BOSTON COMMON
ASSET MANAGEMENT

BOSTON
84 State Street, Suite 940
Boston, MA 02109
CONTACT: Brian Chiappinelli
tel (617) 934-0932
bchiappinelli@bostoncommonasset.com

SAN FRANCISCO
111 Pine Street, Suite 1420
San Francisco, CA 94111
CONTACT: Ashley Lyon
tel (415) 813-1500
alyon@bostoncommonasset.com

U.S. Large-Cap Core Strategy Update

Fourth Quarter, 2016

US MARKET & PORTFOLIO REVIEW

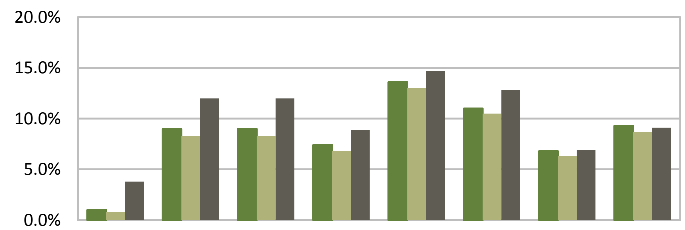
In the fourth quarter, the S&P 500 (the "Index") rose +3.8%, closing out the year near record highs. After a weak start in October (-1.8%), US stock markets rallied sharply following the Presidential election with strong returns in November (+3.7%) and December (+2.0%). Investors celebrated the surprise outcome of the election that put both the Executive and Legislative branches of government with the same party, creating the potential for action without gridlock on a broad agenda that includes fiscal spending, lower taxes, and regulatory reform.

The Financials sector had the biggest move, rising more than 21% as prospects for reduced regulation and higher interest rates improved the outlook for bank profits. Industrials (+7.2%) and Materials (+4.7%) benefited from renewed enthusiasm for cyclical stocks. Energy (+7.3%) was strong, helped by news that Saudi Arabia planned to cut oil production. Telecom (+4.8%) also outperformed. Healthcare (-4.0%) underperformed as investors remain concerned about pricing pressure in the pharmaceutical and biotech industries. The higher-yielding sectors of Real Estate (-4.4%), Consumer Staples (-2.0%), and Utilities (+0.2%) lagged, as investors sold these "bond-like" equities amid expectations of higher interest rates. Consumer Discretionary (+2.3%) and Information Technology (1.2%) sectors also lagged.

For the year 2016, the Index produced strong results, with a total return of 12.0%. The First Quarter saw a significant sell-off, with the S&P 500 down more than 10% at one point as investor concerns about global recession dramatically raised market volatility. As the year unfolded, international conditions improved, and the US economy continued to demonstrate momentum. Steady growth, rising employment, and positive consumer sentiment in the US enabled the current equity market rally, one of the three longest post-war bull markets, to continue. With the unemployment rate below 5% and higher inflation expectations, the Federal Reserve finally made its move to raise interest rates in December. At year-end, the 10-year Treasury yield was at 2.4%, after rising dramatically from last quarter's 1.6% level.

Many different trends were at work this year. The Energy sector was the best performer (+27.4%) as the price of oil rose from below $30 back in February to almost $55 a barrel at year-end. Financials (+22.8%), another strong sector, saw most of its gain in the fourth quarter. Industrials (+18.9%) and Materials (+16.7%) rose sharply off their February trough, continuing with a strong finish to the year on expectations of infrastructure investments following the election. The more defensive sectors like Telecom (+23.5%) and Utilities (+16.3%) were also strong, reflecting investor preference for yield and stability earlier in the year. Consumer Discretionary (+6.1%) and Staples (+5.4%) lagged as did Healthcare (-2.7%). Boston Common's Tax-Exempt US Large-Cap Core account composite did not keep up with the S&P 500 this quarter, as

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	1.0%	9.0%	9.0%	7.4%	13.6%	11.0%	6.8%	9.3%
Net	0.8%	8.3%	8.3%	6.8%	13.0%	10.5%	6.3%	8.7%
S&P 500	3.8%	12.0%	12.0%	8.9%	14.7%	12.8%	6.9%	9.1%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
JPMORGAN CHASE & CO	3.1%	30.5%	0.71%	Financials
MORGAN STANLEY	2.1%	32.6%	0.51%	Financials
FIFTH THIRD BANCORP	1.5%	32.5%	0.37%	Financials
PNC FINL SVCS GROUP INC	1.4%	30.6%	0.32%	Financials
NORTHERN TR CORP	1.3%	31.6%	0.31%	Financials
FIRST REP BK SAN FRANCISCO C	1.7%	19.7%	0.26%	Financials
CME GROUP INC	1.7%	14.0%	0.17%	Financials
DISNEY WALT CO	1.9%	13.1%	0.17%	Consumer Discretionary
COGNIZANT TECHNOLOGY SOLUT.	1.4%	17.4%	0.16%	Technology
SNAP ON INC	1.8%	13.2%	0.16%	Industrials
			3.14%	

BOTTOM 10				
FIRST SOLAR INC	0.5%	-25.9%	-0.30%	Technology
ZIMMER BIOMET HLDGS INC	1.2%	-19.8%	-0.28%	Healthcare
NIELSEN HLDGS	1.0%	-21.1%	-0.28%	Industrials
EQUIFAX INC	1.4%	-12.0%	-0.27%	Industrials
FITBIT INC	0.3%	-50.7%	-0.27%	Technology
NATIONAL GRID	1.1%	-16.7%	-0.25%	Utilities
LAUDER ESTEE COS INC	1.4%	-13.2%	-0.24%	Consumer Staples
GILEAD SCIENCES INC	1.8%	-8.9%	-0.24%	Healthcare
BIOGEN INC	1.7%	-9.4%	-0.23%	Healthcare
HANNON ARMSTRONG SUST INFR	1.0%	-16.8%	-0.22%	Financials
			-2.58%	

October and November proved to be challenging months. October's. Performance was hurt by disappointing earnings reports and forward guidance from a few portfolio companies. In November, and especially after the elections, our portfolios did not keep up with the sharp rise in certain sectors and industry groups. By December, these divergences had abated and our portfolios matched the continued rise in the US markets.

*Since Inception: December 31, 2002

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For the full year, portfolios experienced strong absolute returns but lagged in relative terms against the market's strong positive returns. The solid relative performance for the first nine months was impacted by fourth quarter results.

In November, equity markets experienced a sharp directional change as investors quickly placed a positive spin on US election results. Broadly, lower-quality value stocks outperformed higher-quality growth factors, and small-cap stocks fared dramatically better than large-cap names. Our portfolios were not positioned to benefit as investor preference shifted in style and industry terms. In many cases, much of the lag in relative performance during the quarter can be attributed to what the portfolio did not own rather than what it did own.

For the quarter, stock selection in Financials was a strong contributor to relative performance with seven of the top ten best performing holdings coming from this sector, including regional bank holdings like PNC Financial Services Group and Fifth Third Bancorp. JPMorgan Chase was the best performing equity for both the quarter and all of 2016. The Walt Disney Company, Cognizant Technology, and Snap-on were also strong absolute performers and positive contributors to relative returns in the quarter.

The Industrial and Materials sectors were large detractors from portfolio results. To date, our focus has been on less cyclically oriented companies, such as professional service companies with more stable end markets, steering away from the deeper cyclical stocks. However, this quarter, equities within the construction machinery, metals & mining, and commodity chemicals sub-sectors experienced a very strong rebound from low levels. Consumer information company Equifax was among the worst performers after having outperformed the first nine months of the year and is an example of investors moving away from soft cyclicals.

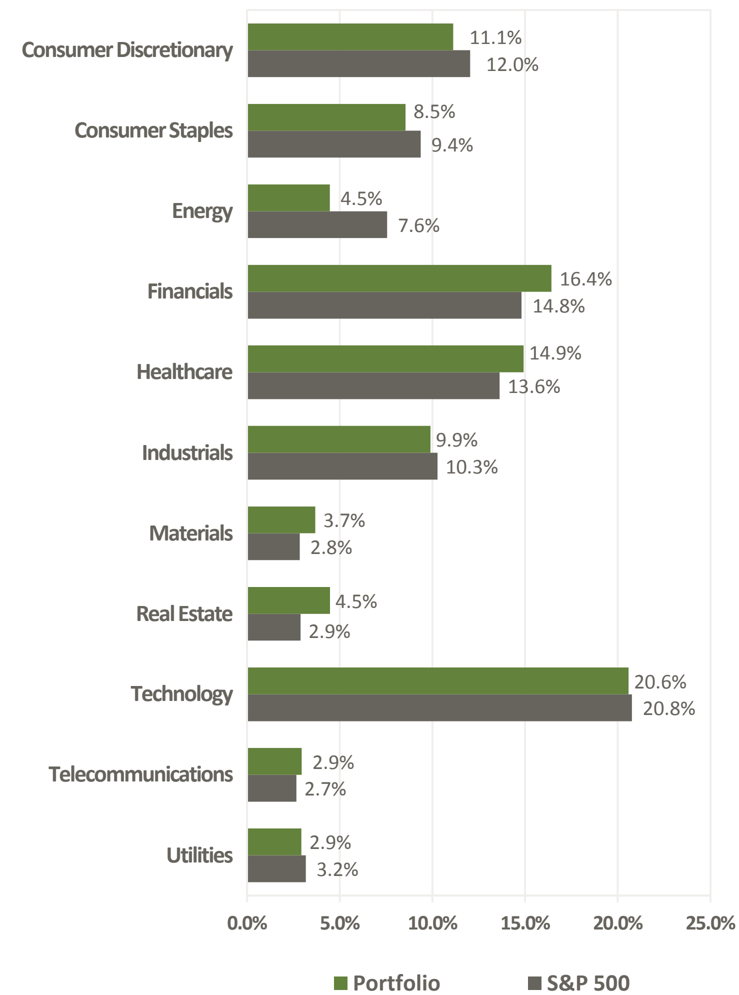
Our longer-term underweight to the Energy sector was a drag on relative performance this quarter, reversing some of the outperformance seen during previous quarters. Several holdings with exposure to Renewable Energy in different sectors from Utilities to Technology to Real Estate were overly impacted as investors sold in anticipation of changes to US environmental policy. First Solar, included in the Technology sector, was the poorest performing holding for both the quarter and the year, hurt not only by negative investor perception but by reduced near-term outlook.

In the more defensive, higher-yielding sectors, stock selection was a drag on relative performance. We held several companies that reported disappointing earnings, hampering portfolio returns. Medical device company Zimmer Biomet, consumer rating's company Nielsen Holdings, and cosmetic company Estee Lauder were among the worst performing holdings this quarter. We added to these names as we believe longer-term fundamentals have not deteriorated.

PORTFOLIO STRATEGY

The market euphoria of the past few months, especially in the US, appears to reflect a very positive outlook for near-term growth prospects. Our task as investors will be to assess whether these initial dramatic moves were justified. Investor optimism could be tempered by some of the negative risks that we observe. The anticipated pickup in growth can be muted by the potential for trade policy disruption and geopolitical flare-ups.

SECTOR ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	S&P 500
# HOLDINGS	68	500
Valuation		
Next 12m Price to Earnings	17.2	17.0
Price to Book Value	3.2	2.9
Price to Sales	2.6	2.0
Dividend Yield	1.8%	2.1%
Growth		
5yr Sales Growth	5.5%	2.4%
5yr EPS Growth	8.4%	6.0%
Risk		
Wtd Avg Mkt Cap	141,627	150,089
LT Debt/Cap	38.0%	45.4%
Beta	1.01	1.00

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We expect this to be a period when active investors can add value through judgment and patience. At current valuation levels, we anticipate a range-bound market with lots of volatility, as market participants attempt to sift through seemingly contradictory signals. The range of potential outcomes is wide and the list of issues being tackled long.

Within this outlook, we have opted to keep our portfolios relatively unchanged, with emphasis on companies with strong cash flows and earnings stability. Our investment approach leads us to well-managed sustainable companies that are attractively valued. In the current environment, we favor a "barbell" approach to portfolio construction. We are overweight companies that benefit from secular growth, especially in the technology and healthcare sectors. However, we also maintain exposure to domestically based, higher-yielding companies in real estate, telecom, and utilities. While interest rates have moved higher, we believe rates could remain within a narrow range; this will keep investors interested in such yield-oriented names. In balanced portfolios we remain overweight equity, while favoring higher-quality names in bond portfolios and keeping a relatively shorter duration.

During the quarter we added to current holdings like W.W. Grainger, Ecolab, Estee Lauder, Zimmer Biomet, Jones Lang LaSalle, and Avangrid, taking advantage of relatively weak stock prices. Although we are cautious about recent price moves in cyclically oriented companies we continue to find opportunities in this space. During the quarter we added a new position in Southwest Airlines. Southwest is a US carrier with a strong balance sheet, mainly operating domestic routes. We believe the company will benefit from a pickup in US economic growth. As a low-cost airline with superior employee relations relative to its peers, Southwest is also well-situated should the economy weaken.

ECONOMIC & MARKET OUTLOOK

In the future, we may look back at 2016 as the year several longer-term trends turned in different directions. Trade ceased to be the engine of global growth, Millennials overtook Baby Boomers as the largest cohort in the US population, and global carbon levels surpassed 400 parts per million, to name just a few. In addition, within the economic and financial space, inflation and interest rates may have bottomed in the US, leading to a new equilibrium in capital market pricing.

Policy initiatives proposed by the incoming Administration are leaning into many of the above trends. Steps are being contemplated to diminish the role of trade, repeal regulations on carbon, and embark on deficit spending to enhance growth. As January's transition unfolds, we may start to see proposals for policy change become inevitably subjected to political horse-trading. On some issues, such as long overdue infrastructure investments, we welcome the potential for action. On others, like trade, changes in corporate taxation and international relations, we remain vigilant in our assessment of the complex impacts of policy changes at home and responses abroad.

The US economy continues to grow at a 2% real rate, with unemployment at 4.7% and positive signs of wage growth and rising participation among Millennials. At the aggregate level, households have seen rising net worth with a falling debt burden and lower debt service costs.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
CORE LABORATORIES N.V.	Energy	0.7%
FIRST SOLAR INC COM	Technology	1.0%
TOTAL CLOSED		1.7%

NEW	SECTOR	% OF PORT.
SOUTHWEST AIRLS CO COM	Industrials	0.7%
TOTAL NEW		0.7%

COMPANY SPOTLIGHT: FIFTH THIRD BANCORP

Description

Fifth Third Bancorp (FITB) is a regional bank operating primarily in the Midwest and Southeast. Revenues are split between Commercial (42%) and Branch (37%) Banking with small Consumer Lending (11%) and Investment Advisory (9%) businesses. Fifth Third's footprint encompasses many regions that are underserved by financial institutions. The Bank has programs in place to address financial literacy to help its customer base and to support Small & Medium Business Enterprises (SMEs), in line with industry best practices. Fifth Third Bancorp was founded in 1862 and is headquartered in Cincinnati, Ohio.

Integrated Investment Thesis

In 2016, Fifth Third launched project North Star, a long-term plan designed to improve its profitability by consolidating branches, optimizing its balance sheet and developing programs to increase fee income. The drastic decline in oil prices in early 2016 impacted margins as loan losses accelerated, but these have now stabilized. Due to Fifth Third's strong balance sheet and proceeds from equity, the Bank has been able to make large capital returns to shareholders in the form of special dividends and stock buy backs. Under-banked individuals and SMEs represent a significant long-term opportunity for banks.

Organizations that make a serious commitment to financial inclusion can gain access to new markets with sustainable growth potential. In 2015, Fifth Third Bancorp announced a $ 27.5 bn, five-year community commitment, including $ 10 bn in mortgage credit access, $ 10 bn in small business loans and $ 1 bn in investments to support affordable housing, revitalization and historic preservation.

ESG Highlights

Boston Common has engaged Fifth Third Bank since 2015 through the Banks and Climate Change initiative asking them to establish more robust environmental risk due diligence procedures, adopt board level oversight of climate risk, and increase investments in energy efficiency and renewable energy as appropriate. We met with senior management during the 4th quarter of 2016 to discuss the steps they have taken to date and encouraged them to take further action.

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Home purchases have been strong, as have auto sales, and there are positive signs of resurgence in the manufacturing sector. Now, with additional fiscal stimulus in the form of tax cuts, proposed spending on US defense and infrastructure, and economic recovery expanding in the rest of the world, the current expansion appears set to continue a while longer. We expect growth in the US to rise this year and next.

The 35-year experience of falling interest rates may be drawing to a close. In the US, interest rates have touched bottom and have moved higher. Since the Great Recession, stimulative monetary policy around the world has helped to stem deflationary trends and kept interest rates at unusually low levels. Now, with inflation and growth on a firm footing, US interest rates are set to rise. However, yields in other developed markets are still well below levels in the US and will act as a moderating influence. Global capital continues to flow to the US in search of better yields, keeping US interest rates lower and pushing the dollar higher.

The plans for stimulative fiscal action by the new Administration will be balanced by the Fed's need to reverse the easy monetary policy of the past decade. We expect the Federal Reserve to raise rates a few times this year following on the most recent increase this past December. However, even as the US moves to tighten, European and Japanese Central banks are continuing with their stimulative polices.

After many years of expanding corporate profit margins, we may see earnings pressure from rising wages and a strong US dollar. Most of the rise in stock prices over the last few years has come from multiple expansion rather than earnings growth. However, proposed tax cuts and regulatory changes may help support earnings expectations. Analysts continue to expect further increases of profits in the next two years.

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**.