

Emerging Markets Strategy Update

Third Quarter, 2017

EMERGING MARKETS REVIEW

The MSCI Emerging Market Index (“the Index”) advanced +7.9% in the third quarter, continuing its outperformance versus Developed Markets. Latin America (+15.1%) fared better than EM Asia (+7.0%) and EMEA (+6.3%). Emerging Market currencies remained resilient (+0.3%) despite the Federal Reserve’s announcement that it will commence its balance sheet reduction this October. Year to date, the Index has gained nearly 30%, supported by improving economic fundamentals, a steady macro outlook in China, and stabilizing commodity prices.

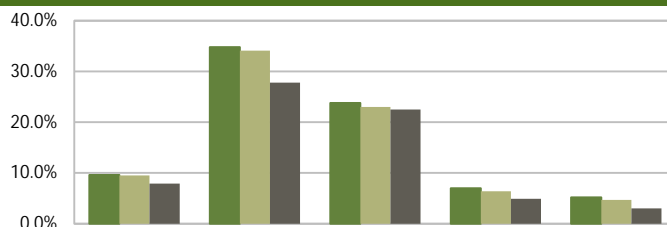
Brazil (+23.0%) was the best performing country this quarter thanks to better economic data and improved investor sentiment, as lawmakers voted against putting President Michel Temer on trial for corruption charges. In Chile (+16.9%), the market-friendly Presidential candidate Sebastián Piñera further consolidated his position in the polls, propelling the market higher. Mexico (+1.5%) was the laggard in Latin America, suffering two devastating earthquakes this quarter that would dampen growth expectations for the balance of 2017. Russia advanced +17.6%, boosted by positive earnings and higher oil prices. On the other hand, Turkey (+0.3%) underperformed as higher oil prices hurt the country’s current account balance and political uncertainty weighed on investors’ confidence. South Africa (+3.8%) also lagged and the South African Rand depreciated 3%, the worst performing currency this quarter. In Asia, China (+14.7%) was among the strongest markets, driven by solid earnings. Thailand (+10.5%) benefited from better-than-expected economic growth and a strong recovery in tourism. South Korea (+2.7%) underperformed as its market was dragged down by rising geopolitical tensions.

Real Estate (+17.9%) was the best performing sector, buoyed by the strength of Chinese property developers. Market expectations that OPEC would extend its production cuts helped oil prices to rise approximately +20%. This, along with higher metal prices, lifted the Energy (+12.9%) and Materials (+10.1%) sectors. Technology (+11.0%) continued its outperformance on strong earnings momentum. Less economically sensitive sectors lagged the Index: Consumer Staples (+2.5%), Healthcare (+3.3%), and Telecom (+3.3%).

PORTFOLIO REVIEW

The Boston Common Sustainable Emerging Market Equity strategy returned +9.6% during the quarter, before fees, comfortably outperforming the Index. Stock selection in China and Chile was the largest positive contributor to performance. Chinese developer KWG Property Holding (+62.0%) and gas utility distributor ENN Energy (+20.1%) both benefited from better-than-expected earnings. Personal care company Hengan International Group (+27.5%) rebounded as earnings growth accelerated, a result of management’s restructuring initiatives. Alibaba (+22.6%) reported record-high revenues, which increased more than 50% over the prior year. Regulatory mandates, consumer preferences, and corporate strategies boosted expectations for electronic vehicle (EV) penetration. Our holdings in the EV supply chain, Chinese battery and EV manufacturer BYD Company

PERFORMANCE



	QTD	YTD	1Yr	3Yr	Since Inception*
Gross	9.6%	34.8%	23.8%	7.0%	5.2%
Net	9.5%	34.1%	23.0%	6.4%	4.7%
MSCI EM	7.9%	27.8%	22.5%	4.9%	3.0%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
SOCIEDAD QUIMICA MINERA DE C	2.5%	70.1%	1.17%	Materials
KWG PROPERTY HOLDING LTD	1.7%	62.0%	0.72%	Real Estate
ALIBABA GROUP HOLDINGS	5.4%	22.6%	0.72%	Technology
BYD CO LTD	1.4%	51.1%	0.55%	Consumer Discretionary
ITAU UNIBANCO HLDG SA SPON	2.7%	25.2%	0.42%	Financials
SBERBANK RUSSIA SPONSORED	2.0%	34.0%	0.42%	Financials
PING AN INSURANCE GROUP CO	3.8%	18.8%	0.38%	Financials
YANDEX N V SHS CLASS A	2.2%	25.6%	0.35%	Technology
HENGAN INTL GROUP CO LTD	1.7%	27.5%	0.31%	Consumer Staples
ENN ENERGY HOLDINGS LTD	1.7%	20.1%	0.20%	Utilities
			5.24%	

BOTTOM 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
DR REDDYS LABS LTD	1.4%	-14.6%	-0.36%	Healthcare
NAVER CORP	1.7%	-11.2%	-0.35%	Technology
COWAY CO LTD	1.8%	-9.2%	-0.33%	Consumer Discretionary
LG HOUSEHOLD & HEALTH CARE	2.0%	-5.9%	-0.29%	Consumer Staples
BANK RAKYAT	2.9%	-0.9%	-0.26%	Financials
VIPSHOP HLDGS LTD SPONSORED	1.0%	-16.7%	-0.24%	Consumer Discretionary
PERUSAHAAN GAS NEW	0.6%	-30.7%	-0.23%	Utilities
DELTA ELECTRONICS INC	1.7%	-3.7%	-0.21%	Technology
CTRIIP COM INTL	2.0%	-2.0%	-0.20%	Consumer Discretionary
SK TELECOM LTD	1.5%	-4.0%	-0.19%	Telecommunications
			-2.66%	

(+51.1%) and Chilean lithium producer Sociedad Quimica y Minera de Chile (+70.1%), rallied strongly. From a sector perspective, Financials was a source of strength, led by Russian bank Sberbank (+34.1%), Brazilian bank Itau Unibanco (+25.2%), and Chinese insurance company Ping An Insurance (+18.8%).

Our stock selection in South Korea was the largest detractor from performance. Disappointing earnings weighed on Internet company Naver (-11.2%) and health appliance supplier Coway Co (-9.2%). Uncertainty surrounding South Korea’s relationship with China continued to pressure personal care company LG Household & Health Care (-5.9%).

Emerging Markets Strategy Update

Third Quarter, 2017

SK Telecom (-4.0%) declined as new tariff regulation is expected to pose headwinds. Stock selection in Indonesia also detracted from performance. Gas utility company PT Perusahaan Gas Negara (-30.7%) suffered from margin pressure. From a sector standpoint, Healthcare was the primary detractor from relative performance. India generic drug manufacturer Dr. Reddy (-14.6%) continued to face regulatory challenges. Other notable detractors included Chinese online flash sale company Vipshop (-16.7%), Taiwan technology company Delta Electronics (-3.7%), and China's online travel company Ctrip.com International (-2.0%).

PORTFOLIO ACTIVITY

Among our portfolio actions this quarter, we purchased Growthpoint Properties, the largest South Africa-listed REIT. The company owns and manages a high-quality portfolio of properties across retail, office, and industrial segments in both domestic South Africa and Australia. The management team has a strong focus on sustainability and receives high marks on corporate governance. Growthpoint is the industry leader on green building initiatives, with 80% of all its leases under the green lease scheme. It is also the largest generator of roof top solar in South Africa. Despite a challenging macro environment in South Africa, Growthpoint has been able to increase its distributable earnings. The company provides an attractive dividend yield of 7.7%, with the potential to further expand in the central and eastern European region.

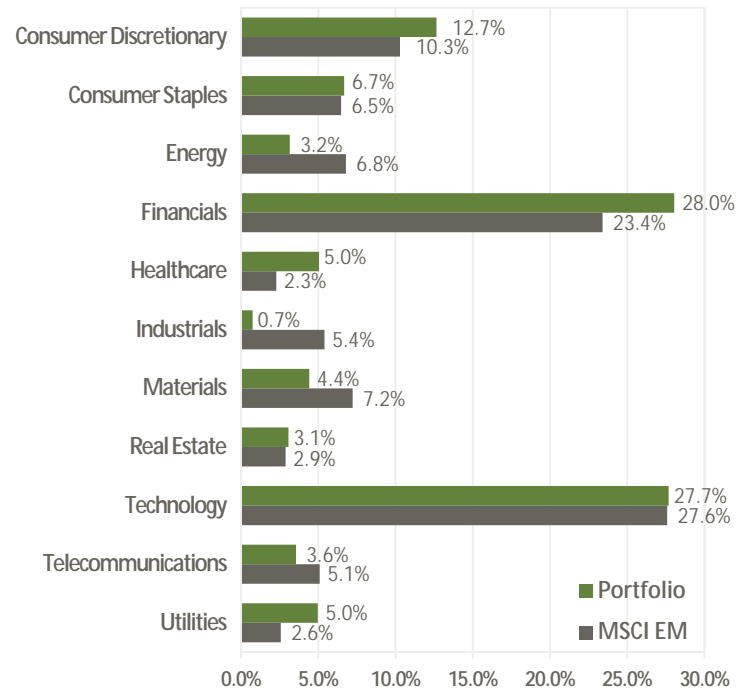
During the quarter, we further increased our exposure to the Chinese online travel company Ctrip.com International. Investors became overly concerned about the potential negative impact from a government regulation to unbundle certain value-added services. We remain optimistic about the strong travel demand outlook of Chinese consumers and see the near-term headwinds as a buying opportunity to amplify our conviction in this industry leader.

We exited India film company Eros International this quarter. While the outlook for the Indian entertainment industry remains attractive and Eros has one of the largest film libraries in the industry, we believe the valuation became stretched at 35x P/E and does not fully reflect operational risks associated with the business. We re-deployed the capital into other consumer companies with a more favorable risk-reward profile.

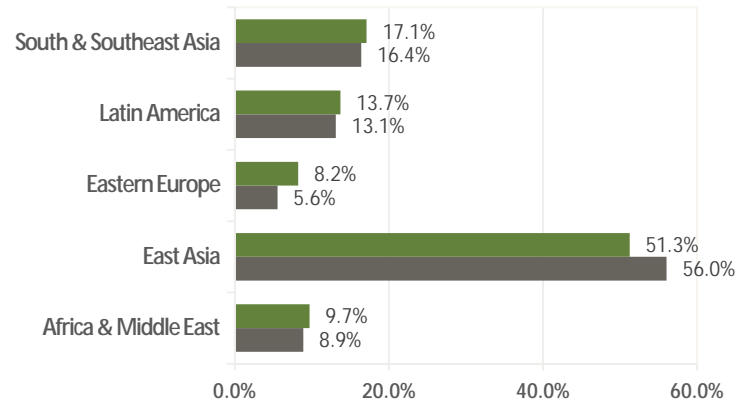
ECONOMIC & MARKET OUTLOOK

According to the IMF, economic GDP growth in Emerging Markets (EM) is expected to accelerate to 4.9% in 2018, further widening its lead over the Developed Market's anticipated growth rate of 2.0%. While economic growth is picking up in Emerging Markets, inflation is quite low and EM central banks remain accommodative, helping to form a favorable fundamental backdrop. Indeed, seven EM central banks have cut interests rates in the past three months. Lower commodity prices have helped with inflation, but the ongoing macroeconomic prudence demonstrated in emerging market countries is also an important contributor. As the underlying growth drivers shift more towards consumption, lower inflation rates in EM countries provide a boost to consumers' real disposable income. Earnings expectations have continued to rise in emerging markets. In 2018, aggregated EM earnings growth is projected to amount to 12%, driven by margin recovery and balance sheet improvement. At 12.6x Price-to-Earnings and 1.6x Price-to-Book, EM offers both higher earnings growth and return on equity yet continues to trade at a discount valuation compared to Developed Markets. While sudden strengthening of the US Dollar as well as geopolitical risks may cause temporary market corrections, the medium-term outlook for the EM asset class remains compelling.

SECTOR ALLOCATION



SUB-REGIONAL ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	MSCI EM
# HOLDINGS	51	839
Valuation		
Next 12m Price to Earnings	15.0	12.5
Price to Book Value	2.5	1.7
Price to Sales	2.0	1.4
Dividend Yield	2.1%	1.9%
Growth		
5yr Sales Growth	7.4%	2.8%
5yr EPS Growth	10.2%	5.2%
Risk		
Wtd Avg Mkt Cap	87,258	89,500
LT Debt/Cap	24.7%	25.7%
Beta	1.08	1.00

Emerging Markets Strategy Update

Third Quarter, 2017

Based on our constructive outlook, we have more exposure to domestic cyclical sectors compared to the Index. End-market themes within these areas include proliferating semiconductor content, environmental solution products and services, the electric vehicle supply chain, and the rising middle class. Efficiency improvements and shifts in transportation should suppress oil demand, and thus we remain cautious on energy related stocks. In the defensive sectors, we have a preference for healthcare and consumer staples stocks.

Asia

China's growth trajectory is one of the most important drivers for global economic outlook. In our opinion, China's liquidity-tightening campaign and supply-side reforms, including overcapacity reduction, industrial consolidation, and stricter environmental standards, are encouraging developments to address the over-leverage and structural imbalances in China. With growing signs of a cyclical economic recovery, the Chinese government appears to be accelerating the pace of these reforms, which should support more sustainable long-term growth. In September, China announced its intention to ban the sale of new fossil-fuel vehicles at some time in the future, following in the footsteps of France and UK. It also formalized the requirement that new energy vehicles (NEVs), mostly pure battery electric cars and plug-in hybrid cars, must account for at least 10% of each auto company's sales by 2019. Generous subsidies, an aggressive mandate, and improvements in EV performance have driven a nearly seven-fold increase in NEV sales over the past two years. Global automakers are responding to the booming Chinese EV market by retooling their product development strategies.

South Korea, the second largest country in the MSCI Emerging Market Index after China, is more than 3 and 16 times wealthier, in per capita GDP terms, than China and India respectively. Despite its high income classification, South Korea is still categorized by MSCI as an emerging market. From our perspective, the threat of military action from its rogue neighbor to the north, in addition to endemic corporate governance challenges represent significant obstacles and help to explain the Korean market's historical discount (typically 15% to 30%) compared to the EM Index. North Korea's military threat is a key risk for both South Korea and the rest of the world, but we believe its enigmatic leader, Kim Jong-un, is more interested in preserving his family dynasty than waging war. South Korea's chaebols (networks of interrelated corporations) dominate industry, are controlled by only a few families, and have demonstrated inherent conflicts of interests. Recently elected President Moon Jae-in plans to reduce the chaebols' influence through reform and boost workers by raising the minimum wage by 16%.

South Korea deserves credit for developing global leaders in technology, a sector that accounts for almost half of its market capitalization. The capital-intensive semiconductor industry has been an area of strength; supplier consolidation and demand from new industrial end-markets have limited price deflation for this typically cyclical business. Our portfolios in Asia focus on consumer, technology, and financial stocks where we see sustainable long-term growth and attractive valuations.

Latin America

Medium-term growth prospects for Latin America are heavily dependent on the political outlook. There will be elections within the next twelve months in Argentina, Chile, Colombia, Brazil, and Mexico. In the meantime, economic activity is gradually improving and broadening in the region. In Brazil, we are seeing signs of consumption picking up due to an improving labor market and sharply lower inflation. There is still a lack of progress on fiscal reforms, and the government has to increase its

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
EROS INTL PLC SHS NEW	Consumer Discretionary	0.9%
YINGDE GASES GROUP CO LTD	Materials	0.6%
TOTAL CLOSED		1.5%
NEW	SECTOR	% OF PORT.
GROWTHPOINT PROPERTIES LTD SHS	Real Estate	1.4%
TOTAL NEW		1.4%

COMPANY SPOTLIGHT: SQM

ESG Integrated Investment Thesis

Sociedad Quimica y Minera de Chile SA (SQM) is a low-cost producer of various chemicals whose environmental and clean tech applications should continue to benefit from strong secular demand. The company is the world's largest producer of lithium, an integral component in the lithium-ion batteries used in electric vehicles ("EV") and solar panel storage. The expected widespread EV adoption as society transitions to a low-carbon economy should drive demand growth for lithium over the next decade. Suppliers such as SQM stand to benefit from this supply-demand dynamic, especially in the short term, which supports strong pricing. Other chemicals are also seeing increased demand: nitrate use is growing due to a variety of sources, including concentrated solar applications and organic farming, while iodine is benefiting from medical applications and LCD and LED technology.

In addition to its products' positive environmental applications, SQM is also an industry leader in utilizing solar energy in its operations as 93% of the energy used by the company comes from renewable sources, primarily solar. As demand for SQM's products expands, we see opportunities for margins to increase, especially as SQM's access to Chile's Atacama Desert provides it with large reserves at low marginal costs. Valuation appears reasonable for 2-3 years of double digit earnings growth.

Company Profile

Founded in 1968, SQM is a specialty chemicals producer based in Santiago, Chile. With its large brine and caliche ore deposits in the Atacama Desert, one of the driest places on Earth, SQM is the world's largest producer of potassium nitrate, iodine, and lithium. The company's lithium mining primarily involves passively drying brine in large solar evaporation ponds. SQM has adopted an environmental management framework in line with that of the International Organization for Standardization (ISO) and has published detailed, GRI-aligned sustainability reports since 2009.

ESG Engagement Opportunities

The company has policies and programs in place to manage energy, water, wastewater, and biodiversity impacts resulting from its operations. Though the company has made efforts to protect the environment and reduce its impact on local communities, we see potential for SQM to strengthen its efforts concerning the protection of indigenous peoples' rights. The company has notably worked with the Aymara community to preserve local culture, but we would like to see more involvement due to its exposure to potential human rights risks given its location and the nature of its operations.

Emerging Markets Strategy Update

Third Quarter, 2017

primary fiscal deficit target for both 2017 and 2018. But, the Brazilian government has announced a series of privatization plans in the utility and transportation sectors that should be seen as a positive step to improve growth and economic efficiency. We have selectively increased our exposure in Brazil, focusing on companies that should benefit from a recovery in consumer spending.

Europe, the Middle East and Africa (“EMEA”)

The Russian economic recovery is gaining momentum as the country exits the deep recession it has experienced since 2014. The shocks of low oil prices and economic sanctions led to a collapse of economic growth and high inflation. This forced the Russian government to give the central bank the mandate to raise interest rates to fight inflation. Inflation now has fallen to a historically low level of 3%, providing support to real disposable income. Consumption has stabilized and retail sales have grown for five consecutive months. Internet penetration in Russia has increased

significantly over the past decade and nowadays count 108 million users, making it one of the largest markets in Europe. We believe the Russian internet market still has room to grow compared with other advanced economies. While we remain cautious about the long-term growth prospects for Russia, we have selective exposures to companies that can benefit from this attractive growth outlook from a bottom-up perspective while valuations have reflected many of the macro risks.

Elsewhere in the region, Turkey’s economy has experienced a sharp pick-up from last year’s post-coup slump thanks to fiscal stimulus and a narrowing of the current account deficit, helped by falling commodity prices. We see little progress on Turkey’s structural imbalances and expect growth momentum to slow in the coming quarters as some of these tailwinds fade. In our view, the main risk for Turkey is that the past resilience of its external financing could be tested if relationships with Western partners worsen any further.

Shareholder Engagement Highlights

	<p>Impact Report – Our first Engagement Report “Achieving Impact in Public Equities”, was released, highlighting our engagement results on Environmental, Social and Governance (ESG) issues. We engaged over 190 companies around the world in 2016, resulting in 44 companies making significant changes or commitments on products, processes and practices.</p>
<p>Milestones</p>	<p>Banks & Climate Change: We launched the third phase of our Banks & Climate Change engagement in collaboration with ShareAction, a UK pension advocacy group, calling on banks to align with the Taskforce on Climate-related Financial Disclosures. Our letters to 60 banks were signed by over 100 investors with \$1.8 trillion in AUM. We met with Bank Rakyat, Barclays, Fifth Third Bank, PNC Financial and Standard Chartered. During July, we held our third in-person senior executive meeting with PNC.</p>
<p>Work in Progress</p>	<p>International Flavors & Fragrances: We met with IFF whose Vision 2020 business strategy uses circular economy concepts to advance their long-term success. We encouraged IFF to explicitly cite cost savings from its Eco-Efficiency initiatives in quarterly earnings presentations and examined how IFF is addressing water risk in its agricultural supply chain and could utilize the CFP (Carbon Footprint Project) framework.</p> <p>Access to Nutrition Index: As Co-Chair of the Access to Nutrition Foundation (ANTF) Investor Group, we wrote to 19 companies - including Grupo Bimbo, Mondelez, PepsiCo, and Unilever - to support active engagement and data collection ahead of the 2018 Indices. We also participated in a discussion with US companies on the first US Spotlight Index focused on corporate, marketing, and sales practices.</p> <p>PepsiCo: In September, Boston Common helped to lead a multi-issue engagement with PepsiCo, which included senior level representatives across a number of areas. Issues advanced included sustainability governance, nutrition, human rights, responsible sourcing and water stewardship. PepsiCo shared that it recently adopted a science-based target to reduce its absolute greenhouse gas emissions by 20% by 2030. Boston Common has engaged PepsiCo on E&S risks in its agricultural supply chain since 2013.</p>
<p>New Initiatives</p>	<p>Tax Transparency: Boston Common joined the PRI advisory committee focused on tax transparency. This initiative will focus on engaging IT and Healthcare companies to encourage best practices in corporate income tax disclosure and mitigating tax risks.</p> <p>Gender Diversity on Boards: Boston Common’s Lisa Hayles joined the board of the 30% Coalition this month, a national collaboration of investors, companies and researchers focused on raising the participation of women on the boards of publicly listed companies. Since the launch of the coalition, more than 150 companies have added women to their boards of directors.</p>

Past performance does not guarantee future results. All investments involve risk, including the risk of losing principal. The information in this document should not be considered a recommendation to buy or sell any security. There is no assurance that any securities we discuss will remain in a strategy at the time you receive this document. The securities discussed do not represent a strategy’s entire portfolio and may represent only a small portion of a strategy’s holdings. It should not be assumed that any securities transactions we discuss were or will prove to be profitable. A different company is selected each quarter to be featured in our Company Spotlight. The company is chosen based on any potential updates to our investment thesis and/or ESG case. Composite returns are presented in U.S. dollars, net of transaction costs, management fees and withholding taxes, with interest and dividends accrued. Returns for periods greater than one year are annualized. This product invests in foreign securities, which are subject to special currency, political and economic risks. The MSCI (Net) EAFE Index is a free-float adjusted market capitalization index that is designed to measure developed market equity performance in developed markets as determined by MSCI, excluding the U.S. and Canada. The Index’s performance results are presented net of estimated foreign withholding taxes on dividends, interest and capital gains. The MSCI (Net) Europe Index captures large and mid-cap representation across the developed market countries in Europe, excluding the United Kingdom. The MSCI (Net) Japan Index captures large and midcap segments of the Japanese market. The MSCI (Net) Emerging Markets Index captures large and mid-cap representation across the emerging market countries, as defined by Morgan Stanley. These indices are unmanaged and do not incur management fees, transaction costs, or other expenses associated with separately managed accounts. The composition of our composite is different from the composition of these indices because of differences in sector and industry exposure, risk, volatility and holdings. Boston Common claims compliance with Global Investment Performance Standards (GIPS®). For a full listing of Boston Common’s composites and to request a GIPS® Compliant presentation, please call the Compliance department at 617-720-5557.