

US Large-Cap Value Strategy Update

Fourth Quarter, 2020



Portfolio Review

Boston Common's Tax-Exempt US Value Equity account composite returned +15.9%, gross of fees for the fourth quarter, slightly lagging the Russell 1000 Value Index's ("the Index") steep rise, in a quarter in which Energy was the best performing sector (+28.2%), and lower-quality, deeper cyclical names rebounded sharply. For the year, the composite's strong performance (+14.1%, gross of fees) significantly outpaced the +2.8% return of the Index.

In the quarter, stock selection remained the driving force underpinning overall portfolio performance. Holdings in the Technology, REITs and Financials sectors were major contributors. A significant overweight to the semiconductor industry helped performance, as memory chip manufacturer Micron Technologies and semi equipment manufacturer Applied Materials had strong returns. Among Financials, confidence in the operating outlook and ability to resume stock buy-backs helped Citigroup; PNC Financial and Morgan Stanley continue to improve their business mix.

Detracting from performance this quarter were holdings that had already rebounded significantly from March lows such as home improvement retailer Lowe's and home builder KB Home, and safe-haven names like consumer products giant Procter & Gamble, and telecommunications provider Verizon. Stock selection in the Healthcare sector was the largest drag on performance.

Looking back over 2020, portfolio construction and stock selection based on low valuation, improving ESG, and catalysts for re-rating drove our overall positive relative performance. Technology and REITs helped relative 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, green infrastructure financier Hannon Armstrong, lithium producer Albemarle, and electric-vehicle software provider Aptiv, all had strong returns. Not owning the under-performing Energy sector helped full year results.

Portfolio Activity

We continue to focus on attractively valued or misunderstood sustainable companies, with catalysts for re-rating. This re-rating could come from improvements in the balance sheet, fundamental or ESG dimensions, or from changing industry dynamics. In the current strong market environment, we expect little support from multiple expansion. We intentionally seek companies that have options to improve their own trajectory through a better business mix or execution, higher innovation, or ESG performance.

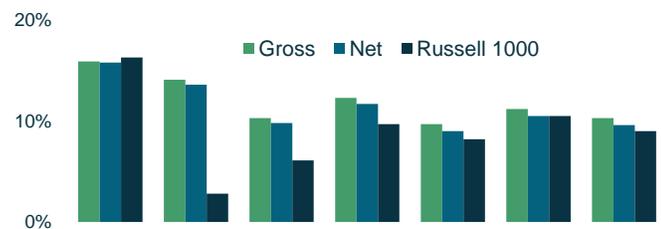
Several demand trends that were strengthened during the pandemic are likely to remain in place. We are encouraged by the palpable increase in policy support and investor appetite for sustainable and inclusive growth.

We have added holdings in the Industrial and Materials sectors that stand to benefit from rising sustainability-driven investment spending. Carrier Global, is 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 the US, but also in countries with leading carbon-neutrality 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. Steel Dynamics (STLD), another new holding, recycles scrap iron material as its primary input. STLD stands to benefit as tightening environmental regulation and growing consumer preference for recycled materials passes through to industrial goods. Steel Dynamics relies on the electric grid to fuel its furnaces, as opposed to coal or other fossil fuels. This should allow the company to transition to renewable energy derived electricity, another potential driver of ESG momentum.

In other portfolio activity, we took profits from medical equipment companies Danaher and Thermo Fisher Scientific, following their strong performance, redeploying the proceeds to more attractively valued holdings. Bank holdings stood to gain from an improving economy and the improving regulatory environment; we added to our holdings there, moving from an underweight to a slight overweight in the Financials sector.

Performance



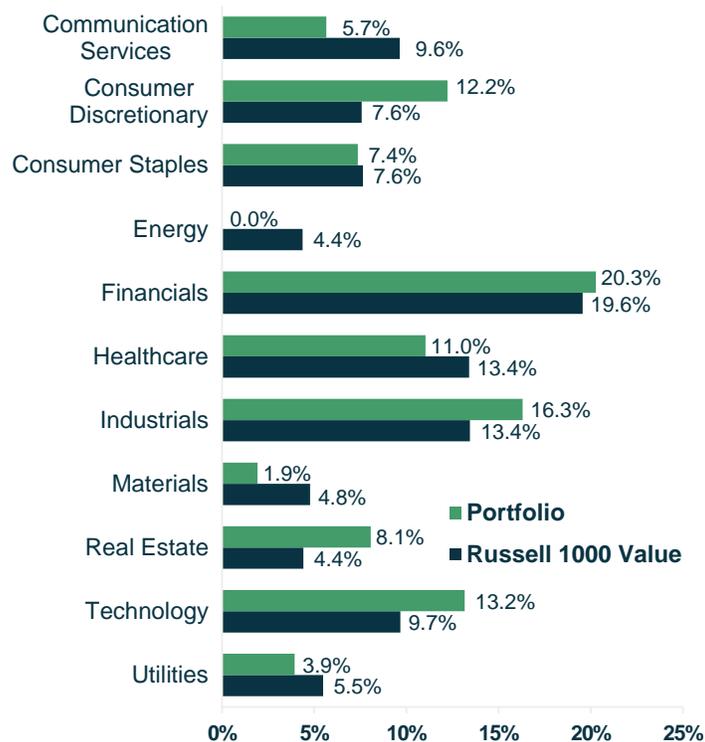
	QTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	15.9%	14.1%	10.3%	12.3%	9.7%	11.2%	10.3%
Net	15.8%	13.6%	9.8%	11.7%	9.0%	10.5%	9.6%
Russell 1000	16.3%	2.8%	6.1%	9.7%	8.2%	10.5%	9.0%

Portfolio Characteristics

	Boston Common	Russell 1000 Value
# Holdings	53	825
Valuation		
Price/EPS (NTM)	17.2	18.3
Enterprise Value/EBITDA (NTM)	11.2	12.1
Price/Book	2.7	2.4
Price/Sales	2.4	2.2
Dividend Yield	1.9%	2.0%
Growth		
3yr EPS Consensus Growth	5.9%	3.4%
3yr Sales consensus Growth	3.4%	2.0%
Quality		
Beta**	0.90	1.00
LT Debt to Cap.	45.5%	42.1%
Net Debt to EBITDA	2.1	2.2
Return on Equity	34.1%	11.6%
Earnings Variability***	21.7%	21.9%
Free Cash Flow Yield	5.1%	4.4%

*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, ***Variability 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
MICRON TECHNOLOGY INC	2.6%	60.1%	0.90%	Technology
MORGAN STANLEY	3.4%	42.8%	0.77%	Financials
HANNON ARMSTRONG SUST INFR	2.8%	51.6%	0.74%	Real Estate
CITIGROUP INC	2.8%	43.4%	0.65%	Financials
APPLIED MATLS INC	2.6%	45.6%	0.64%	Technology
FIRST SOLAR INC	2.1%	49.1%	0.63%	Technology
ALBEMARLE CORP	1.2%	66.0%	0.50%	Materials
APTIV PLC	1.8%	42.1%	0.38%	Consumer Discretionary
PNC FINL SVCS GROUP INC	2.0%	35.0%	0.33%	Financials
MOHAWK INDS INC	1.3%	44.4%	0.30%	Consumer Discretionary
			5.84%	
Bottom 10				
PROCTER & GAMBLE CO	3.5%	0.5%	-0.55%	Consumer Staples
VERIZON COMMUNICATIONS INC	3.4%	-0.2%	-0.52%	Communication Services
BIOGEN INC	1.6%	-13.7%	-0.50%	Healthcare
MERCK & CO. INC	2.9%	-0.6%	-0.48%	Healthcare
AMGEN INC	1.7%	-8.9%	-0.46%	Healthcare
GILEAD SCIENCES INC	1.9%	-6.8%	-0.44%	Healthcare
LOWES COS INC	2.2%	-2.9%	-0.43%	Consumer Discretionary
KB HOME	1.2%	-12.3%	-0.37%	Consumer Discretionary
PERRIGO CO	1.4%	-5.1%	-0.35%	Healthcare
FIDELITY NATL INFO SVC	1.6%	-3.7%	-0.34%	Technology
			-4.45%	

Portfolio Activity

Closed	Sector	% of Port.
DANAHER CORPORATION	Healthcare	1.6%
PERRIGO CO PLC	Healthcare	1.4%
THERMO FISHER SCIENTIFIC INC	Healthcare	1.6%
Total Closed		4.7%
New	Sector	% of Port.
CARRIER GLOBAL CORPORATION	Industrials	1.4%
KIMBERLY CLARK CORP	Consumer Staples	1.0%
STEEL DYNAMICS INC	Materials	0.9%
Total New		3.4%

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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