

Emerging Markets Strategy Update

Fourth Quarter, 2020



Portfolio Review

The Boston Common Sustainable Emerging Markets Equity strategy returned +22.1% for the quarter, before fees, outperforming the MSCI EM Index (“the Index”). For the calendar year 2020, the strategy returned +24%, comfortably outperforming the Index’s return of +18.3%. The Technology, Materials, and Industrials sectors were the primary contributors, while Healthcare and Communication Services detracted from relative annual performance.

For the quarter, stock selection in Technology was the largest contributor to performance. Rising demand for digitalization continues to boost Asian chip giants Taiwan Semiconductor Manufacturing Company (TSMC) and SK Hynix. The world’s largest solar glass manufacturer, China’s Xinyi Solar, gained on higher forecasts for solar installations as the government announced policies to accelerate renewable energy development. Industrial automation company Delta Electronics benefited from both cyclical manufacturing capex recovery and ongoing upgrade demand of communications infrastructure. Brazilian payment company PagSeguro advanced as business activities recovered. Stock selection in Financials was another area of strength. HDFC in India, Bank Rakyat in Indonesia, and Noah in China were boosted by investors’ optimism of economic re-opening. Our holdings in the EV supply chain were also notable contributors, including Chinese Electric Vehicle manufacturer BYD and Korean EV battery manufacturer LG Chem.

Stock selection in Consumer Discretionary was the primary detractor from relative returns this quarter. Alibaba was hurt by China’s regulatory pressure on its founder Jack Ma and its affiliate Ant Financial. Naspers, which owns 31% of China Internet company Tencent, was also dragged down by China’s increasing regulatory headwinds. Our underweight and stock selection in the Materials sector hurt relative results as our holdings did not keep up with their more cyclical peers. Stock selection in Healthcare was also a drag. Indonesian pharmaceutical company PT Kalbe Farma lagged as investors rotated away from more defensive businesses. Russia and Korea were the primary detractors from a country perspective. Other notable detractors include Russian search company Yandex, Chinese real estate developer KWG Group and personal hygiene company Hengan.

Portfolio Activity

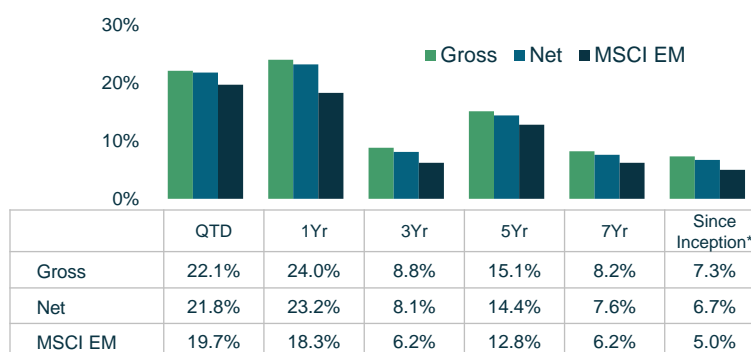
Among our portfolio actions this quarter, we purchased Giant Manufacturing, the world’s largest bicycle manufacturer based in Taiwan, a solutions company in the sustainable transportation field. Giant sells over six million bicycles annually. The demand for bicycles remains high, especially for commuting and sports bikes. 26% of Giant’s revenues comes from e-bikes, which continue to gain consumer adoption. Giant has also expanded the women’s cycling market with the LIV brand “designed by women for women”. With a strong balance sheet and solid operational track record, we believe Giant is poised to benefit from the growing demands for low-carbon transportation systems.

We also purchased Taiwan-based Win Semi, a semi foundry company focusing on gallium arsenide wafers. Its products include RF power amplifiers for smartphones, base stations, WiFi, and

optical 3D sensing. Compared with traditional silicon, gallium arsenide wafers have a clear energy efficacy advantage and play a key role in cleantech solutions. Win Semi is a key beneficiary of several structural trends, including the 5G capex cycle and China’s efforts to localize its semi supply chain. We exited Sunny Optical, viewing Win Semi as more leveraged to the 5G investment cycle as well as exhibiting positive ESG momentum.

We sold Mexican food company Grupo Bimbo and China property developer KWG Group on valuation considerations. We redeployed the proceeds towards companies with strong fundamentals but that trade at more reasonable valuation levels.

Performance

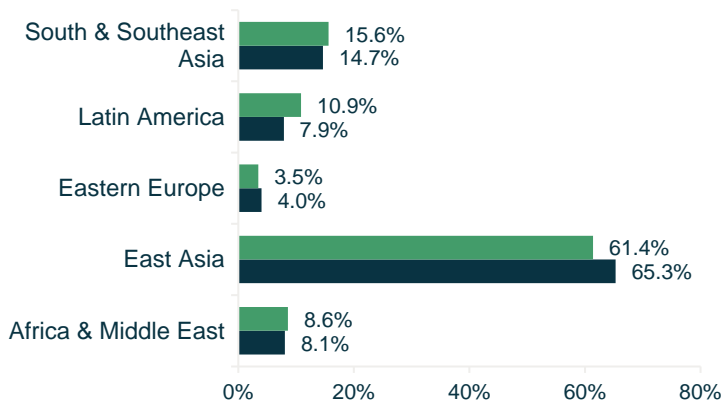


Portfolio Characteristics

	Boston Common	MSCI EM
# Holdings	50	1,397
Valuation		
Price/EPS (NTM)	18.3	16.2
Enterprise Value/EBITDA (NTM)	10.5	9.8
Price/Book	2.9	2.4
Price/Sales	2.7	2.0
Dividend Yield	1.5%	1.8%
Growth		
3yr EPS Consensus Growth	13.8%	11.6%
3yr Sales consensus Growth	9.7%	6.5%
Quality		
Beta**	1.00	1.00
LT Debt to Cap.	22.7%	21.6%
Net Debt to EBITDA	0.3	0.0
Return on Equity	10.6%	11.2%
Earnings Variability***	28.0%	29.4%
Free Cash Flow Yield	1.6%	4.2%

*Since Inception: December 31, 2012, **The Beta calculation is based on the trailing five-year performance of a representative account within a portfolio’s strategy, ***Stability is calculated as the mean absolute difference between actual earnings per share and a five-year historical growth trendline, expressed as a percentage of trendline.

Regional Allocation



Portfolio Activity

Closed	Sector	% of Port.
GPO BIMBO SAB	Consumer Staples	1.2%
KWG GROUP HLDGS LT	Real Estate	1.1%
KWG LIVING	Real Estate	0.2%
SOCIEDAD QUIMICA MINERA DE CHI	Materials	0.0%
SUNNY OPTICAL TECH	Technology	0.9%
Total Closed		3.4%

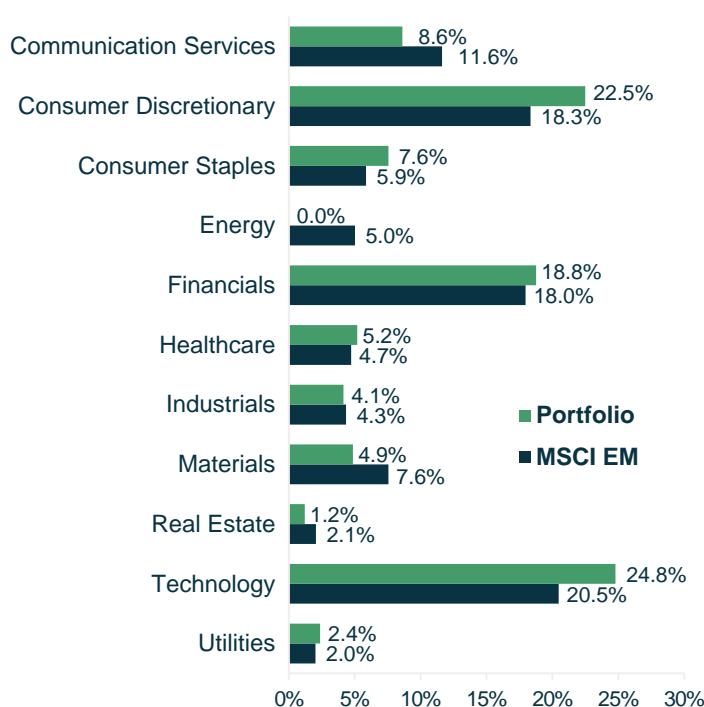
New	Sector	% of Port.
GIANT MANUFACTURING	Consumer Discretionary	1.2%
KWG LIVING	Real Estate	0.2%
WIN SEMICONDUCTORS CORP	Technology	1.0%
Total New		2.5%

Contributors & Detractors

Top 10	% of Capital	Return	Relative Contrib.	Sector
SK HYNIX INC	4.6%	52.9%	1.33%	Technology
BYD COMPANY LTD	2.5%	66.7%	1.09%	Consumer Discretionary
TAIWAN SEMICONDUCTOR	7.0%	35.0%	0.94%	Technology
XINYI SOLAR HOLDINGS LTD	2.2%	64.8%	0.88%	Technology
DELTA ELECTRONIC	3.4%	43.3%	0.75%	Technology
HDFC BANK LTD	3.3%	44.6%	0.66%	Financials
NOAH HLDGS LTD	1.1%	83.4%	0.55%	Financials
LG CHEMICAL	3.0%	35.7%	0.50%	Materials
PAGSEGURO DIGITAL LTD	1.9%	50.3%	0.49%	Technology
BK RAKYAT	1.8%	45.3%	0.37%	Financials
			7.53%	

Bottom 10	% of Capital	Return	Relative Contrib.	Sector
ALIBABA GROUP HLDG LTD	7.9%	-20.8%	-3.39%	Consumer Discretionary
WEICHAI POWER CO	1.8%	0.1%	-0.33%	Industrials
YANDEX N V	2.1%	6.6%	-0.29%	Communication Services
HENGAN INTL	1.3%	-2.4%	-0.29%	Consumer Staples
TENCENT HLDGS LTD	4.7%	10.1%	-0.28%	Communication Services
COWAY CO	1.2%	-1.4%	-0.27%	Consumer Discretionary
KALBE FARMA	1.2%	1.4%	-0.23%	Healthcare
NASPERS	3.0%	16.0%	-0.21%	Consumer Discretionary
KWG GROUP HLDGS LT	0.8%	-5.3%	-0.21%	Real Estate
SK TELECOM LTD	1.9%	9.2%	-0.19%	Communication Services
			-5.69%	

Sector Allocation



Shareowner Engagement Highlights

Ensuring COVID-19 Vaccines and Therapies are Affordable and Widely Accessible

Boston Common is part of a [group of investors](#) raising the pressure on drug makers to ensure COVID-19 vaccines and therapies are affordable and widely accessible. Shareholder resolutions were filed at pharma companies* seeking to prioritize access and affordability over profits for COVID medicine developed using public funds.

*Eli Lilly, Gilead, J&J, Merck, Pfizer, & Regeneron

Addressing Racial Disparities in the Food and Beverage Industry

Boston Common is among the [investors that sent letters](#) to major food and beverage companies calling on them to examine how their business models, operations, and value chains may directly or indirectly contribute to racial inequities.

Maturing Approach to ESG Oversight and Disclosure in Emerging Markets and Asia

In the second half of 2020, we actively engaged our EM and Asian holdings* on advancing ESG oversight, management, and disclosure. This includes guidance related to future ESG disclosure, assessing and setting metrics and targets, and establishing clear oversight on ESG/Sustainability strategy. One clear priority is climate with net zero carbon goals being set in countries like China and Japan. We continued our multi-year dialogue with Bank Rakyat (BRI) on how they are addressing deforestation risk related to lending to commodities producers including palm oil.

*Beijing Enterprises Water Group, CTCM, LG Chem, NTT, Sundrug, Sunny Optical, Taiwan Semiconductor, and Xinyi Solar

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