

Emerging Markets Strategy Update

First Quarter, 2021

For professional investors only



Portfolio Review

The Boston Common Sustainable Emerging Markets strategy rose +1.5% during the quarter before fees, trailing the MSCI EM Index (“the Index”). Rising commodity prices and an increase in long-term interest rates pressured some of our high-quality growth holdings and aided depressed cyclical value stocks. These market conditions have been challenging for our relative performance.

Stock selection in the Technology sector was the largest detractor from performance. Xinyi Solar declined sharply on concerns about peaking solar glass prices. Brazilian digital payment provider PagSeguro also sold off. Our underweight to and stock selection in the outperforming Materials sector was another area of relative weakness. Holdings in secular growth areas such as EV battery (LG Chem) and sustainable packaging (Mondi) did not keep up with their more commodity-oriented peers. Stock selection in Financials also pressured relative results. Credicorp in Peru and Itau Unibanco in Brazil were weakened by rising COVID cases and political risks. Other notable detractors included Chinese internet companies Alibaba and New Oriental Education, where regulatory headwinds continue to pressure investor sentiment. From a country standpoint, Brazil was the primary detractor.

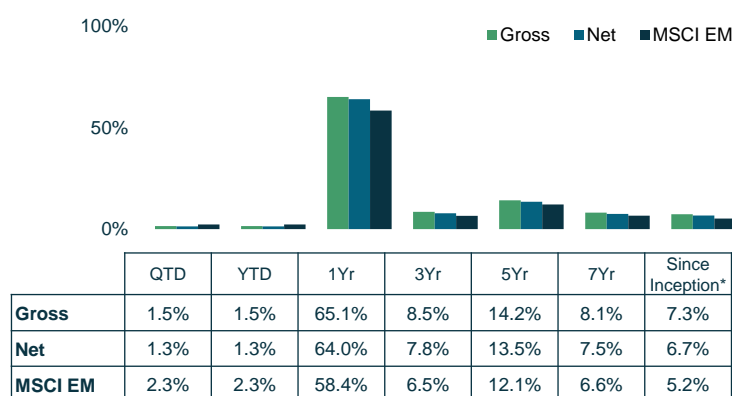
Our stock selection in Consumer Discretionary was the largest contributor this quarter. Expectations of recovering travel demand propelled China travel company Ctrip higher. Taiwan’s Giant Manufacturing, the world’s largest bike manufacturer, climbed on buoyant earnings. Stock selection in Industrials was another area of strength. Chinese heavy diesel engine leader Weichai Power was boosted by solid industry demand as well as optimism around its hydrogen fuel cell developments. Our holdings in Healthcare also added value. Herbal medical company China Traditional Chinese Medicine Holdings rallied on prospects that its parent company would take it private. Other notable contributors included our semiconductor holdings SK Hynix & Taiwan Semiconductor, as well as Asian banks Kasikornbank in Thailand and Bank of Communications in China.

Portfolio Activity

Among our portfolio actions this quarter, we purchased Longfor, a leading real estate company in China. The Chinese government has enacted a series of regulations to address the industry’s excesses and curtail speculation. We believe Longfor is well placed to be an industry consolidator and benefit from the continued trend in urbanization, thanks to its strong balance sheet, high-quality real estate portfolio, and a growing recurring services revenue stream. Management has a strong track record in capital allocation and shareholder returns, boasting a 19% ROE and a 45% dividend payout ratio, one of the highest in the industry. We are encouraged to see the company launch an ESG committee at the Board level and view the current valuation of 10x forward earnings as attractive considering Longfor’s earnings prospects and ESG momentum.

We also added to SK Telecom, Korea’s largest mobile service provider, given its attractive valuation. SK Telecom’s core business is valued at less than 1.5x EV/EBITDA based on our bottom-up analysis, while the potential for corporate restructuring or an IPO of key assets could further unlock shareholder value. This quarter, we sold drugstore operator Raia Drogasil in Brazil. Raia’s business fundamentals remain resilient in a challenging macro environment but given its current valuation of 45x forward P/E, we believe the equity offers less upside potential.

Performance



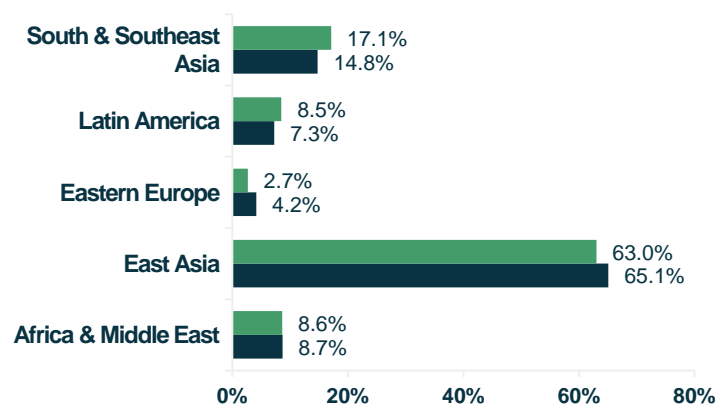
Portfolio Characteristics

	Boston Common	MSCI EM
# Holdings	50	1,392
Valuation		
Price/EPS (NTM)	16.5	15.6
Enterprise Value/EBITDA (NTM)	10.5	10.2
Price/Book	2.7	2.5
Price/Sales	2.0	2.0
Dividend Yield	1.4%	1.7%
Growth		
3yr EPS Consensus Growth	16.7%	14.9%
3yr Sales consensus Growth	10.80%	8.8%
Quality		
Beta**	1.01	1.00
LT Debt to Cap.	23.0%	20.7%
Net Debt to EBITDA	0.4	0.2
Return on Equity	12.5%	12.0%
Earnings Variability***	26.8%	0.3
Free Cash Flow Yield	3.5%	4.9%

Source: Internal Portfolio Data. Past performance does not guarantee future results. All investments involve risk, including the risk of losing principal

*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. ***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

Regional Allocation



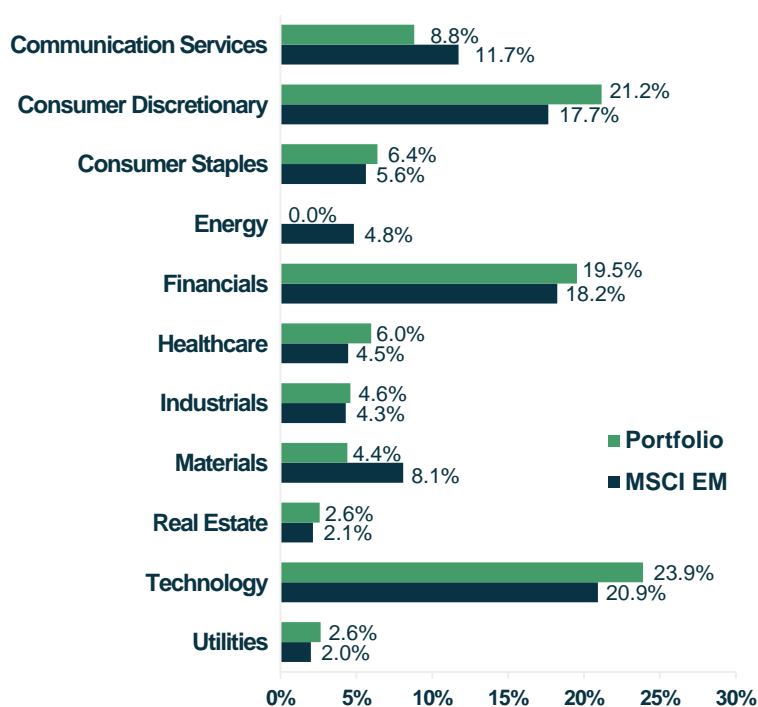
Portfolio Activity

Closed	Sector	% of Port.
RAIA DROGASIL SA	Consumer Staples	1.1%
Total Closed		1.1%
New	Sector	% of Port.
LONGFOR GROUP HLDGS LTD SHS	Real Estate	1.1%
Total New		1.1%

Contributors & Detractors

Top 10	% of Capital	Return	Relative Contrib.	Sector
NASPERS	4.2%	16.2%	0.51%	Consumer Discretionary
TAIWAN SEMICONDUCTOR	7.5%	8.8%	0.44%	Technology
CHINA TRAD CHINESE	2.0%	25.4%	0.37%	Healthcare
WEICHAH POWER CO	2.4%	22.6%	0.33%	Industrials
KASIKORNBANK PCL	1.6%	23.0%	0.28%	Financials
GIANT MANUFACTURING	1.2%	23.2%	0.25%	Consumer Discretionary
DELTA ELECTRONIC	3.6%	7.8%	0.22%	Technology
TRIP COM INTL LTD	1.7%	17.5%	0.22%	Consumer Discretionary
BANK OF COMM.	1.2%	20.4%	0.21%	Financials
SK HYNIX INC	5.8%	6.8%	0.21%	Technology
			3.03%	
Bottom 10				
XINYI SOLAR HOLDINGS LTD	2.0%	-37.2%	-0.85%	Technology
ITAU UNIBANCO HLDG SA	2.0%	-17.7%	-0.44%	Financials
PAGSEGURO DIGITAL LTD	1.8%	-19.0%	-0.37%	Technology
NEW ORIENTAL ED & TECHI	1.2%	-24.7%	-0.35%	Consumer Discretionary
ALIBABA GROUP HLDG LTD	6.0%	-2.5%	-0.34%	Consumer Discretionary
CREDICORP LTD	1.4%	-16.9%	-0.30%	Financials
RAIA DROGASIL SA	0.7%	-20.5%	-0.23%	Consumer Staples
ACE HARDWARE INDON	1.3%	-14.0%	-0.22%	Consumer Discretionary
BIOCON LTD	1.3%	-12.4%	-0.20%	Healthcare
HYPERA SA	1.2%	-13.5%	-0.20%	Healthcare
			-3.50%	

Sector Allocation



Shareowner Engagement Highlights

Corporate Political & Lobbying Practices

We asked several US portfolio holdings to stop political donations to representatives who opposed the election results and to close their corporate Political Action Committees.

Human Rights in the Xinjiang Uyghur Autonomous Region

We joined the Investor Alliance on Human Rights (IAHR) in leading outreach to apparel and technology companies on addressing human rights abuses in the region.

We came to agreements with half of the companies we filed shareholder proposals with, withdrawing from the companies below:

- ✓ [Citigroup committed](#) to net-zero GHG emissions by 2050 and joined PCAF
- ✓ 3M enhanced its **lobbying disclosure**
- ✓ Gilead & Regeneron increased **COVID therapeutics access strategies disclosures**
- ✓ Booking.com improved its **climate-related disclosures**
- ✓ Advanced Auto Parts committed to joining the [Science-Based Targets Initiative](#)

Source: Internal Portfolio Data. Past performance does not guarantee future results. All investments involve risk, including the risk of losing principal.

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