2%	-26.0%	-0.35%	Utilities
AIA GROUP LTD	2.1%	-15.1%	-0.32%	Financials
UNILEVER	2.8%	-10.0%	-0.29%	Consumer Staples
ALIBABA GROUP HOLDINGS	1.6%	-17.0%	-0.29%	Technology
HENKEL AG&CO.	2.4%	-12.1%	-0.27%	Consumer Staples
NOVOZYMES A/S	1.4%	-21.9%	-0.26%	Materials
EDP RENOVAVEIS SA	1.2%	-20.6%	-0.24%	Utilities
GETINGE AB	0.9%	-17.3%	-0.21%	Healthcare
SINGAPORE TELECOMM	1.8%	-11.6%	-0.20%	Telecommunications
			-2.82%	

The strength of their rebound is reflected in the nearly 10% outperformance of the MSCI EAFE Value (+4.2%) Index compared to MSCI EAFE Growth (5.5%), the largest quarterly outperformance since 2000.

Over the entire quarter, the Financials sector was the largest detractor from our relative results. We had less exposure to highly levered European financials that benefited from improving risk appetite. Our Emerging Markets bank holdings Bank Rakyat (-7.6%) and Banorte (-4.7%) declined on expectations for a tougher trade environment and a stronger Dollar. Rising interest rates also helped some insurance companies in the Index, while our historically strong Asian and Scandinavian insurance holdings, AIA Group (-15.1%) and Gjensidige (-13.0%), retreated. The Consumer Discretionary

*Since Inception: March 31, 2010

International Catholic Strategy Update

Fourth Quarter, 2016

sector was also a drag, with ecommerce holdings Rakuten (-23.8%), Alibaba (-17.0%), and Naspers (-14.7%) declining as secular growth stocks fell out of favor. In the Materials sector, we had no exposure to the metals and mining industry (+8.8%), which rallied with commodity prices. European environmental solutions providers Veolia (-26.0%) and Novozymes (-21.1%) reacted negatively to the changing market dynamics.

Our underweight of the poorly performing Consumer Staples and Real Estate sectors was the largest positive contributor to results. French food retailer Casino-Guichard (+1.3%) and Japanese cosmetics company Shiseido (-3.3%) were relatively stable. In the Healthcare sector, positive stock selection was led by Japanese lens manufacturer Hoya (+5.5%). Financial stocks accounted for five of our top ten contributors including Japanese bank Mitsubishi UFJ (+23.6%). In Europe, AXA (+18.9%), Barclays (+26.6%), and Julius Baer (+8.8%) advanced with the brightening fundamental outlook. British building products distributor Wolseley (+10.1%) was boosted by cyclical strength in the US, the largest source of earnings for the company. Additional key contributors included Australian natural gas developer Origin (+15.1%) and Israeli security software company Check Point (+8.8%).

PORTFOLIO ACTIVITY

During the quarter, we added to several European financial and cyclical holdings that we expect to benefit from improving fundamentals, yet still trade at attractive valuations. To fund these purchases we took profit in precision instrument manufacturer Mettler Toledo International and medical specialty company Qiagen. We also reduced exposure to several defensive European holdings that had modestly waning earnings prospects or where we believed the market overestimated fundamental improvements. We trimmed Italian bank Unicredit as we believe valuation will be unattractive after the upcoming large share issuance. We also believe more political uncertainty in Italy will complicate the necessary steps to reform the economy and banking system.

ECONOMIC & MARKET OUTLOOK

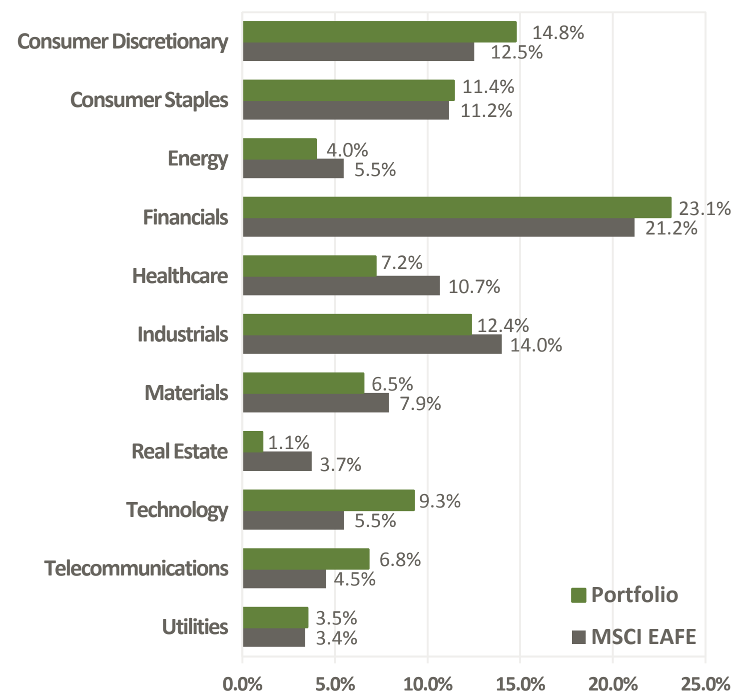
In Europe and Japan, leading indicators suggest economic growth is accelerating. A simultaneous improvement in developed economies should increase demand for a wider range of industries compared to the narrow market movement of the past quarter. At the same time, the European Central Bank and Bank of Japan are likely to remain accommodative as low inflation persists.

The MSCI EAFE is trading at 14.7x forward earnings, which compares favorably to its 20-year average of 15.9x, and is inexpensive relative to the S&P 500 at 17.3x. In our opinion, the combination of accelerating demand, potential for profit margin expansion, and pro-growth policies creates a favorable investment backdrop for international equities. We are mindful of the risks related to rising European populism, trade policy disruption, and geopolitical shocks as we develop a portfolio strategy to navigate potential short-term volatility while investing for the long term. Amid the evolving geopolitical landscape, we are constantly assessing the validity of investor conclusions regarding potential winners and losers of changed policies. In some cases, we believe the markets' dramatic initial reactions have been too far too fast and are looking to capitalize on lower relative valuations of quality growth companies.

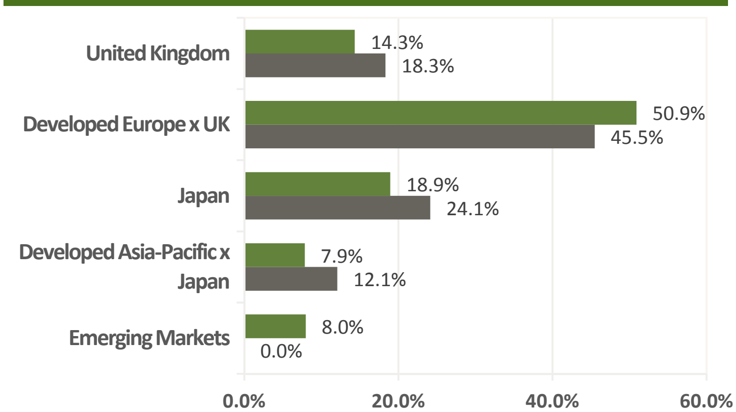
Europe

Economic momentum has been slowly gaining speed in Europe over the past five years. GDP growth has been relatively stable in the 1.5% to 2.0% range, but the labor market has been steadily improving. Eurozone unemployment has declined to 9.8%, the lowest level since 2009. Business confidence in

SECTOR ALLOCATION



REGIONAL ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	MSCI EAFE
# HOLDINGS	66	930
Valuation		
Next 12m Price to Earnings	16.0	14.8
Price to Book Value	2.1	1.6
Price to Sales	1.7	1.1
Dividend Yield	2.4%	3.1%
Growth		
5yr Sales Growth	0.2%	-1.3%
5yr EPS Growth	7.4%	0.5%
Risk		
Wtd Avg Mkt Cap	35,939	54,063
LT Debt/Cap	31.4%	36.5%
Beta	1.01	1.00

December reached a more than five-year high. Rising commodity prices have helped Eurozone inflation accelerate to 1.1%, breaking out of a near zero average over the past three years. A healing consumer and some pricing power should enhance corporate profits, which have been stagnant over the past five years. While political uncertainty has been and remains one of the headwinds and risks to investments in Europe, we do not foresee a replay of the 2012 sovereign-debt crisis. Italian politics faces another transition after Prime Minister Matteo Renzi resigned following the sound rejection of a constitutional reform referendum he sponsored. Leadership disruption in Italy is not new, however, as the country has changed governments 64 times in the past 70 years.

In our view, the anti-establishment groundswell reflects disillusionment with the poorly distributed gains of globalization; the free flow of goods, technology, and people. A reactionary insular economic system may appeal to disenfranchised voters, but we suspect a broad turn inward will lead to slower growth and lower standards of living. Germany, France, and the Netherlands will have elections this year that could provide populist parties a platform to spring forward. We are vigilantly monitoring political developments and note that current polls and victories by traditional parties in Spain and Austria suggest populist parties are unlikely to win control of the major European governments. Easier fiscal policy could come in response to the success of populist parties, with lower taxes and higher government spending complementing extremely low interest rates and quantitative easing. Weaker currencies make exports more competitive and could provide a third leg of economic support for Europe. Pro-growth policies, strengthening underlying economies, and valuations in line with long-term averages create an appealing backdrop for European equities. Our portfolios are overweight Europe, although we have a more cautious position in the UK given our concern about the effects of Brexit on the domestic market.

Japan

Japan appears to be a model of political stability compared to its developed world peers. Prime Minister Shinzo Abe has led the country for over four years while the economy has notably improved. Japan's unemployment rate of 3.1% is a more than 20-year low and the ratio of 1.41 is a 25-year high. The strong hiring has also coincided with an expansion of the female labor force participation rate to 77%, a higher level than in the US Despite the worker-friendly market, average earnings have been stagnant as low-wage, part-time employees take a growing share of the labor force from well-compensated permanent employees. This negative mix, combined with the continually aging population, likely explains nine straight months of declines in household spending. The Bank of Japan has played a key role in providing economic stimulus. Relatively easy monetary policy has pushed down the value of the Yen, which helps boost exporters' competitiveness and profits. The recent run-up in the Dollar helps Japan in this way, but President-elect Trump's plan to scrap the Trans-Pacific Partnership will stop one of Prime Minister Abe's efforts at structural reform. For export-oriented Japan, the benefit of stronger US growth and a weaker Yen may be offset by slowing trade, partially due to protectionist policies.

Corporate governance reform in Japan is particularly appealing as the country has historically lagged other markets in terms of profitability, independent directors, and shareholder distributions. Japan's overall market valuation looks inexpensive; the country is trading at 14.7x price to forward earnings, well below its 20-year average of 20.7x. Japan looks like an attractive market based on its valuation, stability, and active policy support. Our Japanese holdings tend to be oriented towards world-class manufacturers of consumer, industrial, and technology products.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
METTLER TOLEDO INTERNATIONAL COM	Healthcare	0.5%
QIAGEN N V F	Healthcare	0.5%
TOTAL CLOSED		**1.0%**

NEW	SECTOR	% OF PORT.
NONE		

COMPANY SPOTLIGHT: AKZO NOBEL

Description

Akzo Nobel, headquartered in the Netherlands, is Europe's largest supplier of paints and coatings. The Performance Coatings (40% of revenues) product line includes powder and protective coatings, wood varnishes, and adhesives for industrial customers. Specialty Chemicals (33%) include polymers, surfactants, and pulp products. Decorative Paints (27%) are mostly used for exterior and interior residential renovation. By end market, Akzo's products are used for buildings and infrastructure (43% of revenue), industrial (22%), consumer goods (18%), and transportation (17%). Revenues are mostly generated in Europe (43%), Asia-Pacific (27%), and the Americas (27%).

Integrated Investment Thesis

Akzo is a global leader in the consolidated paints and coatings market. The company has a particularly strong presence in Europe and Asia-Pacific where it should benefit from a recovery in infrastructure development. Akzo is committed to sustainable innovation, which should help it gain market share and command premium pricing over time. Eco-products account for about 20% of total revenue and the company aims to increase this proportion to 30% by 2020. Akzo's eco-products include algae-based oil that improves functionality at a lower cost, exterior paints that reduce heat transfer, and the world's first fully compostable coating for paper cups. Akzo has implemented a restructuring plan that standardized its product range, consolidated factories, and simplified its organizational structure. The resulting cost savings improved profitability while economic trends weighed on sales growth. The company has a strong balance sheet, good free cash flow generation, and trades at 7.1x forward EBITDA with a 2.7% dividend yield. Based on our favorable fundamental outlook, Akzo's valuation looks compelling.

ESG Profile

Akzo Nobel is an industry leader in sustainability, largely due to the steps that it has taken to phase out hazardous substances, conduct chemical risk assessments across its global portfolio, and grow its "eco-premium" line of products. The company continues to take a proactive approach to sustainability through its overarching Planet Possible strategy, which is focused on resource efficiency. In terms of process improvements, Akzo has adopted the use of energy diagnostic technologies to reduce energy use at its manufacturing sites. Additionally, the company works with suppliers to develop safer and more sustainable workplaces.

International Catholic Strategy Update

Fourth Quarter, 2016

Despite our substantial cyclical exposure in Japan, our portfolios are underweight the market because we do not have any Japanese holdings in the telecom, utilities, or commodity sectors where we favor stocks in other regions.

Asia Pacific and Emerging Markets

China has been a key target of President-elect Trump's anti-trade rhetoric with campaign threats of tariffs up to 45% on Chinese imports, tagging the country as a currency manipulator, and by flouting the one-China policy through direct communication with Taiwan's president. Deterioration of Sino-US relations is a key risk as friction between the two largest economies would likely have global repercussions. Additionally, China's foreign exchange reserves have declined by nearly one trillion Dollars from its 2014 high of nearly $4 trillion as the government works to prevent its currency, the Yuan, from excessive depreciation.

India will likely be the fastest growing large economy in 2017 with forecasts for over 7% GDP growth, but Prime Minister Narendra Modi has recently ushered in a radical economic experiment. In November, the government announced an overnight ban on the use of 500 and 1,000 Rupee notes (equivalent to approximately $7 and $14) that together accounted for 86% of India's cash in in circulation. The move is intended to bring to light "black money" sourced from illegal activities, but the whole country has been plunged into upheaval trying to comply with the change.

We expect the severe economic disruption will be short-lived, but near-term growth could be clipped and Prime Minister Modi's popularity will likely suffer over time. Global investors are typically patient with Emerging Markets' governments when they are implementing bold structural reform. For example, Brazil was one of the strongest performing markets in 2016 as political stabilization overshadowed a struggling economy.

In a divergence from historical trends, commodity prices rallied this past quarter while the Dollar strengthened. A stronger Dollar is typically correlated with weaker commodity prices since non-US production costs decline in Dollar terms. Lower marginal costs should foster greater supply and ultimately lower equilibrium prices. Most commodity markets have sufficient spare capacity and face unfavorable trends in economic development and efficiency, which should hamper long-term demand. This leads us to retain a cautious underweight position in commodity sectors and countries like Australia. Emerging Markets have followed their historical pattern by moving inversely with the US Dollar. In Emerging Markets, we have selective exposure to companies with sustainable growth drivers and countries with strong macroeconomic foundations.

Shareholder Engagement Highlights

.Milestones	**Dakota Access Pipeline and Banks:** Boston Common met with **all four of the major lenders to the Dakota Access Pipeline. TD Bank** and **Citibank** have issued statements in response expressing concern for the manner in which Energy Transfer Partners has handled the project. Lauren traveled to Japan to meet with **Mitsubishi UFJ Financial Group**; they have yet to comment publicly, but we urged them to issue a statement. **Mizuho** responded that Mizuho Americas has issued a public statement about their steps to perform enhanced human rights due diligence on this project. Read our DAPL statement and join us in engaging banks.
	Eco-Efficiency: Statoil sold off its oil sands operations in Canada, following engagement by Norwegian investors, Boston Common and others.
Work in Progress	**2016 Access to Nutrition Index (ATNI):** We are co-leading an international collaborative engagement using the Access to Nutrition Index (ATNI) 2016 Index findings to the **engage thirteen food & beverage companies on their nutrition practices,** including how the company has incorporated the Index recommendations to inform their nutrition strategies and at what level were the Index findings shared in the company. Boston Common is leading or co-leading dialogues with **Ajinomoto**, **Mondelēz**, **PepsiCo**, and **Unilever**.
	Sustainability in Japan: Lauren Compere traveled to Japan and met with six of our portfolio holdings (**Astellas Pharma, Kao, MUFG, Orix, Panasonic and Shiseido)** on material ESG/CSR issues linked to each company's core business model. Issues covered including board governance on sustainability issues and diversity, CSR management, eco-efficiency, responsible sourcing practices, supply chain oversight, and women's advancement in the workplace.
New Initiatives	**Drug Pricing Transparency**: This 2017 ICCR Shareholder Initiative includes investor **engagement with 21 leading pharmaceutical companies**, all of which have the potential to demonstrate leadership by agreeing to **expand disclosure around their drug pricing strategies** in the US. Boston Common is leading engagements with **GlaxoSmithKline** and **Novartis** and co-filed resolutions with **Biogen**, **Bristol Meyers Squibb**, **Gilead**, **Johnson & Johnson**, **Merck,** and **Regeneron**.