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U.S. Large-Cap Core Strategy Update

Second Quarter, 2017

US MARKET & PORTFOLIO REVIEW

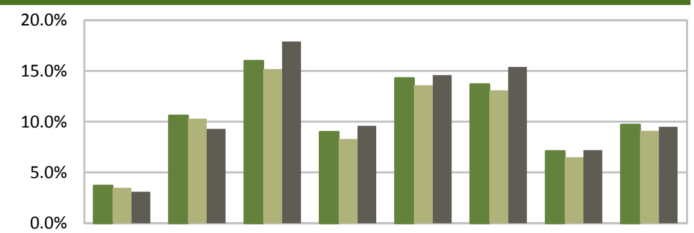
The rally in equities continued during the second quarter, as the S&P 500 (the "Index") gained 3.1%. Year to date, the Index is up more than 9%. Strong corporate earnings growth and employment gains, muted inflation, and an uptick in global growth expectations all underpin continued asset price appreciation. The Federal Reserve ("The Fed") persisted along its stated path to gradually raise rates; in June, the fed funds rate was increased by another ¼ percentage point, a total of three increases in just over six months. While these actions have moved the short end of the yield curve higher, overall the curve flattened as the ten-year Treasury yield ended the quarter down slightly at 2.3%.

Healthcare (+7.1%) was the strongest performing sector this quarter; slow movement on any Federal healthcare policy changes helped these stocks rally. This sector and Information Technology (+4.1%) have been the best performers on a year-to-date basis, up +16% and +17% respectively. Industrials (+4.7%) continue to see cyclical strength driven by transports and aerospace. Financials (+4.3%) experienced a strong recovery in the last week of the quarter thanks to favorable regulatory reviews. Large banks that have improved their balance sheets since the financial crisis and performed well on "stress" tests are now likely to get permission for larger share buy-backs and dividend payouts. Three sectors, Materials (+3.2%), Real Estate (+2.8%), and Consumer Discretionary (+2.4%) posted returns in line to slightly less than the Index while defensive sectors, Utilities (+2.2%) and Consumer Staples (+1.6%) lagged. Telecom (-7.0%) and Energy (-6.4%) saw sharp declines as they struggled with lower product prices: in the Telecom sector, the re-introduction of unlimited data plans has hurt pricing, while in the Energy sector oversupply concerns continue to pressure crude prices. Year to date, these two sectors are down double digits.

Boston Common's Tax-Exempt US Large-Cap Core account composite outperformed the S&P 500 this quarter supported by strong stock selection across most sectors. Accounts also benefited from our long-term underweight to the Energy sector. Year to date the composite remains comfortably ahead of the Index.

This quarter, the Financials sector was the largest contributor to relative performance, as our bank and capital markets holdings fared well. Hannon Armstrong, a REIT that finances renewable energy infrastructure, was among the top performers. We remain slightly overweight Technology, another strong sector contributing to absolute and relative performance. Portfolios were helped by the strength in Internet and Software & Services industries with stocks like Alphabet, Cognizant, Microsoft, and Oracle. However, the portfolio's largest position, Apple, remained flat, and detracted from relative performance this quarter.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	3.7%	10.6%	16.0%	9.0%	14.3%	13.7%	7.1%	9.7%
Net	3.5%	10.3%	15.2%	8.3%	13.6%	13.1%	6.5%	9.1%
S&P 500	3.1%	9.3%	17.9%	9.6%	14.6%	15.4%	7.2%	9.5%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
REGENERON PHARMACEUTICALS	1.6%	26.1%	0.35%	Healthcare
KANSAS CITY SOUTHERN	1.4%	22.4%	0.25%	Industrials
ALPHABET INC	3.9%	9.5%	0.23%	Technology
BAXTER INTL INC	1.3%	17.1%	0.17%	Healthcare
ORACLE CORP	1.8%	12.4%	0.16%	Technology
ESTEE LAUDER COMPANIES	1.5%	13.6%	0.15%	Consumer Staples
SOUTHWEST AIRLS CO	1.0%	16.0%	0.12%	Industrials
NOVO NORDISK A/S	0.7%	19.4%	0.12%	Healthcare
COGNIZANT TECHNOLOGY SOL	1.5%	11.8%	0.12%	Technology
HANNON ARMSTRONG SUST INFR	1.1%	15.1%	0.12%	Financials
			1.79%	

BOTTOM 10				
VERIZON COMMUNICATIONS INC	2.5%	-7.3%	-0.27%	Telecommunications
CIMAREX ENERGY CO	1.0%	-21.1%	-0.24%	Energy
GRAINGER W W INC	0.3%	-17.6%	-0.22%	Industrials
CARLISLE COS INC	1.5%	-10.0%	-0.20%	Industrials
ADVANCE AUTO PARTS INC	0.8%	-21.3%	-0.20%	Consumer Discretionary
EOG RES INC	1.8%	-7.0%	-0.19%	Energy
DISNEY WALT CO	2.0%	-6.3%	-0.19%	Consumer Discretionary
APPLE INC	6.2%	0.7%	-0.14%	Technology
LOWES COS INC	1.5%	-5.3%	-0.13%	Consumer Discretionary
SNAP-ON INC	1.1%	-5.9%	-0.10%	Industrials
			-1.88%	

Our holdings in the Healthcare sector outperformed the market. Regeneron Pharmaceuticals, a biotech company, was the portfolio's best-performing holding along with double-digit returns from medical supply company Baxter International and a new holding, diabetes specialist and ESG leader Novo Nordisk. Estee Lauder, a cosmetics manufacturer, helped our performance in the Consumer Staples sector. Though the Industrials sector detracted from performance on a relative basis, we benefited from the rebound in rail operator Kansas City Southern, and strong performance from Southwest Airlines. The former saw concerns regarding a trade war with Mexico abate, and the latter continues to benefit from strong domestic travel trends.

*Since Inception: December 31, 2002

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The Consumer Discretionary sector was the worst performing sector on a relative basis as several stocks experienced price declines, including Disney and Lowe's. Advanced Auto Parts and industrial company Snap-On, both with exposure to the auto segment, were weak in the face of slackening demand. Carlisle Companies and W.W. Grainger were also among the Industrial companies with the poorest relative performance. Within the Energy sector, Cimarex Energy and EOG Resources were weak as oil prices dropped back below $50 per barrel. Verizon Communications was our worst performing holding this quarter.

PORTFOLIO STRATEGY

In prior quarters, we have discussed why we expect company fundamentals and valuation to become more relevant to risk assessment and portfolio returns as the overwhelming effect of monetary stimulus is removed. As we focus on companies with sustainable growth strategies, ESG leadership, and attractive valuation, we have become more selective in our portfolio holdings.

During the past quarter we exited several long-term holdings whose relative prospects we found lagging and redirected the funds within the respective sectors. As an example, we sold out of consumer products giant Procter & Gamble and added to Colgate, Pepsico, and Costco. We believe all three have superior growth prospects at a better valuation.

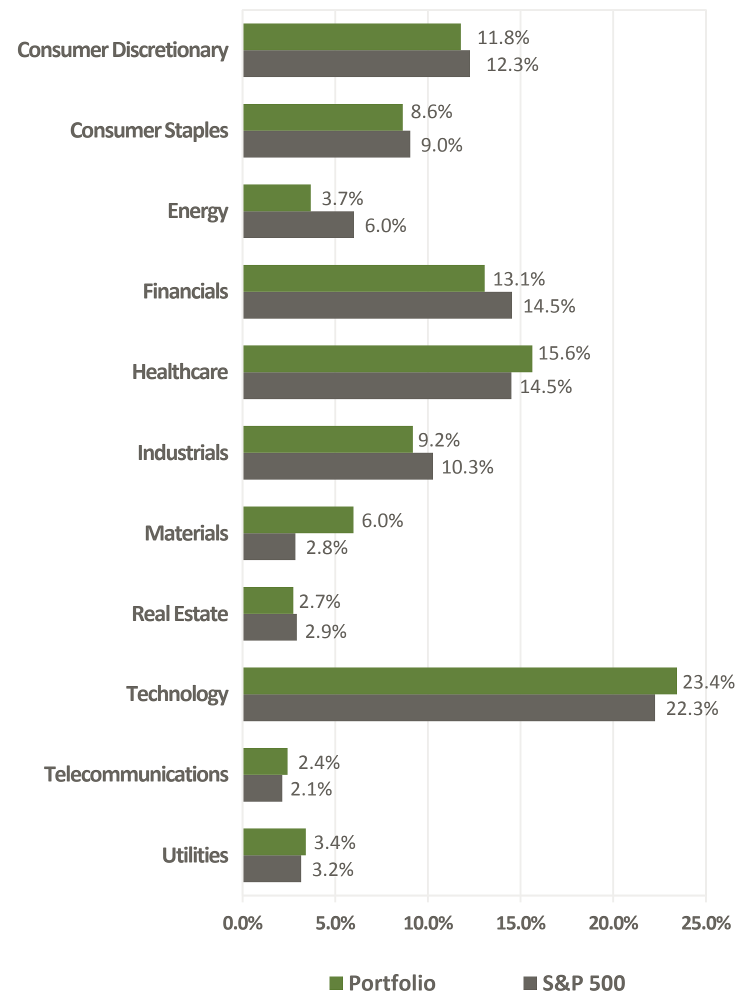
In Healthcare, we sold pharmaceutical giant Roche and bought two new names in this sector. Novo Nordisk is both a global leader in diabetes therapies and in ESG. As it is a Danish biotechnology manufacturer, we purchased the "ADR" (American Depository Receipt) seeing valuations near a 20-year low in its price-to-earnings multiple. We also purchased Danaher Corp., an "old-line" industrial business that has reorganized and remade itself into a healthcare company with strong science and technology franchises. We see compelling value in its ongoing restructuring to improve margins coupled with attractive organic growth prospects.

In Utilities, we added to 8Point3 Energy Partners, increasing our direct exposure to clean energy assets. 8Point3 (so named because it takes sunlight about 8.3 minutes to reach Earth!) owns solar energy generation assets and offers shareholders above-average yields from its underlying strong and stable cash flows. We initiated a position in American Water Works, a leading provider of municipal water and waste water services that should benefit from any advancement in infrastructure spending. While the current dividend is not reflective of this sector's yield, we see strong growth over the near-term. To fund these purchases we sold electric utility, National Grid.

Several portfolio holdings faced deteriorating earnings outlooks. W.W. Grainger decided to cut online prices in order to stay competitive, impacting profits. Fitbit continues to create a buzz as it works to meet the demand for healthy living, but, while its concept of wearable fitness devices remains powerful, earnings are not. We sold both companies.

In balanced accounts, we favor equities over bonds, currently with a relatively short duration within the fixed income portion of portfolios, while progressively moving to a duration neutral positioning.

SECTOR ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	S&P 500
# HOLDINGS	65	500
Valuation		
Next 12m Price to Earnings	18.3	17.6
Price to Book Value	3.6	3.1
Price to Sales	2.9	2.1
Dividend Yield	1.7%	2.0%
Growth		
5yr Sales Growth	4.4%	2.4%
5yr EPS Growth	8.3%	5.5%
Risk		
Wtd Avg Mkt Cap	167,624	168,790
LT Debt/Cap	36.6%	45.0%
Beta	1.02	1.00

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ECONOMIC & MARKET OUTLOOK

It is now eight years since the current economic expansion began, following the trough of the recession in June 2009. For all these years, monetary stimulus has been at historic proportions, remaining in place even as the economy improved. As the Federal Reserve reverses monetary stimulus, their actions could pose a risk to the slow, but steady growth that has supported the market's rise. However, we remain optimistic about prospects for stock prices provided long-term bond yields can remain range-bound. After almost a decade, the Federal Reserve has taken steps to reverse its emergency liquidity measures. Starting with an increase in the fed funds target rate 18 months ago, the fed has raised the rate three more times in the past seven months. The next major step is to reduce the Federal Reserve's enormous balance sheet, reversing the liquidity infusions of recent years. This planned reversal of extreme monetary policy needs to be put in perspective.

In November 2008, with short-term interest rates near zero, the Federal Reserve embarked on the first of three installments of "Quantitative Easing" (QE) or large scale buying of Treasury bonds and mortgage backed securities from banks under its regulatory control. Under this program, the Fed's balance sheet quintupled from $900 billion before the financial crisis to $4.5 trillion today. The goal was to push down real interest rates, thereby supporting the housing market and the economy. This objective was achieved, although growth has been tepid as corporations and households rebuilt their balance sheets.

The Fed's first efforts to announce a reduction in the bond buying program did not go well. In 2013, the markets swooned in a "taper tantrum" when then Fed Chair Ben Bernanke announced a reversal in strategy. Consequently, the QE program continued to grow until 2014, and since then has remained constant as the Fed reinvests the proceeds of maturing bonds. In light of this experience, current Fed Chair Janet Yellen promises to begin unwinding the stimulus in a deliberate, transparent way at an almost imperceptible rate so as not to jolt markets unduly. The Fed has successfully met its mandate on employment. Over this time period, unemployment, which peaked at 10% in October 2009, has fallen through the Fed's target of 5% to today's healthy level of 4.3%. Asset prices have risen sharply in real estate and financial markets. Bank balance sheets and homeowners' net worth have strengthened.

Though deflation was successfully averted, the Fed's second goal of stable prices (targeting inflation around 2%) remains elusive. Many feared that massive inflation would result from the unprecedented monetary stimulus, but it has not happened. Indeed, the debate on whether inflation is imminent or has been permanently stifled by structural factors continues to this day. While we see potential for wage growth to resume, low industrial capacity utilization and lower commodity prices can all offset aggregate inflationary pressures in the near term. And ironically, over the last several years many factors that led to economic growth, such as the penetration of technology into all sectors and increased energy production from fossil and renewable sources alike, have also led to lower costs and reduced pricing power. As things stand, tighter monetary policy in the US has led to a flattening yield curve, as investors drive long-term rates lower, believing the Fed's actions will keep future inflation tame.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
FITBIT INC CL A	Technology	0.2%
GRAINGER W W INC COM	Industrials	1.3%
JONES LANG LASALLE INC COM	Real Estate	1.2%
NATIONAL GRID PLC SPON ADR NEW	Utilities	1.0%
PROCTER AND GAMBLE CO COM	Consumer Staples	0.6%
ROCHE HLDG LTD SPONSORED ADR	Healthcare	1.0%
ZIMMER BIOMET HLDGS INC COM	Healthcare	1.4%
TOTAL CLOSED		**6.6%**

NEW	SECTOR	% OF PORT.
AMERICAN WTR WKS CO INC NEW COM	Utilities	0.7%
APPLIED MATLS INC COM	Technology	0.7%
DANAHER CORP DEL COM	Healthcare	1.3%
NOVO NORDISK A/S ADR	Healthcare	1.1%
TOTAL NEW		**3.8%**

COMPANY SPOTLIGHT: SOUTHWEST AIRLINES

Description

Southwest Airlines Co. (LUV) provides air transportation services to 101 cities in 40 US states and select international locations. The airline operates a fleet of 723 (all Boeing 737s) aircraft and is the 4th largest US carrier by revenues. The company has well-established, transparent diversity and equal opportunity workplace policies and collective bargaining, which help maintain loyal, constructive relations with its workforce. These policies and practices have enabled Southwest to sustain its industry-leading efficiency record. Its resilient, low-cost operating model has recorded 44 straight years of profit, almost unique in the industry. With more than 3,900 daily flights during the peak travel season, and because of the Company's focus on 'Living Responsibly', Southwest has made a commitment to reduce its environmental impact. The company was founded in 1967 and is headquartered in Dallas, TX.

Integrated Investment Thesis

Southwest should benefit from a pickup in US economic growth. The airline's low-cost operating model is a long-term competitive advantage enabling the airline to profitably offer low fares in a highly competitive environment. Labor and fuel are major cost components. On the former, the company maintains superior employer-employee relations relative to its peers and recently signed new contracts with pilots and flight attendants and is currently in negotiations with its mechanics union. On the latter, the company leads the industry in emissions reductions through fuel efficiency. Since 2005, Southwest has improved fuel efficiency by 30.6% on a revenue ton mile (RTM) basis, and in 2016 it saved ~25 million gallons of fuel with refined fuel and flight plan procedures. Our positive investment view stems from the belief that Southwest can demonstrate less earnings cyclicality as it maintains a US-centric route profile and a streamlined and efficient expense structure that, over the longer-term, could allow for multiple expansion.

ESG Profile

Boston Common plans to engage Southwest on its energy and resource-use plans as well as safety issues in 2017. Currently, Southwest has tracked greenhouse gas (GHG) emissions voluntarily since 2009, and in 2016 the company improved its CO_2 intensity ratios for the fifth straight year. Part of the company's CO_2 emissions reduction strategy is to seek opportunities to reduce and offset emissions as the company grows.

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In April, the IMF released its outlook highlighting a pickup in global growth from 3.1% last year to 3.5% in 2017, followed by continued acceleration into 2018. US GDP has been growing at a steady if tepid pace, and is on track to grow at the 2-2.5% level this year. Growth expectations are supported by the fact that more consumers are employed and may see increased wages. If the Administration can create fiscal stimulus through tax law changes or infrastructure spending, growth expectations could rise by another 0.5% or so.

Additional risks include rebounding debt levels and changes in government policies. Global credit levels and the durability of debt-supported growth are clearly risk factors to this growth outlook. There is also high debt in new places, with auto loans and student loans at the household level and elevated leverage supporting new construction in commercial real estate even as rentals flatten out. Another important risk in the US remains political, especially in regard to protectionist policies. Foreign policy and domestic governance alike may take unexpected turns, as the nation comes to terms with rising protectionist sentiment, US renunciation of global statesmanship, and a new era--in which, serving a political base takes precedence over issues of inclusive prosperity and well-being, such as climate change. US equities continue to perform well, supported in part by a strong outlook for US earnings as defined by the S&P 500 companies. After two years of flattish earnings, Wall Street consensus for 2017 S&P 500 earnings is close to $132, an almost 10% increase from 2016. Headwinds, including the strong US dollar and weakness in the oil patch, are now behind us. At current levels, the Index is trading at 17.4x next twelve months earnings. This is only slightly higher compared to a year ago, but above both the 5-year and 10-year averages (15.3x and 14.0x, respectively).

We remain cautiously optimistic, as the current subdued inflation levels and low interest rates can arguably support multiple expansion from current levels if the 10-year bond yield remains range bound.

Shareholder Engagement Highlights

Milestones	**Chemical Safety –** In April, **CVS Health** announced its intention to **remove all parabens, phthalates and the most prevalent formaldehyde donors across nearly 600 beauty and personal care products** from store brand CVS Health, Beauty 360, Essence of Beauty, and Blade product lines by the end of 2019. The company is also publishing a full list of chemicals restricted from use in current store brands by product category. We are encouraging CVS to expand this effort beyond its private brands.
	Corporate Governance & Shareholder Rights - Alphabet (Google) class A shareholders receive only one vote per share owned, while class B holders (typically insiders) outweigh "outsiders" with 10 times the voting rights. Boston Common co-filed an **equal voting rights shareholder proposal** at Alphabet, which received an overall "for" vote of 28.9% when counting both voting classes (A and B) together. **Almost 99% of class A shareholders supported the proposal.**
Work in Progress	**Global Health -** We are leading an investor engagement on improving the nutritional practices of 13 leading Food & Beverage companies benchmarked by the **Access to Nutrition Index (ATNI)**, including **Mondelēz** and **Unilever.** As of 2016, 35% of Unilever's portfolio by volume met the highest nutritional standards (based on globally recognized dietary guidelines), and the company is on track to achieve its 60% goal by 2020. We encouraged Unilever to add more positive nutrients under its product reformulation efforts. With Mondelēz, we discussed nutritional performance in the context of promoting health of consumers and links to a more sustainable food system.
	Eco-Efficiency – We met with the CEO of electric and gas utilities **Origin Energy** and **National Grid** staff to discuss **GHG emissions and Eco-Efficiency**. Origin plans to retire coal-fired power plants and replace them with wind and solar power. National Grid plans to replace leaky gas pipes in New York and expand regional transmission lines to carry renewable power. We are continuing to encourage **BMW** to join the EP100.
	Supply Chain Management & Workplace Safety – Four years following the collapse of Rana Plaza, we continue to support the **Bangladesh Accord on Fire and Building Safety** in a coalition of global investors representing over U.S. $4.3 trillion, which issued a recent statement on its success. We are engaging **VF Corp (Timberland)** on a new aspect of Bangladesh where **egregious labor and environmental practices were discovered in the $1 billion-per-year tannery industry including widespread child labor and no water effluent treatment** for 150 tanneries in Hazaribag.
New Initiatives	**Gender Equality –** We launched our **Gender Equality initiative** this quarter and evaluated 8 portfolio companies held in both our US Core and Value strategies, including **CME Group, Mohawk Industries** and **Oracle**. We became a signatory to the Women's Empowerment Principles in 2015 and are urging companies to: **improve disclosure on board level oversight of diversity initiatives, provide internal research on the gender pay gap, and develop metrics to measure progress on how equal opportunities are upheld**. We have written to each company, highlighting examples of good management practices on gender equality, wherever possible.