

US Large-Cap Core Strategy Update

Fourth Quarter, 2020



Portfolio Review

Boston Common's Tax-Exempt US Large-Cap Core account composite increased +13.9% (gross of fees) this quarter, outpacing the S&P 500 Index ("the Index"). For the full year, the Composite rose +20.3%, gross of fees, ahead of the Index which returned +18.4%.

For the quarter, stock selection was the driver of relative outperformance with the Technology sector the largest contributor. An overweight to the semiconductor industry was beneficial with holdings in memory chip manufacturer Micron Technologies and semi equipment manufacturer Applied Materials. Another top performing sector, Consumer Discretionary, benefited from top performers such as flooring specialist Mohawk Industries and apparel manufacturer PVH Corp. Within Financials, increased confidence in the operating outlook and ability to resume stock buy backs helped Citigroup, while Morgan Stanley's strong performance was supported by the rebounding global financial markets. Google parent Alphabet and media giant Walt Disney were also top performers.

Detracting from performance this quarter were holdings that had already rebounded significantly from March lows were home improvement retailer Home Depot and safe haven names like consumer products giant Kimberly Clark and telecommunications provider Verizon. Several technology holdings, including Adobe and Microsoft, posted modest gains after multi-year strong showing. Stock selection in the Healthcare sector was the largest drag on performance.

Looking back over 2020, active and risk controlled portfolio management and higher quality stock selection helped capital preservation on the downside and allowed the portfolio to participate on the upside as investor sentiment improved. Technology was a major contributor to performance thanks to the portfolio's overweight position and stock selection. Our longer-term investments in companies that provide solutions to climate change, such as utility-scale solar manufacturer First Solar and green infrastructure financier Hannon Armstrong helped full year results. Hannon Armstrong (HASI) is a prime beneficiary of infrastructure spending focused on climate change and plays a pivotal role in the financing of sustainable development projects necessary for a successful transition to a low-carbon society. Building on its proprietary partnerships with an increasingly broad lineup of leading corporate entities, management looks to leverage its expertise to expand into attractive pockets of growth too small for larger players, such as land for utility-scale solar installations. Not owning the underperforming Energy sector helped full year results even as the Healthcare and Consumer Discretionary sectors held back relative returns.

Portfolio Activity

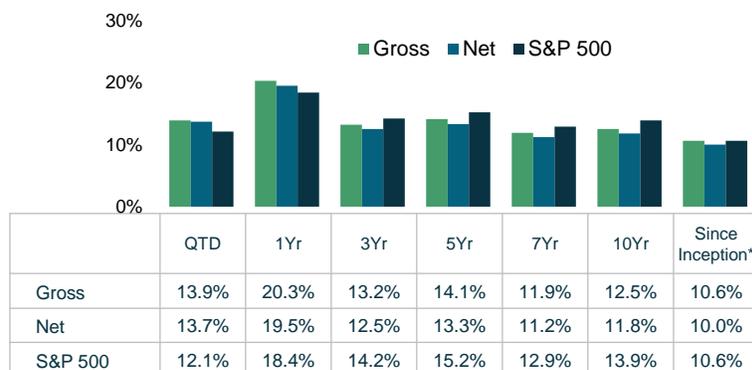
Over the next six months, our expectation remains that broad vaccinations in the developed world will enable the start of social and economic normalization by mid-summer and, as lockdowns ease, the more fortunate work from home cohort will likely spend liberally on previously restricted goods and services, particularly travel and leisure, contributing to a further economic recovery, especially for small business. While valuations have expanded in anticipation of a sharp rebound in earnings over the next two years, stocks remain attractive relative to growth prospects and negative real interest rates.

Additional fiscal stimulus is also anticipated and should help low income service employees who are disproportionately harmed by the pandemic and allow for broad employment gains. With improved outlook for further fiscal impetus, we have reduced the defensive tilt in the portfolio. Bank holdings stand to gain from an improving economy and the increasing scope for capital returns; we added to our holdings reducing the portfolio's underweight to the Financials sector.

We anticipate a rebound in investment spending and increased our cyclical exposure during the quarter by adding to existing holdings as well as purchasing Carrier Global, a manufacturer of sustainable solutions in heating, cooling, and refrigeration (HVAC) systems. With a large global business relative to its peers, Carrier is well positioned to benefit from demand for higher interior air quality and efficiency initiatives announced not only in US states but also in countries with leading carbon-neutral goals in Europe and Asia. The company's ductless systems offer greater ease of installation while reducing the heat loss associated with traditional central air ducts and inefficiency of window units.

During the quarter, we trimmed several holdings where fundamentals remain strong, such as Microsoft and Home Depot, but where price action afforded us an opportunity to redeploy profits to other more attractively valued holdings. With multiples having already risen sharply, we expect little support from further expansion. We remain committed to responsible investing anchored in research-driven stock selection and thoughtful portfolio construction. Coupled with active ownership and proactive corporate engagement, this approach has the potential to deliver strong financial returns and meaningful social change.

Performance

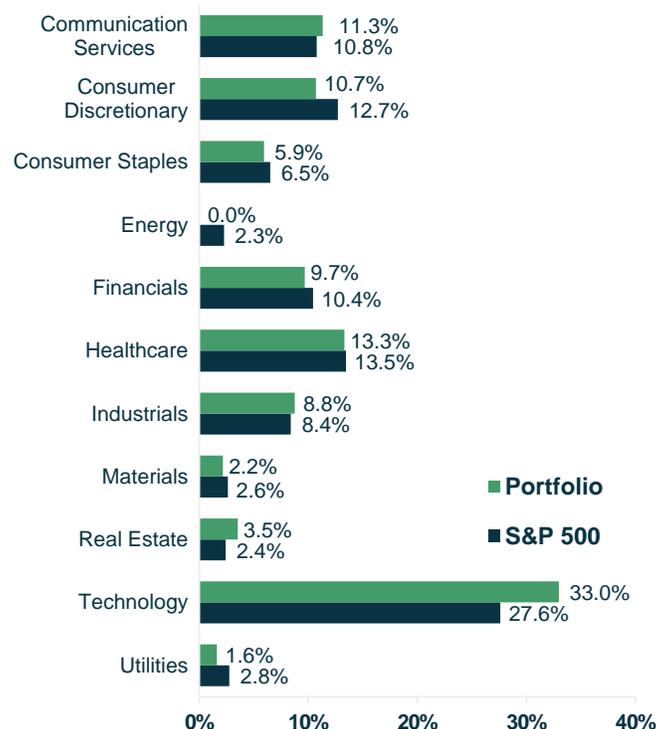


Portfolio Characteristics

	Boston Common	S&P 500
# Holdings	59	506
Valuation		
Price/EPS (NTM)	22.1	23.2
Enterprise Value/EBITDA (NTM)	14.6	15.2
Price/Book	4.5	4.4
Price/Sales	3.6	3.2
Dividend Yield	1.2%	1.4%
Growth		
3yr EPS Consensus Growth	8.5%	7.4%
3yr Sales consensus Growth	3.5%	3.3%
Quality		
Beta**	0.94	1.00
LT Debt to Cap.	40.8%	43.6%
Net Debt to EBITDA	0.5	1.0
Return on Equity	27.7%	19.6%
Earnings Variability***	17.5%	19.2%
Free Cash Flow Yield	4.2%	3.8%

*Since Inception: December 31, 2002 **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.

Sector Allocation



Contributors & Detractors

Top 10	% of Capital	Return	Relative Contrib.	Sector
HANNON ARMSTRONG SUST INFR	2.6%	51.7%	0.84%	Real Estate
MICRON TECHNOLOGY INC	1.8%	60.1%	0.68%	Technology
FIRST SOLAR INC	2.3%	49.4%	0.66%	Technology
MORGAN STANLEY	2.1%	42.8%	0.56%	Financials
CITIGROUP INC	1.8%	45.2%	0.49%	Financials
MOHAWK INDS INC	1.7%	44.4%	0.46%	Consumer Discretionary
DISNEY WALT CO	1.4%	46.0%	0.42%	Communication Services
APPLIED MATLS INC	1.2%	45.2%	0.37%	Technology
ALPHABET INC	5.4%	19.2%	0.36%	Communication Services
PVH CORPORATION	0.8%	57.4%	0.29%	Consumer Discretionary
			5.13%	

Bottom 10	% of Capital	Return	Relative Contrib.	Sector
MICROSOFT CORP	7.8%	6.0%	-0.49%	Technology
HOME DEPOT INC	2.2%	-3.9%	-0.37%	Consumer Discretionary
REGENERON PHARMACEUTICALS	1.3%	-13.7%	-0.35%	Healthcare
KIMBERLY CLARK CORP	1.6%	-8.0%	-0.35%	Consumer Staples
AMGEN INC	1.4%	-8.8%	-0.34%	Healthcare
BIOGEN INC	1.2%	-13.7%	-0.34%	Healthcare
VERIZON COMMUNICATIONS	2.8%	-0.2%	-0.34%	Communication Services
GILEAD SCIENCES INC	1.3%	-6.8%	-0.26%	Healthcare
ADOBE INC	2.4%	2.0%	-0.25%	Technology
MERCK & CO. INC	1.9%	-0.7%	-0.25%	Healthcare
			-3.34%	

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Portfolio Activity

Closed	Sector	% of Port.
CARRIER GLOBAL CORPORATION	Industrials	1.3%

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

