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U.S. Large-Cap Value Strategy Update

Second Quarter, 2017

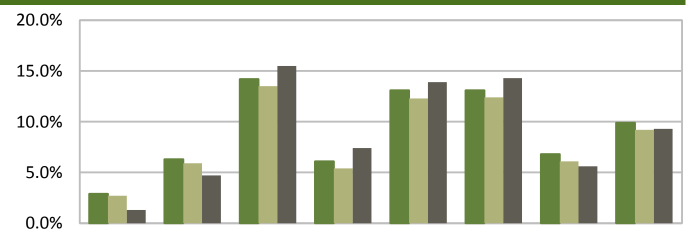
US MARKET & PORTFOLIO REVIEW

The rally in equities continued during the second quarter, as the Russell 1000 Value Index (the "Index") gained 1.3%. Year to date, the Index is up almost 5% and in the past 12 months, is up more than 15%. 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 (+6.1%) was the strongest performing sector this quarter; slow movement on any Federal healthcare policy changes helped these stocks rally. Financials (+3.8%) 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. The Industrials (+3.4%) sector continues to see cyclical strength driven by transports and aerospace. Consumer Discretionary (+2.8%) and Utilities (+2.2%) outperformed. Real Estate (+1.8%) and Consumer Staples (+0.8%) posted returns in line to slightly less than the Index while Materials (+0.3%) and Information Technology (+0.2%) lagged. Telecom (-7.1%) and Energy (-7.1%) saw sharp declines. Both sectors are struggling 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.

Boston Common's Tax-Exempt US Large-Cap Value account composite outperformed its benchmark 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 Technology sector was the strongest contributor to portfolio returns. Strength in Internet and Software & Services industries was helped by names like Oracle, which reacted positively to better than expected earnings. In Healthcare, the best performing sector, strong relative performance was helped by improved earnings outlooks from Thermo Fisher Scientific and Baxter International. Recently purchased diabetes specialist and ESG leader Novo Nordisk was this quarter's best performing holding. Within Financials, Northern Trust and JP Morgan Chase were among the top performers. The portfolio benefited from its many bank holdings and its overweight to capital markets. Hannon Armstrong, a REIT that finances renewable energy infrastructure, was among the top performers during the quarter.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	2.9%	6.3%	14.2%	6.1%	13.1%	13.1%	6.8%	9.9%
Net	2.7%	5.9%	13.5%	5.4%	12.3%	12.4%	6.1%	9.2%
Russell 1000	1.3%	4.7%	15.5%	7.4%	13.9%	14.3%	5.6%	9.3%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
NOVO NORDISK A/S	1.2%	25.1%	0.24%	Healthcare
SOUTHWEST AIRLS CO	1.7%	15.8%	0.23%	Industrials
BAXTER INTL INC	1.3%	17.1%	0.19%	Healthcare
NORTHERN TR CORP	1.6%	12.5%	0.18%	Financials
WABTEC CORP	1.0%	17.4%	0.15%	Industrials
ORACLE CORP	1.3%	12.9%	0.15%	Technology
JPMORGAN CHASE & CO	4.5%	4.6%	0.15%	Financials
HANNON ARMSTRONG SUST INFR	1.2%	15.1%	0.14%	Financials
THERMO FISHER SCIENTIFIC INC	1.2%	13.7%	0.14%	Healthcare
ILLINOIS TOOL WKS INC	2.1%	8.8%	0.14%	Industrials
			1.71%	

BOTTOM 10				
CIMAREX ENERGY CO	1.5%	-21.3%	-0.38%	Energy
VERIZON COMMUNICATIONS INC	2.5%	-7.3%	-0.22%	Telecommunications
CARLISLE COS INC	1.6%	-10.0%	-0.20%	Industrials
GRAINGER W W INC	0.3%	-17.7%	-0.18%	Industrials
AT&T INC	1.7%	-8.1%	-0.18%	Telecommunications
KROGER CO	0.8%	-21.1%	-0.17%	Consumer Staples
BAKER HUGHES INC	1.5%	-8.6%	-0.16%	Energy
EOG RES INC	1.7%	-7.0%	-0.16%	Energy
TJX COS INC	1.1%	-8.4%	-0.11%	Consumer Discretionary
INTEL CORP	1.4%	-5.8%	-0.10%	Technology
			-1.86%	

The Industrials sector was a net contributor to performance. On the positive side, Southwest Airlines benefits from strong travel trends, Wabtec has a strong position in railway infrastructure upgrade, and Illinois Tool Works continues to raise its guidance on the heels of an overall pick up in industrial demand. Negatively, W.W. Grainger and Carlisle both detracted from this quarter's performance.

*Since Inception: December 31, 2002

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Consumer Discretionary was the worst performing sector this quarter. Exposure to media and retailing detracted from results. Concerns continue for brick & mortar retailers and we remain selectively focused on those unique concepts that are considered 'destination' stores, like TJX Companies. Kroger, another holding that detracted from returns, also faces an increasingly competitive landscape, but we believe recent weakness is overdone. Stock prices for Verizon Communications and AT&T suffered. Within the poorly performing Energy sector, Cimarex Energy, EOG Resources, and Baker Hughes were weak as oil prices dropped back below $50 per barrel.

PORTFOLIO STRATEGY

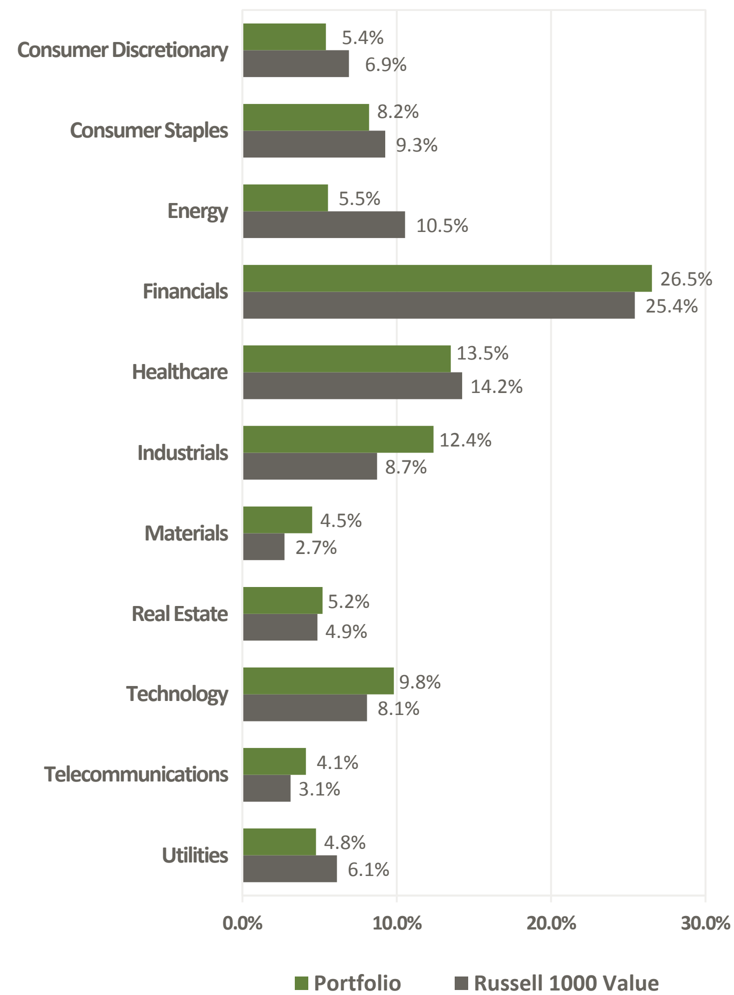
In prior quarters, we have discussed why we expect company fundamentals and valuation to become more relevant to risk assessment and portfolio returns as the overwhelming effect of monetary stimulus is removed. As we focus on companies with sustainable growth strategies, ESG leadership, and attractive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

This quarter we added several new holdings. We purchased Colgate after recent disappointing quarterly earnings allowed for relative valuation differential with other consumer products companies. With 80% of revenues outside the US, improving global growth should be a tailwind for sales. We also purchased Danaher Corp., an "old-line" industrial business that has reorganized and remade itself into a healthcare company with strong science & technology franchises. We see compelling value in its ongoing restructuring to improve margins coupled with attractive organic growth prospects. New holding PVH Corporation, one of the largest global apparel companies, is an ESG leader in the industry. It has strong supply chain management, ethical sourcing, and responsible environmental practices. The management team has successfully restructured the business with a focus on tight inventory control and the repurchase of overseas licensees of Tommy Hilfiger and Calvin Klein. This increased control of overseas operations should continue to drive earnings and appears to be underappreciated by market.

In Utilities, we added 8Point3 Energy Partners. With this addition, we increase our weight in the Utility sector while providing 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 eliminated two portfolio positions in the quarter. We sold W.W. Grainger as it faces a deteriorating earnings outlook. We adjusted and slightly lowered our exposure to the Real Estate sector, selling Jones Lang LaSalle as we felt the current price more than adequately reflected the company's future outlook. Some of the proceeds were redirected to Simon Properties, where recent stock price weakness appears overdone.

Towards the end of the quarter, several purchases and sales were made to maintain active positioning in light of the annual reconstitution of the Russell Indices. The major changes to benchmark sector weights came in Consumer Discretionary and Healthcare to the upside and Industrials and Information Technology to the downside. 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	RUSSELL 1000 VALUE
# HOLDINGS	67	719
Valuation		
Next 12m Price to Earnings	17.2	15.9
Price to Book Value	2.6	2.0
Price to Sales	2.3	1.7
Dividend Yield	2.2%	2.5%
Growth		
5yr Sales Growth	2.7%	0.0%
5yr EPS Growth	7.9%	3.2%
Risk		
Wtd Avg Mkt Cap	103,924	114,432
LT Debt/Cap	36.9%	43.9%
Beta	1.03	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.
BIOVERATIV INC COM	Healthcare	0.1%
GRAINGER W W INC COM	Industrials	1.3%
JONES LANG LASALLE INC COM	Real Estate	1.3%
TOTAL CLOSED		**2.7%**

NEW	SECTOR	% OF PORT.
8POINT3 ENERGY PARTNERS LP	Utilities	1.1%
COLGATE PALMOLIVE CO COM	Consumer Staples	1.0%
DANAHER CORP DEL COM	Healthcare	1.0%
PVH CORP COM	Consumer Discretionary	1.0%
TOTAL NEW		**4.1%**

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.

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.

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