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U.S. Large-Cap Value Strategy Update

Second Quarter, 2019

MARKET REVIEW

The Russell 1000 Value Index (the "Index") rose +3.8% during the second quarter of 2019. The Index has gained +16.2% since the beginning of the year and returned more than 23% from the recent bottom on Christmas Eve. This makes it the best start to a year since 1983. 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.

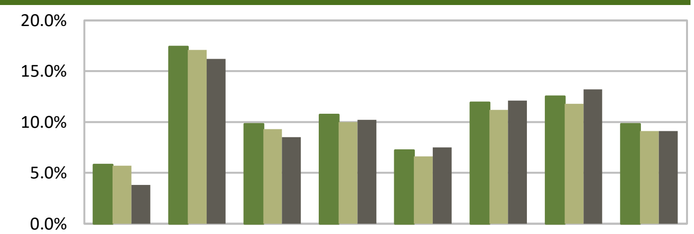
Only a few sectors noticeably outperformed relative to the Index this quarter. The Financials (+7.7%) sector was the strongest performer; the ongoing improvement of financial institution balance sheets has led to large capital returns. The restructured Communication Services (+6.4%) sector rose on the strength of a rally in media and entertainment stocks. The economically sensitive Industrials (+6.6%) and Materials (+4.4%) sectors did better. The oil markets remained weak, as oversupply concerns pressured crude prices and the Energy (-3.6%) sector. All other sectors were positive but lagged the benchmark.

PORTFOLIO REVIEW

Boston Common's Tax-Exempt Value composite comfortably outpaced the benchmark, with strong absolute returns for the quarter, overcoming the first quarter's deficit to pull ahead of the Index for 2019 year-to-date. Stock selection drove this quarter's relative performance.

Our holdings in the Financials sector led relative performance. Improving capital returns helped banking and financial services conglomerates such as Citigroup. We had added to this name, emboldened by its improving ESG record. The best performing holding was Disney; investors were impressed with the unveiling of its streaming product, positioning the company to compete effectively with Netflix. Another strong contributor was First Solar, a utility-scale solar panel manufacturer assigned to the Technology sector by Index vendors. First Solar is transitioning to its next generation offering and backlog looks strong.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	5.8%	17.4%	9.8%	10.7%	7.2%	11.9%	12.5%	9.8%
Net	5.7%	17.1%	9.3%	10.0%	6.6%	11.2%	11.8%	9.1%
Russell 1000	3.8%	16.2%	8.5%	10.2%	7.5%	12.1%	13.2%	9.1%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
DISNEY WALT CO	2.8%	25.8%	0.52%	Communication Services
FIRST SOLAR INC	1.8%	24.0%	0.33%	Technology
CME GROUP INC	2.4%	17.7%	0.29%	Financials
CITIGROUP INC	3.0%	13.3%	0.26%	Financials
MOHAWK INDS INC	2.1%	16.9%	0.26%	Consumer Discretionary
MICROSOFT CORP	2.2%	14.0%	0.20%	Technology
JPMORGAN CHASE & CO	2.5%	11.4%	0.20%	Financials
AMERICAN EXPRESS CO	2.0%	13.3%	0.18%	Financials
ARTHUR J GALLAGHER & CO	2.0%	12.7%	0.17%	Financials
PNC FINL SVCS GROUP INC	1.9%	12.7%	0.16%	Financials
			2.55%	

BOTTOM 10				
INTEL CORP	1.5%	-10.2%	-0.31%	Technology
VERIZON COMMUNICATIONS INC	4.1%	-2.4%	-0.26%	Communication Services
EQUINOR ASA	1.7%	-9.2%	-0.23%	Energy
CONOCOPHILLIPS	1.8%	-8.1%	-0.23%	Energy
HD SUPPLY HLDGS INC	1.8%	-7.1%	-0.20%	Industrials
KROGER CO	1.2%	-11.3%	-0.18%	Consumer Staples
NOVO-NORDISK	0.7%	-10.4%	-0.17%	Healthcare
ALBEMARLE CORP	1.0%	-14.5%	-0.17%	Materials
MERCK & CO INC	3.8%	1.5%	-0.09%	Healthcare
AMGEN INC	1.3%	-2.2%	-0.08%	Healthcare
			-1.93%	

Our confidence in flooring manufacturer Mohawk was rewarded with improving results, as its new CEO takes the reins and industry price increases show signs of catching up with input inflation. Microsoft, another top performer, continues to benefit from investor enthusiasm for strong secular growth provided by the software industry and cloud computing.

*Since Inception: December 31, 2002

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Property Casualty insurance broker Arthur J. Gallagher continues to enjoy an improving pricing environment, and futures and commodity exchange CME Group benefits from heightened market volatility over the short term and increasingly complicated financial instruments over the longer term.

Although we were correctly underweight the lagging conventional Energy sector, our individual holdings fared poorly, reducing some of the relative performance gains. Healthcare holdings, especially our overweight to the weak biotech industry, hurt relative performance. In Technology, trade concerns and cyclical worries weighed on our semi-conductor stocks in general, and Intel in particular. Company-specific issues and disappointing near-term outlooks hurt lithium producer Albemarle, grocer Kroger, and industrial retailer & distributor HD Supply. Telecom provider Verizon and pharmaceutical giant Merck were relative underperformers as investors turned away from defensive stocks.

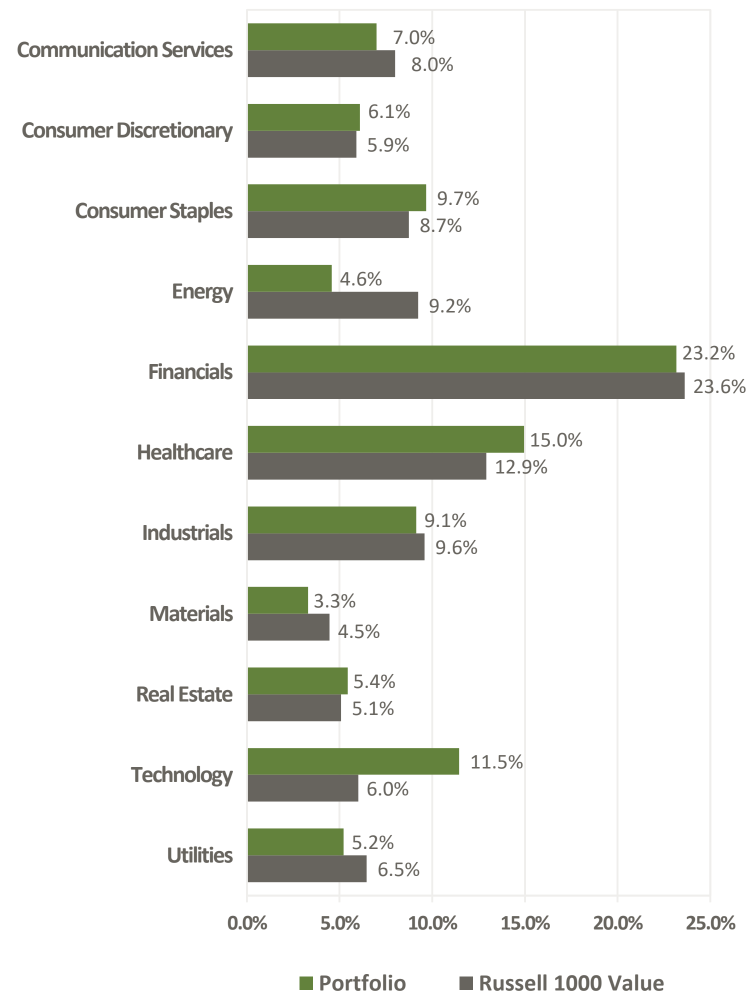
PORTFOLIO ACTIVITY

The market continues to favor a narrow group of growth and larger capitalization companies. As we began the quarter, the portfolio could be characterized as 'barbell' in nature: an equal emphasis on defensive and cyclical exposure as well as holding a slightly elevated cash position. Over the three months, market volatility created opportunities to redeploy cash through additions to companies with attractive valuations, improving ESG momentum, positive cash flow generation, or growing dividend streams.

The US economic expansion is ten years old, yet prosperity has not been broad based. Assets have appreciated while incomes have largely stagnated. Many companies are making their operating earnings more sustainable by innovatively addressing a range of societal and ecological challenges, from inclusive growth and community well-being to eco-efficiency and the circular economy. Our research effort seeks out these under-appreciated transition opportunities. As Value investors working within our quality ESG universe, we also seek opportunities in businesses or industry groups that are out of favor, where there may be catalysts for change.

During the second quarter, we added to the Financials sector by initiating a position in asset manager 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 TROW trading at attractive valuations. We repurchased Gilead (GILD), a previous holding whose valuation is attractive and dividend yield appealing. A leader in the biotech field with a focus on treating HIV and Hepatitis, GILD outperforms most healthcare companies with its robust strategy and programs for improving access to health care, especially in developing countries.

SECTOR ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	RUSSELL 1000 VALUE
# HOLDINGS	53	722
Valuation		
Next 12m Price to Earnings	15.1	14.4
Price to Book Value	2.5	2.0
Price to Sales	2.4	1.7
Dividend Yield	2.1%	2.4%
Growth		
5yr Sales Growth	3.4%	2.7%
5yr EPS Growth	8.4%	5.1%
Risk		
Wtd Avg Mkt Cap	121,574	129,991
LT Debt/Cap	39.2%	39.3%
Beta	0.98	1.00

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At the end of the quarter, the annual reconstitution of the Russell Indices was announced. This year's changes include modest increases to many sectors, with the greatest absolute changes in Financials and Industrials, while the Healthcare and Technology sectors saw their weights dramatically reduced. Over the course of the next few weeks, we may modestly reposition the portfolio to ensure that our active bets remain in place.

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.

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 recent 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.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
ANALOG DEVICES INC COM	Technology	0.8%
NOVO-NORDISK A S ADR	Healthcare	1.4%
UNITEDHEALTH GROUP INC COM	Healthcare	0.9%
TOTAL CLOSED		**3.1%**

NEW	SECTOR	% OF PORT.
GILEAD SCIENCES INC COM	Healthcare	2.0%
T ROWE PRICE GROUP INC COM	Financials	1.4%
TOTAL NEW		**3.4%**

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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Corporate profitability continues to move higher; in 2019, the S&P 500 Index 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.

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.