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U.S. Large-Cap Value Strategy Update

First Quarter, 2017

US MARKET & PORTFOLIO REVIEW

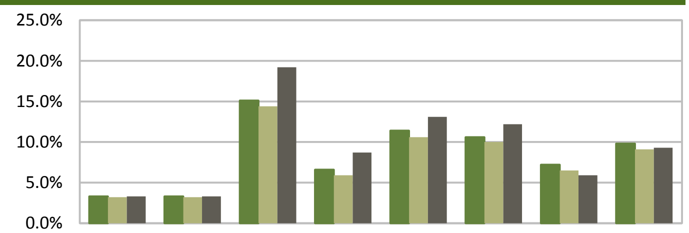
In the first quarter, the Russell 1000 Value (the "Index") rose 3.3%, reaching new highs as last year's market rally continued into 2017. Small cap stocks, as measured by Russell 2000 Index, returned 2.5% while international stocks (MSCI EAFE Index) returned 7.3%. The Federal Reserve followed through on its stated plan to gradually raise rates; in March, the Fed Funds rate was increased by another ¼ percentage point. The Ten-year Treasury yield ended the quarter at 2.4%, at the same level as year-end, but notably higher than the 1.75% level in late October.

Five sectors, Information Technology (+9.9%), Healthcare (+9.2%), Consumer Staples (+8.2%), Utilities (+6.3%), and Materials (+6.1%) posted results that were significantly ahead of the Index. Industrials (+3.9%) and Consumer Discretionary (+3.0%) were in line. The Financials (+2.1%) sector lagged after very strong moves in late 2016. Real Estate (+1.7%) was held back as investors weigh the prospects for rising yields in the bond market. The Telecom (-2.8%) and Energy (-6.5%) sectors declined; the former, because investors sold low growth/high yield for other more cyclical exposure, and the latter because crude prices declined over the quarter, as supply appears to outpace demand.

Boston Common's Tax-Exempt US Large-Cap Value account composite matched the Index this quarter. As we had anticipated coming into 2017, this quarter saw the rebound of many of the higher-quality companies that had lagged during fourth quarter's rally. As a result, stock selection helped returns across several sectors. In Real Estate our returns were helped by specialty REITs Weyerhaeuser Corp (timber) and Crown Castle International (cell towers). Within Consumer Discretionary, flooring company Mohawk Industries rebounded after concerns that rising interest rates might dampen remodeling demand proved unfounded and apparel retailer TJX Companies continued to compete effectively against on-line retailing. In Healthcare, our long-term overweight as well as stock selection contributed to the sector's strong absolute and relative performance. Zimmer Biomet, Baxter International, and J&J were all top contributors. Better earnings results at Oracle and potential restructuring at Unilever helped these holdings appreciate. From an allocation perspective, relative performance was helped by our underweight to the quarter's worst performing sector, Energy.

Stock selection within the Technology sector detracted from relative performance. Semiconductor holding Qualcomm was the largest detractor even as Apple was the portfolio's strongest contributor for the quarter. After a strong run post-election, financial stocks did not keep pace with the market and our bank and capital market holdings lagged with Fifth Third Bancorp, Northern Trust, and T. Rowe Price actually declining. Reflecting the weakness in oil prices in the quarter, our energy holdings Apache, Cimarex Energy, Baker Hughes, and EOG Resources were among the portfolio's worst performers. In an environment where interest rates are projected to rise and growth expectations remain robust, investors moved away from higher-yielding defensive stocks like Verizon, which detracted most from relative performance this quarter.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	3.3%	3.3%	15.1%	6.6%	11.4%	10.6%	7.2%	9.8%
Net	3.2%	3.2%	14.4%	5.9%	10.6%	10.0%	6.5%	9.1%
Russell 1000	3.3%	3.3%	19.2%	8.7%	13.1%	12.2%	5.9%	9.3%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
APPLE INC	1.5%	24.6%	0.28%	Technology
WEYERHAEUSER CO	1.8%	14.0%	0.18%	Real Estate
UNILEVER N V	1.1%	21.9%	0.18%	Consumer Staples
ZIMMER BIOMET HLDGS INC	1.3%	18.6%	0.18%	Healthcare
MOHAWK INDS INC	1.6%	14.9%	0.17%	Consumer Discretionary
ORACLE CORP	1.2%	16.5%	0.15%	Technology
BAXTER INTL INC	1.1%	17.3%	0.14%	Healthcare
AVANGRID INC	1.4%	14.0%	0.14%	Utilities
CROWN CASTLE INTL CORP	1.8%	10.1%	0.13%	Real Estate
JOHNSON & JOHNSON	2.5%	8.8%	0.13%	Healthcare
			1.68%	

BOTTOM 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
VERIZON COMMUNICATIONS INC	2.7%	-8.0%	-0.32%	Telecommunications
CIMAREX ENERGY CO	1.8%	-12.6%	-0.30%	Energy
APACHE CORP	1.2%	-18.7%	-0.29%	Energy
QUALCOMM INC	1.0%	-11.2%	-0.24%	Technology
BAKER HUGHES INC	1.6%	-7.7%	-0.19%	Energy
PRICE T ROWE GROUP INC	1.1%	-8.8%	-0.16%	Financials
KROGER CO	0.8%	-13.3%	-0.16%	Consumer Staples
FIFTH THIRD BANCORP	1.6%	-5.4%	-0.15%	Financials
EOG RES INC	1.9%	-3.4%	-0.13%	Energy
CARLISLE COS INC	1.8%	-3.2%	-0.12%	Industrials
			-2.06%	

PORTFOLIO STRATEGY

Given the many cross currents, economic and political, we anticipate the current environment to be one where active investors can add value through judgment and patience. The First Quarter of 2017 has been a period of strong returns in the equity markets and surprisingly, also a period of low volatility. According to the *Wall Street Journal*, the S&P 500 posted an average daily swing of 0.32% in the first three months of 2017, making it the quietest quarter since 1967. However, measures of investor uncertainty regarding major geopolitical developments remain high.

*Since Inception: December 31, 2002

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During the quarter, we took advantage of market strength to redistribute funds within sectors. In Financials, we trimmed regional banks. After several years of improving balance sheets, capital ratios, healthy loan loss reserves and, more recently, an improving earnings environment we felt that valuations post the US election discounted much, if not all, the good news. Financials is the largest sector in the Value Index and portfolios remain modestly underweight. Many financial companies are mainly US-domiciled businesses that should be a prime beneficiary of any tax cut. In Healthcare, we sold out of Dental supply company Denstply and purchased Danish biotechnology manufacturer Novo Nordisk, a global leader in diabetes therapies and an ESG leader trading near a 20-year low in its price-to-earnings multiple.

The transportation sector is currently responsible for over 20% of CO_2 emissions globally. However, next-generation technologies such as electric vehicles are likely to gain market share and change the industry's emissions profile. We have recently invested in Albemarle Corp, a specialty chemical company with leading positions in lithium, bromine, refining catalysts, and applied surface treatments. Albemarle is the best (and largest) US public company that produces lithium compounds used to make lithium-ion batteries, the leading technology for electric vehicle and grid storage batteries. While the jury may be out on which auto manufacturer makes the grade, lithium-ion battery production is expected to grow exponentially. As the #1 lithium producer globally, Albemarle is well situated to benefit from rising prices and improved profitability—demand for lithium is expected to outstrip supply for some years.

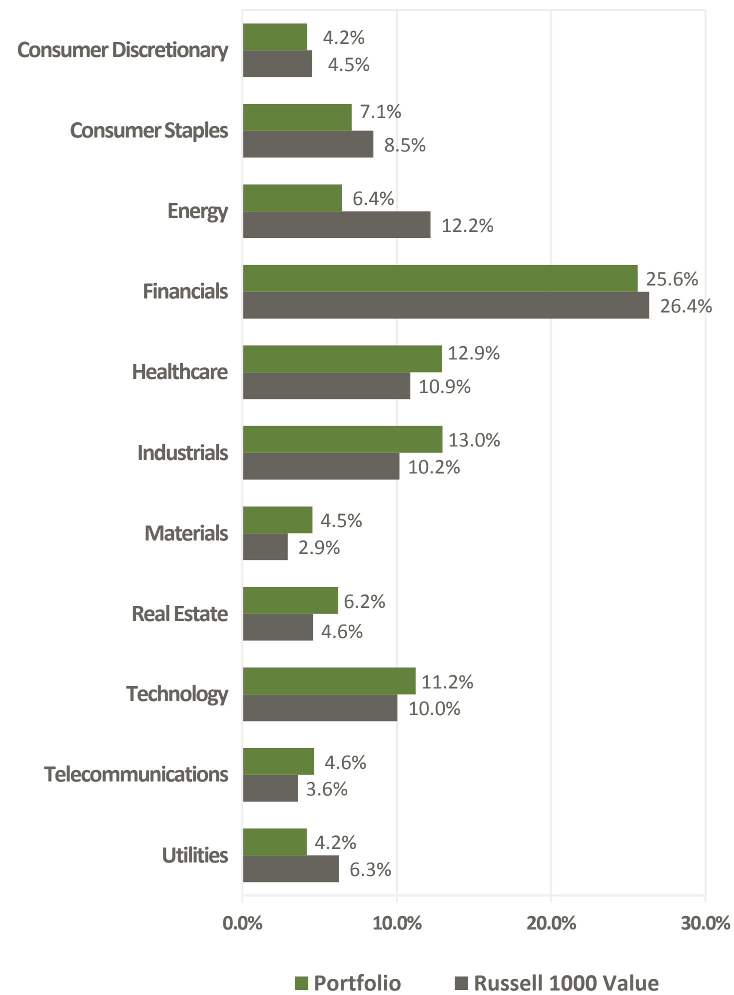
On a sector basis, we reduced the significant overweight to Industrials following a strong run up in cyclically-oriented companies since November. While several positions were trimmed we eliminated our position in Philips, NV. We did expand our exposure to domestic travel by adding Alaska Air Group. We believe their recent acquisition of Virgin America allows for greater integration efficiencies and creates a strong US-based route system. Along with current holding Southwest Airlines, these profitable airlines would be prime beneficiaries of any change to tax levels as the majority of earnings are US based. The portfolio remains underweight large integrated oil & gas corporations but is now overweight specialty chemical stocks. Defensive sectors are, in general, equal weight with a focus on Real Estate and Telecom; Utilities remains underweight.

As we watch the political and economic agenda of the new Administration unfold, we continue to maintain a diversified approach to portfolio construction, always with an emphasis on attractively valued, well-managed, sustainable companies with strong cash flows and relative earnings stability. We maintain opportunistic positions in companies with improving profitability and potential for re-rating because of restructuring within the company, or consolidation in the industry. Such opportunities abound in many sectors. However, we also maintain exposure to domestically based, higher-yielding companies in real estate, telecom, and utilities. Interest rates have moved higher but not to levels that preclude ongoing investor interest in yield-oriented names. For Balanced Accounts, we are maintaining our tilt in favor of Equities over Bonds for the moment, while favoring higher-quality Corporates in tax-exempt bond portfolios and keeping a relatively shorter duration.

ECONOMIC & MARKET OUTLOOK

This quarter marked the 8th anniversary of the previous bear market's trough (March 9, 2009). Since that point the Dow has gained nearly 220%, the S&P 500 has increased over 250%, and the Nasdaq has surged over 360%. A significant portion of the markets' rise in recent years has come from multiple expansion rather than earnings growth.

SECTOR ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	RUSSELL 1000 VALUE
# HOLDINGS	66	692
Valuation		
Next 12m Price to Earnings	17.4	16.3
Price to Book Value	2.6	2.0
Price to Sales	2.3	1.8
Dividend Yield	2.1%	2.5%
Growth		
5yr Sales Growth	2.4%	-1.4%
5yr EPS Growth	6.5%	2.8%
Risk		
Wtd Avg Mkt Cap	111,514	121,011
LT Debt/Cap	36.1%	44.3%
Beta	1.04	1.00

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Monetary policy has been exceptionally stimulative in order to overcome the macroeconomic shock of the Great Recession. With short-term interest rates near zero and "quantitative easing" efforts underway, financial and real assets saw strong appreciation. Macroeconomic concerns have dominated investor sentiment throughout this period, creating very high levels of correlation among stocks within the financial markets, as the rising tide of monetary stimulus raised all boats. This has worked to the detriment of diversification and active, research-driven stock selection.

However, as the era of unorthodox monetary stimulus winds down, we could see an end to the overarching importance of monetary policy to both risk assets and economic growth. In previous memos we have discussed the important role of fiscal policy and structural reform in building sustainable growth and financial stability. Several such steps have been taken at varying speeds in the major economies of the world even as the actions of monetary authorities have delivered a chance for a reset on these dimensions.

Going forward, we believe earnings growth and dividends will be needed to justify further positive returns in US equity markets. There are several sources of economic support and some challenges facing US corporations as they try to grow earnings from the current record levels of profitability. These include the current state of the US economy, policy initiatives, global growth, consumer sentiment, and inflation. We discuss some of these below.

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. For calendar year 2016, the US economy grew at a 1.6% annual rate, slower than the 2% growth rate of the previous year. Some of the slowdown in 2016 can be attributed to headwinds from a strong dollar, weakness in the oil patch early in the year, and anemic government expenditures. Some recent data point to late cycle challenges to growth: auto sales have declined three months in a row while existing home sales, still above year-ago levels, have weakened with tight supply and modestly higher interest rates.

However, 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.

Corporate earnings could see support from a few other sources as well. Many European economies and several emerging markets can provide vigor to global growth prospects, a benefit for many US multinationals. Global growth is projected to be at 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.

Improving consumer sentiment could help spur capital investment spending, which has been slow to emerge during this economic cycle. 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.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
DENTSPLY SIRONA INC	Healthcare	1.2%
KONINKLIJKE PHILIPS N V NY REG SH NEW	Industrials	1.3%
NEW JERSEY RES COM	Utilities	1.0%
SOUTHWESTERN ENERGY CO COM	Energy	0.7%
SPECTRA ENERGY CORP COM	Energy	1.0%
TOTAL CLOSED		**5.2%**

NEW	SECTOR	% OF PORT.
Alaska Air Group	Industrials	0.5%
ALBEMARLE CORP COM	Materials	1.0%
BRISTOL MYERS SQUIBB CO COM	Healthcare	1.0%
KROGER CO COM	Consumer Staples	0.8%
LEGG MASON INC COM	Financials	1.0%
NOVO NORDISK A/S ADR	Healthcare	1.0%
TOTAL NEW		**5.4%**

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.

And, a little bit of inflation can help companies to raise prices, giving them the ability to pass on cost increases to customers. 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 the same time, inflation has finally reached the Federal Reserve's 2% target.

The Federal Reserve has initiated steps to reverse the excessive liquidity that was needed to bring the economy back from the Great Recession. The last two rate hikes, in December 2016 and in March 2017, reflect the desire of the monetary authority to move towards normalization.

During the quarter, US bond yields have largely moved sideways. Near-zero percent bond yields in other developed markets such as Europe and Japan have led to capital inflows into the US bond market, keeping yield levels here lower than they might otherwise be given current inflation and economic growth.

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

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 policies changes including sector specific policies for coal financing and increased climate adaption 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.