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International Strategy Update

Fourth Quarter, 2019

INTERNATIONAL MARKET REVIEW

The MSCI EAFE Index (the "Index") gained +8.2% in the fourth quarter thanks to improving economic data and greater policy clarity. In local currency terms, the Index was up +5.2%, as a weakening US Dollar added 3.0% to investors' returns. The UK election result led to a sharp rally in the UK Pound (+7.5%) and also helped the Euro (+3.0%) strengthen. The countercyclical Yen (-0.6%) weakened against the Dollar.

The Conservative Party's victory in Britain reduced uncertainty related to economic policymaking and Brexit. In the Eurozone, an indicator of economic sentiment surged near a two-year high and both services and wages grew. The US and China agreed to a partial trade deal that included a reduction of some US tariffs. China cut interest rates and reported improving activity. Japan's unemployment rate fell to 2.2%, even as retail sales were disrupted by October's consumption tax hike.

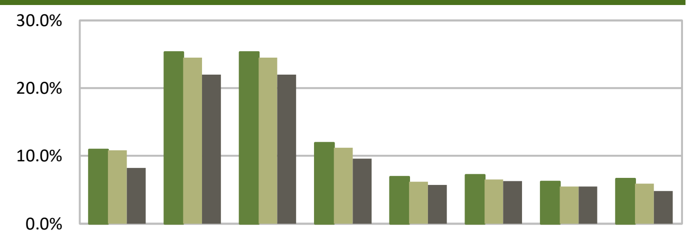
Technology (+12.6%) was the best-performing sector, led by the economically sensitive and trade-oriented semiconductor industry. Pharmaceutical stocks helped Healthcare (+12.4%) outperform, and the Materials (+10.5%) sector was supported by global growth prospects. The defensive Consumer Staples (+1.9%) and Real Estate (+4.2%) sectors lagged. Encouraging geopolitical events were catalysts for the UK (+10.0%) and Germany (+9.9%), the best-performing major countries in the Index. Australia (+4.3%) was dragged down by its large banking sector, while Japan (+7.6%) performed roughly in-line.

PORTFOLIO REVIEW

A composite of Boston Common's International portfolios returned +11.1% before fees, significantly outperforming the Index. The strategy's 2019 calendar year return was +25.2%, also outpacing the Index's annual return of +22.0%. Given our active management approach, stock selection is the most important driver of relative performance. For the full-year period, strong stock selection in Industrials, Financials, and Communication Services, as well as in Japan and the UK, was the leading contributor to performance. The Materials and Consumer Staples sectors were the largest detractors from relative returns.

For the quarter, strong stock selection in the Industrials sector was the largest contributor to performance. European producers of energy-efficient machinery benefited from strong financial results and rising demand prospects: Kion, Atlas Copco, and Spirax-Sarco.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	10.9%	25.3%	25.3%	11.9%	6.9%	7.2%	6.2%	6.6%
Net	10.8%	24.5%	24.5%	11.2%	6.2%	6.5%	5.5%	5.9%
MSCI EAFE	8.2%	22.0%	22.0%	9.6%	5.7%	6.3%	5.5%	4.8%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
FERGUSON	2.6%	26.0%	0.41%	Industrials
ALIBABA GROUP HLDG LTD	1.9%	26.9%	0.34%	Consumer Discretionary
TDK CORP	1.8%	27.3%	0.31%	Technology
UMICORE	1.6%	28.9%	0.30%	Materials
ATLAS COPCO	1.4%	29.2%	0.26%	Industrials
KION GROUP	1.3%	31.4%	0.25%	Industrials
INFINEON TECHNOLOG	1.4%	25.7%	0.22%	Technology
TAIWAN SEMICONDUCTOR MFG	1.3%	25.7%	0.20%	Technology
RECRUIT HLDGS CO	1.5%	23.8%	0.20%	Industrials
ING GROEP	2.9%	14.6%	0.18%	Financials
			2.66%	

BOTTOM 10				
NOKIA OYJ	1.0%	-27.0%	-0.46%	Technology
UNILEVER	2.6%	-3.7%	-0.32%	Consumer Staples
SHISEIDO CO LTD	1.6%	-10.0%	-0.31%	Consumer Staples
DEUTSCHE TELEKOM	1.8%	-2.5%	-0.18%	Communication Services
HANG LUNG PROP	1.5%	-3.3%	-0.18%	Real Estate
RED ELECTRICA CORP	1.8%	-1.0%	-0.17%	Utilities
ALCON	1.1%	-3.0%	-0.13%	Healthcare
RECKITT BENCK GRP	1.5%	3.9%	-0.06%	Consumer Staples
REPSOL	0.9%	2.5%	-0.05%	Energy
ASSA ABLOY	1.4%	5.0%	-0.04%	Industrials
			-1.90%	

British building products distributor Ferguson gained on restructuring progress, while positive profit developments boosted Japanese professional services company Recruit. Good stock selection in the Financials sector was the next largest performance factor, led by European banks Julius Baer, ING, and Standard Chartered. All regions contributed positively, while Japan was the leading regional performer, driven by electronic component supplier TDK, healthcare and technology company Hoya, and consumer goods and battery manufacturer Panasonic.

*Since Inception: December 31, 2004

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Other key contributors included Chinese ecommerce giant Alibaba, Belgian environmental solutions company Umicore, and semiconductor companies Infineon and TSMC.

Stock selection in the Healthcare sector modestly detracted from relative returns. Swiss eye care company Alcon reported disappointing quarterly results. The Real Estate sector was also a small negative, as commercial property company Hang Lung was weighed down by Hong Kong protests. Finnish telecom equipment producer Nokia faced profit pressures and was the largest detractor from performance. Consumer Staples holdings Shiseido, Unilever, and Reckitt Benckiser also had relatively weak returns. Additional key detractors included Deutsche Telekom and Spanish electric utility Red Electrica.

PORTFOLIO ACTIVITY

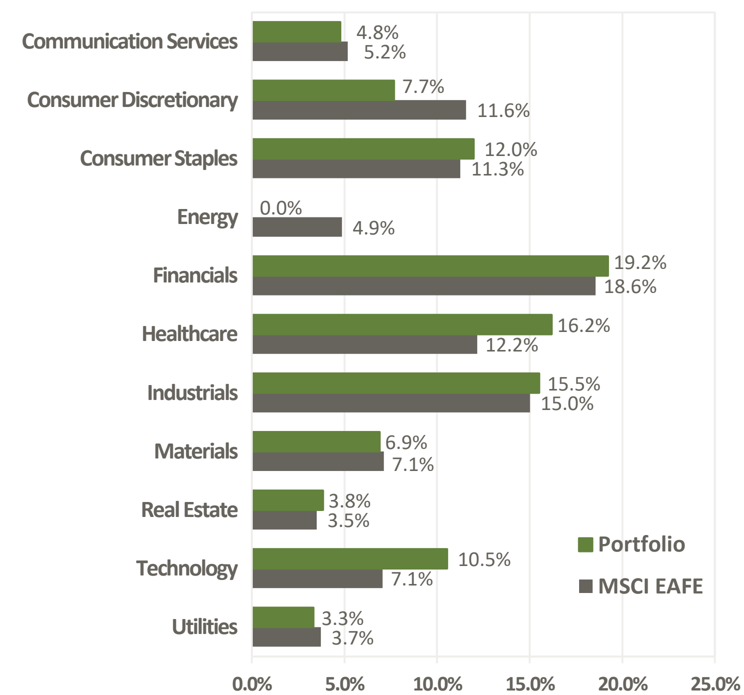
Among our transactions this quarter, we purchased Denmark-based Vestas Wind Systems, the largest wind turbine manufacturer in the world. Development of larger turbines has helped reduce wind energy costs without subsidies to a level competitive with fossil fuels, in many locations. We expect wind to account for a greater share of global power generation over time. Vestas has a large installed base and a high margin service franchise that should help smooth cyclical demand volatility. In our view, valuation at 8x EV/EBITDA is compelling considering Vestas is a global leader in an industry with tremendous long-term potential. We also purchased UK packaging company DS Smith. As Europe's largest cardboard and paper recycler, the company is well positioned to benefit from a shift from plastic to paper-based packaging and an evolving retail landscape in favor of ecommerce. DS Smith looks particularly inexpensive, trading at 7x EV/EBTIDA with a 4.2% dividend yield. Lastly, we added Kasikornbank to our portfolios. The Thai bank is a leading provider of credit to small and medium enterprises and has a long history of sound financial management. The stock is trading at historically low levels: 9x earnings and 0.8x book value.

During the quarter, we sold our small positions in European oil & gas companies Equinor and Repsol. With rising climate action and the burgeoning electric vehicle industry, our long-term oil demand expectations continue to shift downwards, while supply appears abundant, led by the US shale industry. We also sold Japanese video game developer Nintendo since we believe its hardware product cycle is maturing and new markets may develop more slowly than expected.

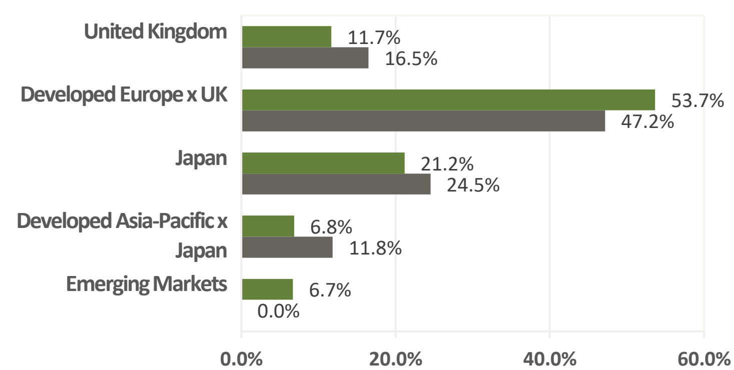
ECONOMIC & MARKET OUTLOOK

Economic activity is likely to improve thanks to supportive global central bank policy, fiscal stimulus, and easing trade tensions. International equity valuations have expanded but look inexpensive relative to other asset classes. In particular, Europe's valuations are near 50-year lows compared to the US market and 100-year lows relative to European bond yields.

SECTOR ALLOCATION



REGIONAL ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	MSCI EAFE
# HOLDINGS	58	918
Valuation		
Next 12m Price to Earnings	16.6	14.9
Price to Book Value	2.4	1.7
Price to Sales	1.9	1.3
Dividend Yield	2.6%	3.2%
Growth		
3yr EPS Consensus Growth	3.7%	3.4%
3yr Sales Consensus Growth	3.4%	2.0%
Risk		
Wtd Avg Mkt Cap	70,083	68,521
LT Debt/Cap	31.0%	33.0%
Beta*	1.01	1.00

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We are mindful of geopolitical risks, such as a recurrence of political instability in Europe or military conflict in the Middle East. Given these uncertainties and expectations of modest economic growth, we have focused our portfolios on companies that should benefit from secular growth areas, including sustainable consumption, electrification, and renewable energy. Our cyclical exposure is balanced with an overweight of the defensive sectors.

Europe

European politics tends to be considered an investment liability, but we believe the continent's commitment to environmental solutions is one of the market's most appealing characteristics. In the 2019 EU parliamentary elections, Green parties finished in 2nd and 3rd place in Germany and France, respectively and were favored by about 40% of all voters under 25 years old. This month, the Green Party will join with a conservative party to form a coalition government in Austria. A rising political voice has coincided with deepening fiscal and regulatory support for environmental progress. Britain's new Conservative government's agenda favors new spending on areas including high-speed rail and decarbonization. In December, the European Commission published a plan to cut emissions by 50% in 2030 from a 1990 baseline and achieve carbon neutrality by 2050. The heads of the European Central Bank and the Bank of England have both stated climate change is an important part of their economic oversight. Beyond public support, we find European companies are global leaders in incorporating environmental risks and opportunities in their products and practices.

Our European industrial cyclical holdings include suppliers of energy efficient equipment, green chemicals, wind power, and electric vehicle components. In the Healthcare, Financial, and Consumer sectors, we emphasize companies that have best-in-class approaches to holistic ESG management.

Japan

Structural reform and improving corporate governance make Japan an alluring market, in our view. To address the headwinds from the country's aging and shrinking population, the government has changed policies to encourage more women and immigrants to enter the workforce. Over the last seven years, Japan's female labor force participation rate increased from 60% to over 71%, higher than the US and Eurozone levels. During the same period, the inflow of foreign workers into Japan expanded from nearly zero to almost 0.3% of its workforce, in-line with the 20-year average of the US and Germany. Japanese corporate practices are also starting to converge with global best practices. The number of independent directors has marched higher, while managers have productively allocated excess cash towards acquisitions and back to shareholders.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
EQUINOR ASA	Energy	1.2%
NINTENDO CO LTD	Communication Services	1.0%
NOVOZYMES A/S	Materials	0.9%
REPSOL SA	Energy	1.1%
SOCIEDAD QUIMICA MINERA DE CHILE	Materials	0.9%
SVENSKA HANDELSBKN	Financials	1.3%
TOTAL CLOSED		**6.4%**

NEW	SECTOR	% OF PORT.
DS SMITH PLC	Materials	1.8%
KASIKORNBANK PCL	Financials	1.0%
VESTAS WIND SYSTEM	Industrials	1.5%
TOTAL NEW		**4.3%**

COMPANY SPOTLIGHT: ING GROEP

Company Profile

ING Groep is the largest bank in the Netherlands, accounting for roughly 40% of the country's deposits. The bank has developed a stringent and extensive Environmental and Social Risk policy framework that guides its daily business decisions across all products and services. ING is a founding signatory to the Principles for Responsible Banking (PRB), has CEO-level endorsement of the TCFD recommendations, and has committed to align its loan book below the 2 degrees Celsius scenario of the Paris Agreement. The bank's loan book totals over 700 billion Euros, of which nearly 90% is focused in European markets.

Investment Thesis

ING Groep has transformed from a globally diversified financial conglomerate into a strongly rooted European banking institution with a well-established retail franchise, improved earnings consistency, and a focus on sustainability. Its digital platform is a key differentiator for the bank and should enable market share gains. ING's net interest margin has been pressured by negative interest rates in the Eurozone, but its acute focus on efficiencies has led to impressive profitability in markets such as Germany, where its 40% cost/income ratio is nearly 30 percentage points better than most of its competitors. ING is a global leader in incorporating environmental risks into its credit underwriting process, and it has committed to refrain from funding all coal, oil sands, mountaintop removal, and the use of protected areas (e.g. UNESCO World Heritage Sites and critical natural habitats). The bank's above average loan demand, strong capital position, and modest payout ratio support our expectations for attractive dividend and book value growth. Given valuation near six-year lows (Price/book value of 0.8x and a dividend yield of ~6.5%), we find ING compelling. Risks: sluggish European macro, adverse regulatory developments.

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Over the past 10 years, the dividend and share buyback payout ratio has more than doubled to nearly 60%. Japan is the largest country weight in our portfolios, with an emphasis on global franchises in the Consumer Staples, Industrial, and Technology sectors.

Asia Pacific and Emerging Markets

We believe we are two decades into the Asian century, as China, India, and Southeast Asia have been the engine of global economic growth. For the past 20 years, emerging Asian economies have grown at more than twice the global rate, and their contribution to global GDP has consequently mushroomed from 6.6% to 23.5%.

With robust economic activity, millions of people have escaped extreme poverty and experienced more access to education and healthcare. A large and rising population of consumers and entrepreneurs forms the foundation of a dynamic region with myriad long-term opportunities. While tropical countries may be precariously exposed to climate change impacts, many can leapfrog legacy practices to a more sustainable development model replete with renewable power and alternative transportation. The region has its share of political, environmental, and economic risks, but given a growth-starved world, we find emerging Asia has an attractive balance between long-term fundamentals and current equity valuations. Our exposure to the area is concentrated in consumer and financial stocks serving the rising middle class.

Shareholder Engagement Highlights

Milestones	**Board Diversity:** We successfully withdrew our resolution with **Carlisle Companies** on its approach to diversity at the board level! As part of our dialogue, the company agreed to amend its Corporate Governance Guidelines to acknowledge the relevance of gender & racial diversity as one of the factors to consider in board appointments.
	Climate Change: Released our fifth annual study, **Banking on a Low-Carbon Future: Finance in a Time of Climate Crisis**, of how global banks are managing climate risks and opportunities. We shared the findings and call to action with all 58 banks including holdings **Bank Rakyat, Citi, ING, JPMorgan Chase, Fifth Third, Morgan Stanley, Standard Chartered, and US Bank**.
Work in Progress	**Eco-Efficiency:** This fall, we launched another phase of our flagship Eco-Efficiency engagement with a special focus on waste management including plastics. We sent letters to 15 companies, and we have received robust written responses or held initial discussions with **Portland General Electric, PTT Global Chemical, Taiwan Semiconductor, and Verizon Communications**.
	Responsible Mineral Sourcing for Renewable Energy: As 2019 ended we re-engaged with **Microsoft** and **Panasonic** on responsible cobalt sourcing practices including expanding supplier traceability and addressing child labor. We reached out to lithium producers **SQM** and **Albemarle,** and since then Albemarle has to stepped up their water monitoring activities and enhanced disclosure on indigenous community engagement.
New Initiatives	**Board Diversity:** In a new phase of our diversity engagement, we will use company responses from our 2019 engagement to inform our 2020 voting process. We reached out to nearly 120 companies explaining why we have voted against their boards in 2019 given they did not meet our gender and ethnic diversity criteria. Our diversity threshold in the US and Europe is 30% women and at least one ethnic or racial minority. In Asia, we vote 'against' if there are no women on the board.
	Workplace Equality: In 2020, building on our long history of engaging companies on board gender and racial diversity, we will expand our focus to workplace practices and diversity and inclusion measures for women, racial and ethnic minorities, and LGBTQ+ employees.