BOSTON COMMON
ASSET MANAGEMENT

BOSTON
200 State Street, 7th Floor
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

Global Catholic Positive Equity Strategy Update

Fourth Quarter, 2017

GLOBAL MARKET REVIEW

The MSCI ACWI Index (the "Index") rose +5.7% in the fourth quarter. In local currency terms, the Index rose +5.3% as the weaker US Dollar added +0.4% to US investor returns. Improving economic conditions in Europe helped the Euro (+1.6%) strengthen relative to the US Dollar. The UK Pound (+0.8%) also appreciated thanks to progress on Brexit negotiations. The Yen (-0.1%) was flat as Japan's central bank left its monetary policy unchanged. ACWI Asia Pacific (+8.2%) outperformed the European (+2.3%) region. The MSCI US Index rose +6.4%, while the MSCI ACWI ex-US Index rose +5.0%. For the full year, the Index returned +24.0% including Dollar depreciation (+4.2%).

In the US, investors were relieved that several global political threats and the most worrisome policy initiatives of the new administration did not materialize. Trade wars did not erupt and a reversal in US monetary policy did not create market turmoil. Instead, confidence in synchronized global growth helped bolster economic expansion in the US. The Federal Reserve successfully began normalization of monetary policy by raising short-term rates three times and initiating steps to reduce its balance sheet. The 10-year Treasury yield ended the year at 2.4%, relatively unchanged from a year ago.

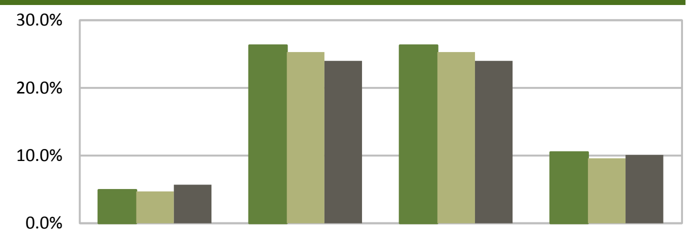
Eurozone GDP grew an estimated 2.3% in 2017, well ahead of the 1.5% forecast at the start of the year and its fastest pace since 2007. Eurozone unemployment fell to its lowest level since January 2009 and consumer confidence rose to its highest reading in nearly 17 years. The European Central Bank announced in October that it will reduce its bond-buying program. Brexit uncertainty may have started to weigh on the UK economy, however, as growth forecasts have declined modestly. Japan's economy grew for a seventh consecutive quarter, the longest period of uninterrupted expansion since 2001.

Higher global demand expectations helped economically sensitive sectors outperform, led by Information Technology (+8.1%). With rising metals prices, Materials (+7.9%) fared well. Consumer Discretionary (+7.7%) followed closely. Defensive sectors lagged the Index: Healthcare (+1.3%) and Utilities (-0.3%).

Amongst the developed countries, Singapore (+10.1%) was the best performing country thanks to its ties to improving global trade flows. Japan (+8.5%) rallied on solid economic fundamentals and Prime Minister Abe's election victory, which should support continued expansionary policy. Australia (+6.8%) and Hong Kong (+6.6%) also outperformed. Declining house prices weighed on Sweden (-3.8%), which was the worst performing country in the Index. Finland (-2.6%) was dragged down by Nokia's disappointing earnings results. Italy (-2.3%) and Portugal (-2.0%) were also weak.

The MSCI Emerging Markets Index rose +7.4%, including a +1.7% foreign exchange gain, as the US Dollar weakened against Emerging Market currencies in aggregate. South Africa (+21.4%) was the best performing emerging market this quarter, as investors were encouraged by the results of the African National Congress party's elections. NAFTA renegotiation uncertainties weighed on investor sentiment in Mexico (-8.1%).

PERFORMANCE



	QTD	YTD	1Yr	Since Inception*
Gross	4.9%	26.3%	26.3%	10.5%
Net	4.7%	25.3%	25.3%	9.6%
MSCI ACWI	5.7%	24.0%	24.0%	10.1%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
NASPERS	2.3%	28.9%	0.45%	Consumer Discretionary
MICROSOFT CORP	2.5%	15.4%	0.21%	Technology
LOWES COS INC	1.8%	16.9%	0.20%	Consumer Discretionary
JPMORGAN CHASE & CO	2.5%	12.6%	0.16%	Financials
ORIGIN ENERGY	0.9%	25.5%	0.16%	Energy
APPLE INC	3.9%	10.2%	0.15%	Technology
SHISEIDO CO LTD	1.1%	21.2%	0.15%	Consumer Staples
ESTEE LAUDER COMPANIES	1.2%	18.3%	0.14%	Consumer Staples
BANK RAKYAT	1.1%	18.3%	0.13%	Financials
NAVER CORP	0.7%	25.1%	0.12%	Technology
			1.87%	

BOTTOM 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
REGENERON PHARMACEUTICALS	1.2%	-15.9%	-0.28%	Healthcare
CHECK POINT SOFTWARE TECH L	1.6%	-9.1%	-0.24%	Technology
HOYA CORP	1.7%	-7.5%	-0.23%	Healthcare
CTRIP COM INTL LTD	0.9%	-16.3%	-0.22%	Consumer Discretionary
GRUPO FINANCIERO BANORTE	0.7%	-20.3%	-0.21%	Financials
RAKUTEN INC	0.7%	-16.1%	-0.17%	Consumer Discretionary
UNILEVER N V	1.7%	-4.0%	-0.17%	Consumer Staples
GILEAD SCIENCES INC	0.9%	-11.0%	-0.16%	Healthcare
NIELSEN HLDGS	0.8%	-11.4%	-0.15%	Industrials
PRICELINE GROUP, INC	1.3%	-5.1%	-0.15%	Consumer Discretionary
			-1.98%	

PORTFOLIO REVIEW

The Global Catholic Fund returned +4.9% before fees, underperforming the Index. During the quarter, the Industrials and Energy sectors were the largest positive contributors to relative results. With strong fundamentals and solid results, US Industrials had a great quarter: 3M (+12.7%), industrial roofing supplier Carlisle (+13.7%), auto repair tools maker Snap-On (+17.6%), and passenger airline Southwest (+17.2%). Australian LNG producer Origin Energy performed strongly (+25.5%) with the oil price rebound. Asia Pacific ex-Japan was the strongest regional contributor to returns. South African media company Naspers (+28.9%) was the top individual contributor this quarter, driven by its 33% stake in Chinese internet leader Tencent. Other key contributors included personal care companies Shiseido (+21.2%) and Estee Lauder (+18.4%) as well as US mega-cap stocks Apple (+10.2%), Microsoft (+15.4%), and JPMorgan (+12.6%).

Stock selection in the Technology, Healthcare, and Consumer Discretionary sectors was the primary detractor from relative results. Israeli security software developer Check Point (-9.1%) declined on a disappointing earnings report. Poor fundamentals weighed on US biotech firms Regeneron (-15.9%) and Gilead Sciences (-11.0%). Within Consumer Discretionary, Chinese online travel agency

*Since Inception: June 30, 2015

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Ctrip (-16.3%) fell on short-term product reconfiguration, while Japanese ecommerce company Rakuten (-16.1%) announced a disappointing strategic shift into telecom service. Regionally, Japan was the largest detractor from relative performance, followed by Europe ex-UK. The worst performer was Mexican bank Grupo Banorte (-20.3%) due to political concerns. Other notable detractors were relatively defensive holdings Nielsen Media (-11.4%) and Unilever (-4.0%).

PORTFOLIO ACTIVITY

This quarter we purchased Orsted, a Danish wind farm developer. The company was formerly known as DONG Energy but sold its oil and natural gas assets to focus on wind power. Orsted mostly builds offshore wind farms, where technological improvements and lower-cost turbines have improved project returns and made subsidy-free developments competitive with conventional power plants in some locations. Orsted's valuation looks particularly attractive, trading at 8x EBITDA with a 1.8% dividend yield. We also acquired Keyence, a world leading Japanese automation and sensor equipment manufacturer. Keyence has an extremely strong franchise with mostly a direct technical salesforce. Relative valuation is attractive for the company's secular growth prospects as well as compared with peers.

We sold Japanese ecommerce firm Rakuten after it announced an unexpected strategic shift into building a challenger mobile phone network, a very capital intensive move. We also sold British telecom company BT Group, as it faces operational challenges from a domestic slowdown, regulatory scrutiny, and an accounting fraud in Italy.

ECONOMIC & MARKET OUTLOOK

Global growth prospects look bright. The Eurozone's robust industrial expansion and improving labor market support double-digit corporate profit growth potential. The European political backdrop should also foster healthy business, consumer, and investor sentiment. Recovering trade flows should boost Japan's exporters, while pro-growth monetary and fiscal policies could revive domestic demand. Improving governance efforts also add to the Japanese market's appeal. Emerging Markets and Asia Pacific are levered to the cyclical upswing and have strong underlying demand dynamics. At the same time, many US, European, and Japanese corporations have significant exposure to faster-growing Emerging Markets.

Faster economic growth and higher capacity utilization typically boost consumer prices, but structural factors (technology, demographics, and global supply chains) should prevent overheating. Given our expectations for low inflation, monetary policy should only gradually tighten. In our view, key risks to the market include escalating military conflict in the Middle East or Asia, renewed political instability in Europe, and disruptive monetary policy or unexpected interest rate shifts. While we are mindful of negative surprises, valuations look reasonable considering our favorable fundamental outlook.

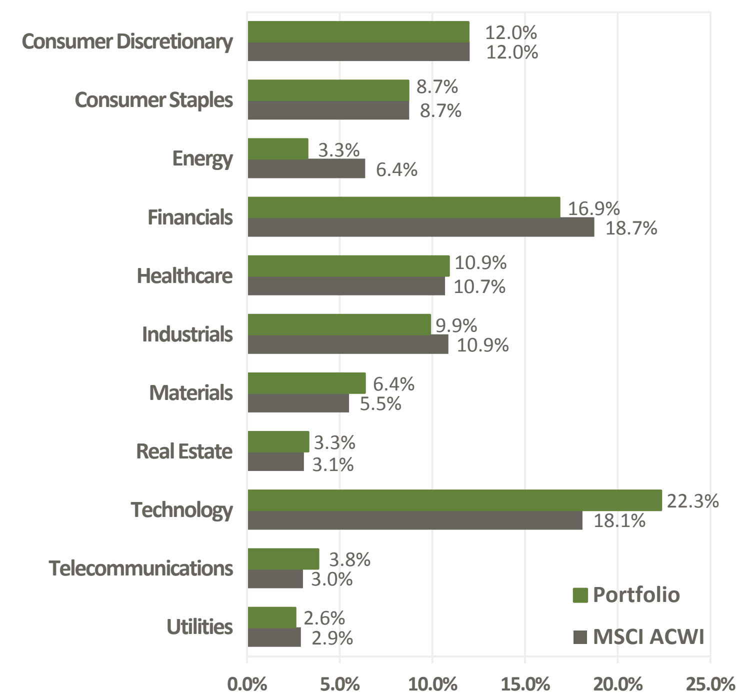
US & Canada

The 2017 tax bill permanently lowers the federal tax rate for corporations from 35% to 21% while temporarily reducing the current 39.6% top individual income tax rate to 37% and revising other individual rates and brackets. The bill also significantly modifies international tax rules. For many corporations, this is a boost to earnings welcomed by investors. Early reports indicate that several corporations have plans to use a portion of the tax savings for modest one-time bonus payments to employees, while a few have announced hourly wage increases, charitable contributions, and capital expenditure plans. We also expect the trend of significant share buybacks to continue.

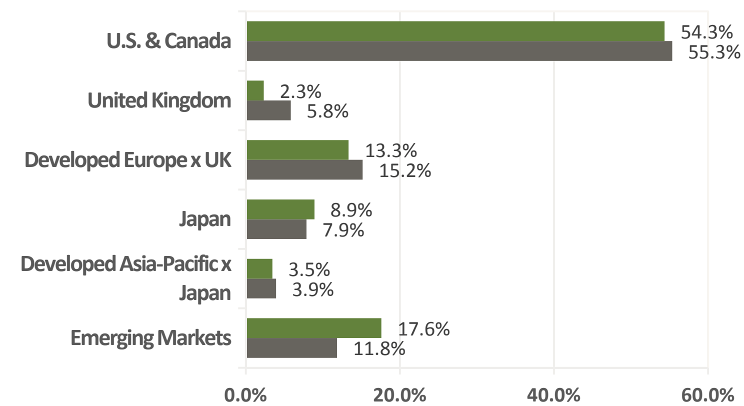
As the economic expansion matures, lagging inflation and wage growth could improve. On balance, we expect a firming of inflation levels but do not expect extreme shifts at this point. Higher inflation will confirm the steps currently underway by the Federal Reserve to raise interest rates. Through her clear and concise communication, Janet Yellen, whose tenure as Chair will come to an end this February, has helped global markets digest higher US interest rates without much concern.

We remain underweight US & Canada, primarily driven by lack of any Canadian stocks in the portfolio, as Canada is a relatively commodities-sensitive economy.

SECTOR ALLOCATION



REGIONAL ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	MSCI ACWI
# HOLDINGS	84	2,499
Valuation		
Next 12m Price to Earnings	18.7	16.2
Price to Book Value	3.4	2.3
Price to Sales	2.8	1.7
Dividend Yield	1.6%	2.3%
Growth		
5yr Sales Growth	4.9%	1.4%
5yr EPS Growth	10.2%	4.9%
Risk		
Wtd Avg Mkt Cap	138,927	131,282
LT Debt/Cap	32.3%	39.0%
Beta	1.04	1.00

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Europe

Economic data indicates the Eurozone is enjoying an impressive revival. Manufacturing activity is at its highest level since the Purchasing Managers' Index survey began 20 years ago. Aggregate earnings estimates have increased over the course of 2017 as the economy gained pace. For 2018, the Eurozone is projected to grow nominal GDP nearly 4%, and corporate earnings should expand at more than twice that rate. The European Central Bank's guidance projects its first interest rate increase in 2019 as it patiently waits for inflation to rise towards its 2% target rate. Over the past year, the Euro has appreciated 13% to almost a three-year high relative to the Dollar, as investors' confidence in the region outweighed the relative attractiveness of US yields.

Emmanuel Macron's electoral victory and legislative progress brought stability to the political landscape in Europe, yet the 2018 electoral cycle portends further tests. First, Germany has yet to form a coalition government since its September election. The two main centrist parties are negotiating an uneasy coalition that should allow Angela Merkel to remain the region's longest standing and most powerful leader. Next, Spain faces a fragile situation after elections in its most prosperous state, Catalonia, gave separatist parties majority control. Finally, the populist 5-Star Movement is leading in polls ahead of Italian elections this March. While each situation warrants vigilance, we do not expect any single outcome to bring existential threats like the sovereign debt crisis or last year's French election, which could have ushered in a President determined to pull the country out of the European Union (EU).

The UK's vote to exit the EU may have provided a cautionary tale for continental European nations considering a similar path. Over the past two years, UK inflation has more than tripled to 3.1%, driven by the weakening British Pound's boost to import prices and rising commodity prices. As a result, the Bank of England raised interest rates in November for the first time in a decade. In our view, Brexit-related headwinds will likely continue to weigh on the domestic market and we remain underweight the UK. We are slightly overweight the rest of Europe, especially in the Technology, Consumer Staples, and Utilities sectors, where we find ESG leaders poised to benefit from increasing demand for resource efficiency and sustainable practices.

Japan

Japan's economic prospects have been improving thanks to favorable external and domestic trends. Large manufacturers' confidence is at an 11-year high, while the country's 2.7% unemployment rate is the lowest in 24 years. Japan's broad policy efforts suggest optimism could persist. The Bank of Japan has indicated monetary policy will stay exceptionally loose. Structural reforms include efforts to bolster female labor force participation and to bring corporate transparency and accountability closer to best global practices. In the fiscal realm, the government is working on a creative approach to stimulate higher salaries. After Prime Minister Shinzo Abe's verbal pleas for pay raises fell on deaf ears, Japan began implementing a policy whereby small companies that offer wage increases over 1.5% could receive a 20% reduction in their tax bills.

Despite the measurable success, Japan's wage growth and inflation remain near zero, as overarching structural challenges appear intractable. The country's shrinking population depresses economic potential, with nominal growth forecast this year to be less than 2%. Historically, policy stimulus has failed to sustainably change the economy's course. Since 1994 Japan has had budget deficits in each year, while short-term interest rates have been stuck under 2%. Structural challenges aside, aggressive, pro-growth policy initiatives, greater attention to minority shareholders, and more efficient capital allocation have us overweight the region.

Asia Pacific & Emerging Markets

The emerging Asian economy will likely be a key factor in shaping worldwide growth for the foreseeable future. In China, we expect the economy to achieve more balance in industrial and societal terms as it follows the road map set by the recent 19th Congress Party. Policy priorities include financial sector regulation, social and health insurance, and pollution abatement. China has shown renewed commitment to the Paris Climate Accord, investing heavily in environmental technology; the country has become the largest producer of

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
BT GROUP PLC	Telecommunications	0.6%
CVS HEALTH CORP COM	Consumer Staples	0.6%
FIRST REP BK SAN FRANCISCO CALIF NEW COM	Financials	1.0%
HENGAN INTL GROUP CO LTD	Consumer Staples	0.7%
JULIUS BAER GRUPPE	Financials	1.6%
MITSUBISHI UFJ FINANCIAL GROUP	Financials	0.8%
RAKUTEN INC	Consumer Discretionary	0.8%
TOTAL CLOSED		6.1%

NEW	SECTOR	% OF PORT.
BEIJING ENTERPRISES WATER GR	Utilities	0.6%
DEUTSCHE TELEKOM AG-REG	Telecommunications	0.7%
FIFTH THIRD BANCORP COM	Financials	0.5%
KEYENCE CORP	Technology	1.2%
ORSTED	Utilities	1.1%
WEYERHAEUSER CO COM	Real Estate	0.7%
TOTAL NEW		4.9%

COMPANY SPOTLIGHT: COLGATE-PALMOLIVE

ESG Integrated Investment Thesis

Colgate's dominant market share, strong innovation, and longstanding presence in many markets, especially emerging economies, provide a competitive advantage. Colgate ranks in the industry's top quartile for offering healthier household and personal products, having eliminated the use of chemicals such as microbeads, phthalates, parabens, and formaldehyde donors in its products. Colgate's partnerships with professionals (Dentists, Dermatologists, and Veterinarians) reinforce brand equity and help to minimize private label risk.

Colgate's focus on emerging market consumers allows for a stronger revenue growth profile than many of its peers. Colgate continues to re-imagine its products in response to the health and sanitation needs of consumers in developing markets. While growth has stalled for global consumer products companies, Colgate's focus on the highly loyal oral care category helps to build a sustainable advantage. Celebrating more than 25 years in outreach, Colgate's 'Bright Smiles, Bright Futures' oral health education program touched over 50 million children in 2016. Colgate recommitted to increasing advertising spending in 2017 after a period of lower spending, which we expect to rejuvenate top-line growth.

Colgate's carbon and energy reduction programs cover all core production facilities, and the company has an increasing number of suppliers involved in its carbon reduction program. These savings initiatives, along with streamlining other processes, continue to generate strong cash flow that supports both company growth initiatives and profit margin expansion. We believe current valuation appears reasonable when compared to its global peers.

Company Profile

Founded more than 200 years ago as a soap and candle business, Colgate is now a global consumer products company with a presence in over 200 countries and territories. While many may think of Colgate, still headquartered in NYC, as an "American" company, almost 80% of revenues come from outside the US, with almost 50% from emerging market economies. The company's four focus areas are Oral Care, Personal Care, Home Care, and Pet Nutrition, under the brand name Hill's. Colgate maintains strong market shares with global brands like Colgate, Palmolive, Ajax, and Speed Stick, in addition to popular regional brands. The company has reduced absolute greenhouse gas emissions from manufacturing by 25% in 2016 when compared to 2002. In recognition of its performance and reporting, Colgate made both the CDP Climate A List and CDP Water A List in 2016, a rating achieved by less than 4% of over 700 company responders.

solar panels and electric vehicles. President Xi's anti-corruption campaign is popular and can build institutional trust, but it has also been a tool to consolidate power, deepening the repression of non-governmental organizations and activists. We remain concerned about the lack of political and economic freedom, but we are encouraged by China's commitment to improve its citizens' lives.

Southeast Asian countries lagged behind China in 2017, but we see a more favorable investment outlook in 2018 thanks to encouraging structural reforms and more attractive valuations. In the latest World Economic Forum's Global Competitive Rankings (which captures determinants of long-term growth for 137 countries), Indonesia leaped five places to 36th overall, one of the biggest improvements on the list. The country's performance has strengthened across all pillars, such as financial market development, health, and infrastructure. Indonesia has also been cited as 'one of the top innovators among the emerging economies.' After subdued growth in 2017, the country's GDP growth is expected to accelerate to 5.3%, driven by pent-up investment demand and healthy household consumption. We are overweight Indonesia.

Our portfolios are overweight Emerging Markets, with a focus on the consumer, financial services, and technology sectors that should benefit from the region's burgeoning middle class.

Shareholder Engagement Highlights

Milestones

Climate Change: In October, **EOG Resources** committed to publish its **first sustainability report in 2018**, following three years of sustained dialogue led by Boston Common and supported by a large investor group (20 investors). In that time, we have engaged EOG on issues such as the governance of sustainability, hydraulic fracking operations, climate change, methane, human rights, water stewardship, and board diversity.

Work in Progress

Conflict Minerals: The fight to keep **Conflict Minerals Reporting** continues as 2017 ends with **a proposed US House Appropriations Amendment cutting funding for Section 1502 of the Dodd-Frank Act** relating to conflict minerals. Boston Common is a lead investor supporting a new statement that went to the Congressional leadership on December 22nd supported by **80 investors with over $2 trillion in assets, to urge them to reject this appropriations amendment.** We led previous investor statements supporting Section 1502 in 2017, along with the Responsible Sourcing Network and others; the statements were signed by 127 investors with over $4.8 trillion in assets.

Chemical Safety: In December, Boston Common co-convened an investor workshop with the **Chemical Footprint Project** and spoke on a panel at the BizNGO conference to raise the profile of this important **due diligence tool for investors and companies** and to address our precautionary approach to chemical safety. A new study released in the journal Environmental Health concludes that e**xposure to toxic chemicals, such as lead, mercury, and pesticides, may cost the world up to 10% of GDP**. Boston Common met with **CVS Health** about the implementation of its plan to **ban phthalates, parabens and prevalent formaldehyde donors in store brand beauty and personal care products,** to which they committed in 2017. We asked CVS to publicly report on benchmarks and a timeline for implementing its policy and raised the issue of **fragrance-ingredient labeling** following the efforts by peers Procter & Gamble, Target, Unilever and Walmart.

New Initiatives

Racial Diversity: We co-filed our first racial diversity shareholder resolution with **Alphabet** seeking to **link CEO compensation with the achievement of sustainability metrics including metrics on diversity** within the executive ranks. Though Alphabet, the parent company of Google, has publicly disclosed demographic data for its employees since 2014, progress has been slow. Google recognizes that the lack of inclusion of women and minorities in the tech space is a problem. Eileen Naughton, Vice-President, People Operations at Google has noted in a blog post, "Our employees, product and business depend on us getting this [more diverse and inclusive workforce] right."

Climate Change: Boston Common is a founding signatory to the Climate Action 100+, a new **five-year initiative led by investors to engage the world's largest corporate greenhouse gas (GHG) emitters** to curb emissions, strengthen climate-related financial disclosures, and improve governance on climate change. The initiative aligns with the global investor initiative we have led for the past 3 years to engage 60 global banks to adopt the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)** and to engage their own high-carbon sector clients on TCFD. We are engaging companies such as **Costco, Qualcomm, Kansas City Southern** and **Gilead Sciences** to establish science-based targets to reduce their own GHG emissions or adopt targets for energy efficiency and renewable energy. We have committed to further this work by engaging some of our highest carbon footprint portfolio companies including **Air Liquide, Origin Energy, Statoil** and **Veolia Environnement** in 2018.

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