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U.S. Large-Cap Core Strategy Update

Second Quarter, 2019

MARKET REVIEW

The S&P 500 Index (the "Index") returned +4.3% during the second quarter of 2019. Continuing its rise to new highs, the S&P 500 has gained +18.5% since the beginning of the year and has risen nearly 25% from the recent bottom on Christmas Eve. This makes it the best start to a year since 1997. After a reasonable corporate earnings season in April, concerns over a global economic slowdown accelerated during May, as rising trade tensions and geopolitical uncertainties undermined investor confidence. The market rebounded in June, however, with the Federal Reserve's recent pivot toward lower rates generally seen as the primary driver. With the Fed signaling a much more dovish stance, the 10-year Treasury yield closed at 2.0%, down from 2.4% just three months ago.

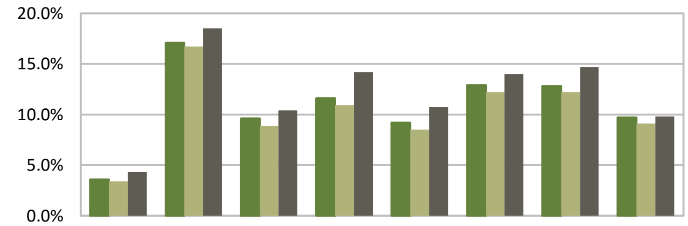
The Financials (+8.0%) sector was the strongest performer; the ongoing improvement of financial institution balance sheets has led to large capital returns. The economically sensitive Materials (+6.3%), Information Technology (+6.1%), and Consumer Discretionary (+5.3%) sectors continued to produce strong returns, as worries around trade disruption receded. Industrials (+3.6%), however, had more mixed results. The reconfigured Communication Services sector rose +4.5%, reflecting a mixture of higher-growth internet media and more traditional, higher-yielding telecommunications businesses. The oil markets remained weak, as oversupply concerns pressured crude prices and the Energy (-2.8%) sector. All other sectors were positive but lagged the benchmark.

PORTFOLIO REVIEW

Boston Common's Tax-Exempt US Large-Cap Core account composite produced positive absolute returns for the quarter, but slightly less than the S&P 500, gross of fees.

The Healthcare, Communication Services, and Consumer Discretionary sectors were the major detractors from relative performance due mainly to stock-specific issues. Several companies felt the impact of the rising trade and tariff tensions. Alphabet, the parent of Google, continues to face increased anti-trust scrutiny as well as potential market share disruption to its Android operating system due to the US embargo on Huawei. Apparel manufacturer PVH faces headwinds in China; trade tensions are hurting consumer sentiment towards American brands.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	3.6%	17.1%	9.6%	11.6%	9.2%	12.9%	12.8%	9.7%
Net	3.4%	16.7%	8.9%	10.9%	8.5%	12.2%	12.2%	9.1%
S&P 500	4.3%	18.5%	10.4%	14.2%	10.7%	14.0%	14.7%	9.8%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
MICROSOFT CORP	6.0%	14.0%	0.53%	Technology
DISNEY WALT CO	2.1%	25.6%	0.36%	Communication Services
VISA INC COM	3.6%	11.3%	0.24%	Technology
JPMORGAN CHASE & CO	2.9%	11.3%	0.18%	Financials
CME GROUP INC	1.4%	18.4%	0.17%	Financials
APTARGROUP INC	1.2%	17.3%	0.15%	Materials
MOHAWK INDS INC	1.3%	16.4%	0.14%	Consumer Discretionary
CARLISLE COS INC	1.3%	14.8%	0.12%	Industrials
CITIGROUP INC	1.3%	13.3%	0.11%	Financials
AON PLC	1.2%	13.3%	0.10%	Financials
			2.09%	

BOTTOM 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
ALPHABET INC	4.7%	-7.9%	-0.60%	Communication Services
PVH CORP	1.5%	-22.4%	-0.44%	Consumer Discretionary
REGENERON PHARMACEUTICALS	1.3%	-24.3%	-0.38%	Healthcare
3M CO	1.3%	-15.7%	-0.31%	Industrials
CIMAREX ENERGY CO	1.1%	-14.9%	-0.24%	Energy
VERIZON COMMUNICATIONS INC	2.8%	-2.4%	-0.19%	Communication Services
NOKIA CORP	1.1%	-12.5%	-0.17%	Technology
ALBEMARLE CORP	1.0%	-13.8%	-0.17%	Materials
WATERS CORP	0.8%	-14.5%	-0.17%	Healthcare
ADVANCE AUTO PARTS INC	1.1%	-9.6%	-0.17%	Consumer Discretionary
			-2.84%	

Worries around slowing activity out of the Asia Pacific region pressured the earnings outlook for broad-based industrial company 3M. For analytical instrument-maker Waters, changes within China's healthcare regulations have curtailed near-term visibility for this company's important end market. General unease about a slowing US economy hurt auto parts retailer Advanced Auto Parts, even as the company is successfully executing on its restructuring path. Disappointing near-term outlooks weighed on lithium producer Albemarle, oil & gas driller Cimarex, and telecom equipment manufacturer Nokia.

*Since Inception: December 31, 2002

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Telecom provider Verizon underperformed, as investors turned away from defensive stocks, while biotech Regeneron has seen near-term cost pressures even though its pipeline remains strong. Strong stock selection contributed to relative performance across the Consumer Staples, Financials, and Information Technology sectors. Microsoft, the #2 player in cloud computing, was the best-performing holding this quarter on a relative basis. Improving capital returns have helped refocus investors on banking conglomerates JPMorgan and Citigroup.

PORTFOLIO ACTIVITY

The market continues to favor a narrow group of growth and larger capitalization companies. We maintain a diversified portfolio across economic sectors and, outside of Technology and Energy, have not made any significant sector allocation calls as we look to balance both cyclical and defensive characteristics. Finally, our research effort seeks out companies that innovatively address a range of societal and ecological challenges, from inclusive growth and community well-being to eco-efficiency and the circular economy. Creating a portfolio of such companies, we believe, helps reduce overall earnings variability. Over time, we look for the higher-quality nature of our stock selection to weather adverse economic periods.

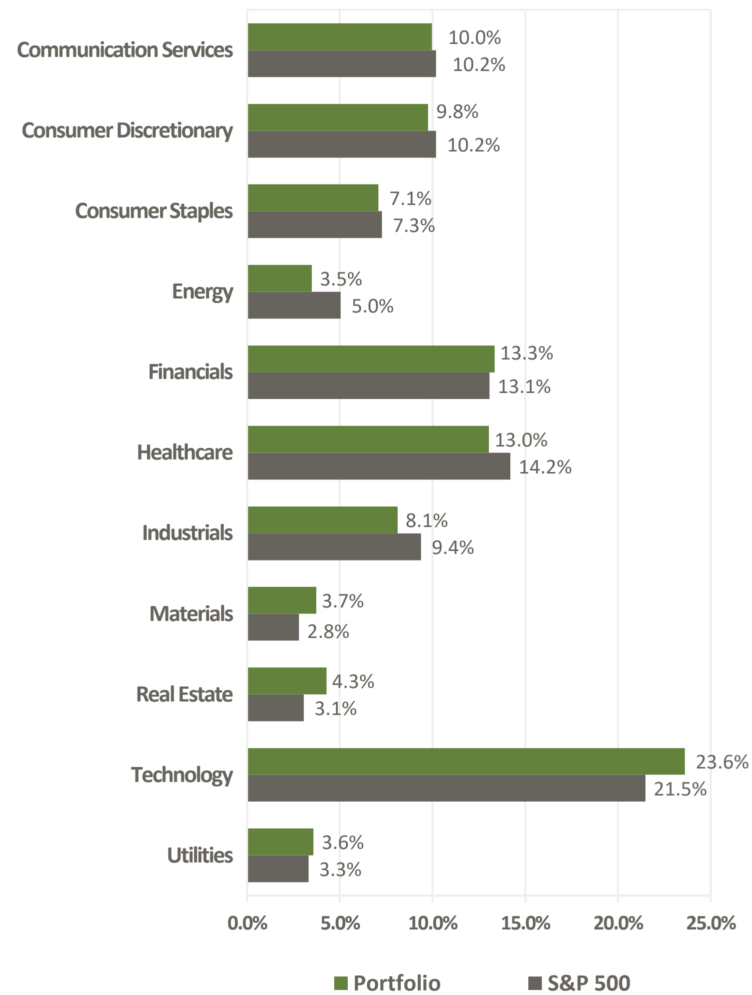
We increased our weight in Utilities with the purchase of Portland General Electric (POR). Serving almost half of Oregon's population and the majority of the state's commercial and industrial activity, POR continues to grow its wind and solar generation sources to meet the aggressive renewable energy standards set by the state. Currently, its renewable energy sources account for more than 30% of total production, and the company aims to procure at least 50% by 2040. Its balance sheet is strong and can support the capital expenditures necessary to assist in transitioning Oregon's energy complex away from coal by 2035. The larger of the company's two coal fired power plants is set to close in 2020. We find corporate governance practices to be strong as well.

The Financials sector continues to see improving balance sheets that now allow for increasing return of capital to shareholders. During the quarter, we added to our financial exposure on a net basis with the purchase of asset gatherer T. Rowe Price (TROW).

Investments to expand distribution have improved money flows into the firm and led to better organic growth. Consensus has not caught up with the improved industry and company fundamentals, and we see the company trading at attractive valuations.

We have maintained a multi-year bias towards equities, but remain mindful of valuations. In Balanced Accounts, we continue to slowly move up exposure to higher credit ratings and longer duration bonds, trimming our short-mid-term BBB exposure, and redeploying to mid-longer-duration, higher social/ESG impact bonds.

SECTOR ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	S&P 500
# HOLDINGS	62	500
Valuation		
Next 12m Price to Earnings	16.7	17.3
Price to Book Value	3.2	3.3
Price to Sales	2.7	2.4
Dividend Yield	1.7%	1.8%
Growth		
5yr Sales Growth	4.7%	5.2%
5yr EPS Growth	10.3%	8.9%
Risk		
Wtd Avg Mkt Cap	232,254	232,254
LT Debt/Cap	34.4%	40.5%
Beta	0.98	1.00

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ECONOMIC & MARKET OUTLOOK

The consumer has underpinned much of last decade's economic expansion; personal consumption represented almost 70% of US GDP in 2018. With headline unemployment remaining comfortably below 4%, continued consumer support appears likely. Wage growth is finally taking hold. Though still low by historical standards this late into an expansion, wages have increased more than 3% year-over-year in every month since last October. With consumer confidence remaining strong, even in the face of tariff threats and trade tweets, there is not much change to our baseline assumption that the US economy will not tip into a recession in the near term, though economic growth will moderate as the year progresses.

As the quarter ended, the G20 was meeting in Japan, and it appears that the recent tough trade and tariff talk has been walked back. The Administration's threatening terms, be it with Mexico or China or others, seems to meet with quiet resistance in Congress and with corporate executives.

It is still early, but concerns are rising that companies have started to change, curtail, or cancel capital expenditure decisions given the uncertainty around US trade policy. Global Purchasing Managers' Indices (PMIs) are leading indicators, and recent declines in the US are worrying while European readings are indicating economic contraction. At this point, it appears that much is threatened, but actual steps are moderate.

Over the course of the last six months, the Fed has pivoted away from a consistent pattern of rate hikes; Chairman Powell commented in June that the escalation in trade barriers and tariffs could undermine global and US economic expansion. A structural change may be taking place. Recent discourse indicates that the Fed is willing to tolerate inflation overshooting its long-standing 2% target. The implication: the Fed is moving in concert with other Central Banks to extend monetary stimulus that had been put in place following the Great Financial Crisis.

The economic expansion is ten years old, yet prosperity has not been broad based. Assets have appreciated while incomes have largely stagnated. Corporate profitability continues to move higher; in 2019, the S&P 500 is expected to see earnings per share expand by low-to-mid single digits. With the expectation for lower interest rates and modest earnings growth supplemented by ongoing share repurchases, valuations appear reasonable. We remain cognizant that the greatest risks to both the economy and the global markets are geopolitical miscalculations that damage positive consumer, business, and investor sentiment. The former two can materialize into a negative economic shock, and the latter can create a stampede to de-risk portfolios, increasing market volatility. To date, risks have coalesced quickly, markets have reacted sharply, and then relief and renewed risk-appetites have moved stocks higher.

NEW & CLOSED POSITIONS

NEW	SECTOR	% OF PORT.
PORTLAND GENERAL ELECTRIC CO	Utilities	0.8%
T ROWE PRICE GROUP INC COM	Financials	1.0%
TOTAL NEW		**1.8%**

COMPANY SPOTLIGHT: DANAHER

Company Profile

With nearly $20 billion in annual sales, Danaher is a leading Life Sciences and Diagnostics company headquartered in Washington DC. The diversified *Life Sciences* business supports scientific research and drug discovery with its analytical instruments and clinical technologies. The *Diagnostics* segment allows hospitals and laboratories to run biomedical analyses, ranging from infectious diseases to tissue biopsies. The *Environmental & Applied Solutions* business focuses on advanced water treatment and filtration systems. These help treat 33% of all US wastewater and provide clean water to developing nations facing risk of waterborne diseases. The company is expected to spin-off its underperforming *Dental* business in late 2019.

Investment Thesis

Danaher has reengineered itself as a leading Life Sciences company, having divested the bulk of its industrial businesses in 2016. DHR has also made significant investments to strengthen its cutting-edge medical technologies. The 2015 acquisition of Pall raised exposure to biologics drug discovery, a secular driver as pharmaceutical companies increasingly target biologic therapies. The expected integration of GE's life science business should only strengthen its positioning. Leadership in environmental solutions, such as water treatment and solar-enabling technologies, should benefit from the growing importance of sustainable resource management while adding diversity to the business. DHR's high-quality management team has a strong track record of solid organic growth, astute capital allocation, and successful acquisition integration. Given the strength of the franchise, the stock's valuation appears attractive, especially on a free cash flow basis.
Risks: acquisition dependence, product quality issues.

ESG Engagement Opportunities

With the addition of a board director-level position dedicated to energy and environmental sustainability and the introduction of environmental disclosure as catalysts, we see opportunity to elevate DHR's sustainability performance. We engaged Danaher previously to reduce the environmental impacts from its mercury amalgam fillings in the Dental business. After assessing 2019 results, DHR can be profiled for Eco-Efficiency initiatives such as the EP100 to improve energy management across its vast number of subsidiaries.

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Shareholder Engagement Highlights

Milestones	**Engagement Impact –** We published our 3rd annual Engagement Impact Report, Igniting Impact in Global Public Equities!
	Lobbying transparency - For the second year, our shareholder resolution at American Water Works on Lobbying disclosure received **strong investor support (39.6% in favor**).
Work in Progress	**Access to Nutrition (ATNI) –** We engaged **Grupo Bimbo, PepsiCo, and Unilever** on adopting the **2018 ATNI Global and US Index recommendations**, which include improving access to healthier products for low-income and communities of color. **Unilever** improved compliance with its Highest Nutritional Standards: 48% of the volume sold in tons was compliant in 2018, compared with only 9% in 2017.
	Banks and Climate Change – We issued a new survey to assess and benchmark 59 global banks progress against 2018 metrics. We focused on TCFD governance, client engagement, and adoption of a climate scenario analysis —with new questions on **Just Transition, deforestation, and human rights**. We engaged **Bank Rakyat** on lending to palm oil producers; palm oil represents over 5% of its lending portfolio. The company encourages clients to adopt **Roundtable on Sustainable Palm Oil (RSPO)** best practices, though many still adopt only the minimum legal requirement (ISPO).
	Eco-Efficiency - 3M and **BMW** made progress under our Eco-Efficiency initiative since 2016: **3M** committed to 100% renewable energy for all facilities globally by 2050. One core ask for 3M: join the EP100 as it works toward doubling energy productivity. **BMW** adopted factory-level targets for energy efficiency and benchmarked performance globally to share best practices. One core ask for BMW: adopt the US Department of Energy's 50001 Ready program for US factories.
New Initiatives	**Wholesale Dialogues with Retailers** - We engaged retailers **Costco, Kroger, and Target** on a range of issues: health and well-being/nutrition and marketing, food waste, and improving sustainability practices. **Kroger's** Zero Hunger, Zero Waste initiative seeks to eliminate waste in stores by 2025. Toward that goal, the company assessed its food waste footprint and engaged supplier vendors. We used **Target's** public nutrition profiling system as a model for Kroger to guide consumers.
	Protecting Shareholder Rights - Ahead of another attempt to limit the rights of shareholders' access to the US shareholder proposal process, we urged the SEC not to change the current process, which would make it harder for investors to engage with companies on ESG and sustainability issues
	Plastic Waste – We commended several portfolio companies for joining the **New Plastic Economy Global Commitment**, asking for progress updates--a positive approach that helps advance our dialogues. Companies included: **Apple, Colgate-Palmolive, Danone, PepsiCo, Henkel, Johnson & Johnson, Target, Unilever, Veolia, and Schneider Electric**. Joining the Plastics commitment will be a core ask for our Eco-Efficiency initiative.