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U.S. Large-Cap Value Strategy Update

Third Quarter, 2017

US MARKET & PORTFOLIO REVIEW

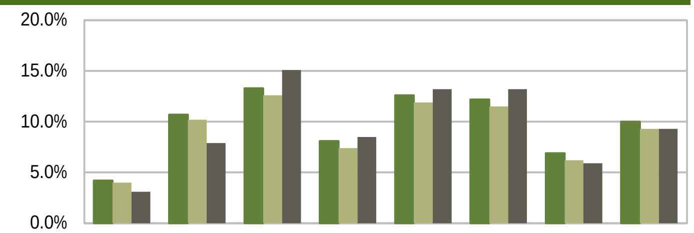
The Russell 1000 Value Index (the "Index") returned +3.1% for the third quarter, ending near new all-time highs. Consumer confidence and US economic data remained strong despite domestic challenges and escalating geopolitical rhetoric. Historic weather events brought parts of the country to a standstill and will likely weigh on third quarter GDP numbers. As of now, analysts expect the economic disruption to be manageable. The Federal Reserve did not initiate any interest rate increases this quarter, though market participants now expect the next hike to be in December. The ten-year Treasury yield ended the quarter relatively flat at 2.3%, the same level as the beginning of the quarter.

Commodity-oriented sectors were strong this quarter with Materials (+6.0%) companies posting strong earnings results. Energy (+6.9%) rallied as oil prices topped $50 a barrel, settling at the high end of its recent 2-year trading range. Information Technology (+5.2%) was buoyed this quarter with specific strength coming from the semiconductor industry where earnings and guidance topped expectations. Telecom (+5.1%) stocks rebounded after declining earlier this year. The Financials (+4.9%) sector was strong in anticipation of a steepening yield curve, which has typically helped bank profits. As investors looked to growth, they shied away from the more defensive, higher-yielding Utilities (+2.8%), Healthcare (+0.8%), and Real Estate (-0.1%) sectors. The Industrials (+0.8%) sector paused after a sustained rally earlier in the year. The Consumer Discretionary (+1.7%) and Staples (-0.5%) sectors lagged as underlying consumption patterns continue to evolve with some winners but many losers.

Boston Common's Tax-Exempt Value Equity account composite comfortably outperformed the Russell 1000 Value Index this quarter. As is often the case, stock selection contributed most of our added value this quarter. Large biotech/pharmaceutical companies Biogen and Novo Nordisk rallied along with Bristol-Myers Squibb which reported positive clinical trial results. Strength in the capital markets, beneficiaries of rising asset values and capital flows, fueled T. Rowe Price, Morgan Stanley, and PNC Bank (minority shareowner of Blackrock) to new highs. The portfolio's best performing stock, on a relative basis, was Albemarle Corporation, a beneficiary of the accelerating global enthusiasm for producers of lithium, a crucial component of the batteries used by electric vehicles. After a period of weakness, energy holding Cimarex and telecom providers Verizon Communications and AT&T rebounded and were among the portfolio's best performers.

This quarter the portfolio's long-term underweight to the Energy sector depressed relative performance as many of these equities bounced off recent lows alongside the crude oil price rally. Apache Corporation did not participate in the energy sector's rally as its overseas growth has stalled, reducing its near-term prospects, which we expect to improve as capital spending accelerates. Relative performance was weak in the Industrials sector as competitive pressures in the airline industry hurt Southwest Airlines and Alaska Air. Disruption in how individuals buy entertainment has clouded the near-term outlook for media giant Disney while earnings misses for both Oracle and Wabtec hurt their respective performance. As investors rotated towards riskier assets, stalwart defensive names like Johnson & Johnson and Mondelez lagged.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	4.2%	10.7%	13.3%	8.1%	12.6%	12.2%	6.9%	10.0%
Net	4.0%	10.2%	12.6%	7.4%	11.9%	11.5%	6.2%	9.3%
Russell 1000	3.1%	7.9%	15.1%	8.5%	13.2%	13.2%	5.9%	9.3%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
ALBEMARLE CORP	1.1%	29.1%	0.27%	Materials
CIMAREX ENERGY CO	1.3%	21.0%	0.23%	Energy
PRICE T ROWE GROUP INC	1.2%	23.0%	0.20%	Financials
XYLEM INC	1.6%	13.3%	0.15%	Industrials
VERIZON MUNICATIONS INC	1.9%	12.2%	0.15%	Telecommunications
MORGAN STANLEY	2.8%	8.7%	0.15%	Financials
PNC FINL SVCS GROUP INC	2.6%	8.6%	0.14%	Financials
BIOGEN INC	1.1%	14.2%	0.14%	Healthcare
BRISTOL MYERS SQUIBB CO	1.1%	15.2%	0.13%	Healthcare
NOVO NORDISK A/S	1.3%	13.1%	0.12%	Healthcare
			1.68%	

BOTTOM 10				
SOUTHWEST AIRLS CO	1.6%	-9.7%	-0.23%	Industrials
WABTEC CORP	0.9%	-17.1%	-0.22%	Industrials
ALASKA AIR GROUP	0.9%	-14.7%	-0.19%	Industrials
KROGER CO	1.0%	-13.5%	-0.17%	Consumer Staples
NORTHERN TR CORP	1.9%	-5.0%	-0.16%	Financials
DISNEY WALT CO	1.3%	-6.5%	-0.13%	Consumer Discretionary
ORACLE CORP	2.0%	-3.6%	-0.11%	Technology
MONDELEZ INTL INC	1.3%	-5.3%	-0.11%	Consumer Staples
JOHNSON & JOHNSON	2.0%	-1.1%	-0.08%	Healthcare
APACHE CORP	0.9%	-3.9%	-0.07%	Energy
			-1.47%	

*Since Inception: December 31, 2002

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PORTFOLIO ACTIVITY

Looking forward, we remain constructive about the global economy's continued growth and the earnings potential for US corporations. However, at current valuation levels, stocks are pricing in some good outcomes. In addition, the Federal Reserve has begun to adjust its strongly supportive stance. Such inflection points present opportunities for active managers to add value, as it pays to be selective. We continue to fine tune our diversified, high-quality portfolios seeking companies that combine financial opportunity, solutions innovation, and ESG strength as well as attractive valuation.

Following the trend of the previous quarter, we selectively added to current holdings where we believe company fundamentals are improving yet valuations have not adjusted. We added to Oracle when the stock fell following an earnings miss. We believe this should just be a short–term bump as the company successfully transitions its business to the internet cloud. We also added to positions in Biotech/ Pharmaceutical companies Biogen and Merck. On a sector basis, we increased exposure to the Financials sector by adding to insurers MetLife and AXA and to asset gatherer Legg Mason. We initiated a new holding, Citizens Financial Group, the 20th largest bank in the US. We believe that the share price of Citizens Financial does not adequately reflect the restructurings potential of its balance sheet and the embedded positive interest rate sensitivity. We are positive about the bank's governance structure as it has further bolstered its gender diversity and independence of its board of directors. However, we do see room for improvement of its carbon footprint disclosure as well as efforts to penetrate underserved communities in its regional footprint.

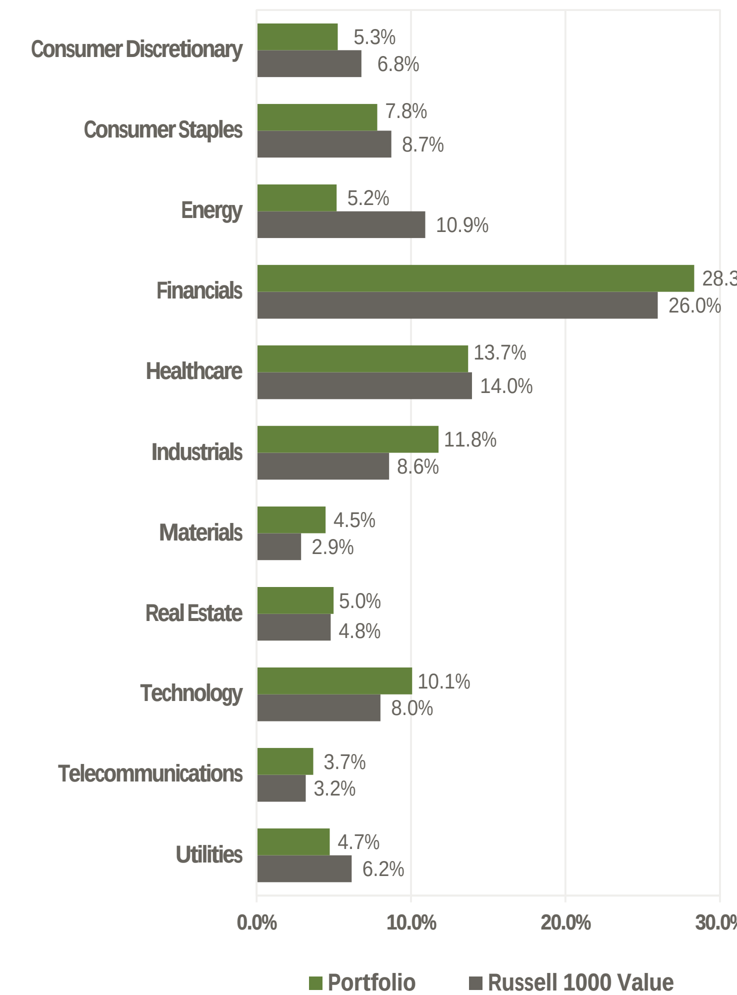
We sold our holding in Intel Corp, redirecting the funds to Analog Devices. Despite recent acquisitions, Intel remains tied to the slower growing portion of the semiconductor cycle associated with the personal computer. Analog Devices, whose specialty is high performance analog integrated circuits, sells to much more diversified end markets where semiconductor penetration is increasing such as in autos and industrial applications. We also took profits in some of our longstanding holdings. We trimmed Ecolab after substantial rise in its stock price and we closed out our holdings in Zimmer Biomet and Alphabet (Google).

Most stock markets around the globe, including the US, have experienced solid returns this year. While corrections are a healthy part of any bull market and could happen at any time, we remain fully invested in our diversified portfolios of high-quality equities. In balanced accounts, we continue to favor equities over bonds, maintaining a relatively short duration portfolio. In tax-exempt portfolios, we favor high quality corporates and taxable municipal bonds.

ECONOMIC & MARKET OUTLOOK

The US economy appears set to grow at a steady 2.5% pace for calendar year 2017. Consumer confidence remains robust, and encouragingly, business optimism has improved as well. A decade after the global financial crisis began in 2007, we are seeing synchronized growth across the globe. In the developed world, and most notably the US, this has been supported by unprecedented monetary stimulus and asset appreciation. Thus far, inflation has been modest, interest rates low, and corporate earnings strong. Unemployment in the US has declined as the economy continues to create new jobs; but wage increases have not kept pace. And although several new risks have emerged on the geopolitical, ecological (fires and

SECTOR ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	RUSSELL 1000 VALUE
# HOLDINGS	66	716
Valuation		
Next 12m Price to Earnings	17.5	16.0
Price to Book Value	2.5	2.0
Price to Sales	2.6	1.7
Dividend Yield	2.1%	2.4%
Growth		
5yr Sales Growth	2.4%	0.3%
5yr EPS Growth	7.3%	3.3%
Risk		
Wtd Avg Mkt Cap	103,298	118,240
LT Debt/Cap	37.6%	43.8%
Beta	1.06	1.00

floods), structural (cybersecurity), and societal (gun violence) fronts, these have not thus far interrupted the steady trajectory of global economic growth.

As we look ahead, investors have a few unusual questions to ponder in addition to the normal concerns regarding profitable growth and valuations. These questions pertain to potential changes in some of the supportive macro trends that have been in place. When and how will monetary policy in the US and elsewhere change? Who might lead the Federal Reserve Bank at this important inflection point? Will low unemployment finally lead to long-awaited wage growth and inflation? And, will there be changes to fiscal policy through tax reform or infrastructure spending?

The Fed has helped keep volatility and market jitters under control by being flexible, data-driven, and transparent about its reasoning. In the last two years, the Fed has moved methodically, yet slowly, to reduce the extreme measures put in place to address the deflationary pressures that developed during the past recession. First, the Fed has addressed the extremely low interest rate levels. With three interest rate hikes in the last twelve months, the Fed has indicated a high likelihood of another in December. Second, this October, the Fed will commence its recently outlined plan to contract its balance sheet. Over the past decade, the Fed's balance sheet expanded from less than $1 trillion to its current $4.5 trillion level. With an anticipated $50 billion contraction monthly, the gradual and predictable reduction could take more than five years to return to pre-recession levels.

Even as the US makes adjustments to monetary policy based on its improved economic conditions, European and Japanese monetary authorities are expected to continue their stimulative stance. There may be a change in Fed leadership here, when current Fed Chair Janet Yellen's four-year term ends next February. A pivot to a different approach towards monetary policy or banking discipline would change market conditions globally, given the large role the Fed has played in supporting economic recovery, low interest rates, and low volatility in the markets.

The current unemployment rate of 4.3% remains close to all-time lows and job growth remains robust. There have been concerns that labor participation has been trending down. Even so, the current 63.1% participation rate, while down from the all-time high of 67.3% in 2000, is in line with the average over the last 70 years. The short-term unemployment rate (those without a job for less than six months) is at its lowest point in almost 50 years; jobless claims are at a 44-year low, while unfilled job openings are at the highest point in over 20 years. Despite these strong signals, the historical link between unemployment and wage growth has seemingly broken down.

In previous memos, we have written about the potential sources of this disconnect, ranging from the increased role of technology, global sourcing, diminished collective bargaining, a skills gap, and falling productivity. Another interesting aspect of the wage picture is the composition of recent hires. Not only are expensive retirees being replaced with young workers, but men represent only 34% of hires over the last year, compared with a more typical 55% male/45% female split. Whether intentional or not, this may depress wages as women in the workforce, on average, earn 20% less than men.

Analysts and academics continue to debate whether the economy has now reached a new equilibrium between inflation and unemployment.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
ALPHABET INC CAP STK CL A	Technology	0.7%
BAKER HUGHES INC COM	Energy	1.4%
INTEL CORP COM	Technology	1.3%
ZIMMER BIOMET HLDGS INC COM	Healthcare	1.0%
TOTAL CLOSED		**4.4%**

NEW	SECTOR	% OF PORT.
ANALOG DEVICES INC COM	Technology	1.1%
BAKER HUGHES A GE CO CL A	Energy	0.9%
CITIZENS FINL GROUP INC COM	Financials	1.0%
TOTAL NEW		**3.0%**

COMPANY SPOTLIGHT: AVANGRID

ESG Integrated Investment Thesis

Avangrid is a leading sustainable energy company, facilitating the transition to a low-carbon economy. As the third largest operator of wind farms in the US, Avangrid is well positioned to meet the increased demands for renewable energy, as the cost of wind power has become increasingly competitive with other energy sources. Utility companies and large corporations source renewable power from Avangrid through long-term power purchase contracts. The company has a robust pipeline for future wind power projects. In its regulated business, Avangrid is working to make its operations cleaner through the implementation of technology solutions such as smart metering. As an example, the build-out of advanced metering infrastructure technology helps to eliminate the need for technicians to drive during meter readings. Avangrid will install about 2 million natural gas and electric 'smart meters' across service areas by 2023. The company has planned investments to replace aging gas & electric infrastructure.

Backed by a solid balance sheet and strong cash flow, we expect the company to grow earnings per share 8-10% per annum through 2020. Valuation is attractive in relation to peers and its growth rate, while a 3.7% dividend yield is above average for the sector. Risks include potential changes in regulation and/or tax incentives, price of oil, operational execution.

Company Profile

Avangrid is an electric and gas utility, operating in 27 states, with a growing presence in wind power generation. The Networks division, its more traditional, regulated utility business, provides electricity and gas to more than 3 million customers and represents 70% of earnings. As a leading US wind farm developer and operator, 30% of earnings come from its Renewables business. A large proportion of Avangrid's labor force is unionized, with nearly half of its employees subject to collective bargaining agreements. The company has adopted a Supplier Diversity Program prioritizing minority-owned suppliers. Headquartered in New Gloucester, Maine, Avangrid is the product of the 2015 merger between the US business of Spanish conglomerate Iberdrola and UIL Holdings.

ESG Engagement Opportunities

With 6.5 GW in installed capacity, Avangrid is focused almost entirely on renewable energy generation, with wind representing 90% of this capacity. Consequently, environmental concerns such as carbon and toxic emissions are quite low compared to other energy companies. We have called attention to potential negative biodiversity and community impact from wind turbines in our engagement with manufacturers and developers. For example, wind turbines are often associated with complaints of infrasound disturbances affecting the local area.

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Inflation remains a conundrum for the Federal Reserve. Signs of inflationary pressures periodically appear, but overall, inflation readings continue to trend below the Fed's 2% target. However, the Fed believes inflationary pressures are building as the recovery matures, yet are currently masked by shorter-term, transitory items like the decline in oil prices and telecommunication costs.

Low inflationary expectations and low global interest rates have held US bond yields low, causing the yield curve to flatten even as the Fed raises short-term interest rates. There are reasons that bond yields could rise from here. As the Fed tapers its bond buying, one potential source of demand for bonds would be removed. There is also the potential for a significant tax cut, which would lead to a larger deficit and higher borrowing needs in the near term. Bond yields could rise from here, though slowly.

Looking ahead, corporate profits appear poised to exceed expectations, as companies benefit from global growth, a lower Dollar, and only modest increases in costs. Globalization, automation, and the digital age are examples of longer-term trends that have cut costs and improved corporate efficiency. Over the near term, capacity utilization rates are still below historical standards (JP Morgan estimates 76.1% versus 80% in prior cycles) and wage growth is below expectations. With strong revenue growth, earnings growth can be sustained as margins improve. Share buybacks continue to contribute to higher earnings per share and any tax cuts that materialize in 2018 could be a further boost to profits.

US equity markets have continued to move higher supported by ongoing, steady profit growth, low interest rates and low volatility. We remain positive about near-term prospects for equity markets, while being careful in stock selection and portfolio construction.

Shareholder Engagement Highlights

Milestones	**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.
	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.
Work in Progress	**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.
	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.
	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.
New Initiatives	**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.
	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.