

# International Strategy Update

## First Quarter, 2021

For professional investors only



### Portfolio Review

A composite of Boston Common's International portfolios returned +0.2% before fees, underperforming the MSCI EAFE 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, more heavily weighted in the Index. 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. Japanese electronic component supplier TDK and machine vision provider Keyence also sold off. Stock selection in Consumer Discretionary, especially autos, was the next major detractor. Our auto parts holding Valeo declined while the auto companies in the Index rallied. Adidas faced pressure in China related to its supply chain policy on human rights and underperformed its peers. Consumer Staples was also a drag, as household and personal care companies Kao and Unilever and food ingredient producer Kerry faced headwinds from investors' shifting sentiment. Japan, including specialty lens manufacturer Hoya, was the largest regional detractor, followed by Europe ex. UK, where wind energy holdings Orsted and Vestas were additional detractors.

Stock selection in the Financials sector was the top contributor to returns. Dutch bank ING and French insurer AXA benefited from rising interest rates and the style rotation. Japanese diversified financial provider Orix was also strong. Stock selection in Communication Services was also positive, led by Deutsche Telekom. Industrial holdings accounted for four of the top ten individual contributors. Swedish entrance systems producer Assa Abloy and compressor manufacturer Atlas Copco gained with the improving cyclical outlook. German warehouse equipment provider Kion and Recruit, the Japanese placement agency and owner of the Indeed platform, were also strong. Additional key contributors included European semiconductor companies ASML and Infineon and South African internet holding company Naspers.

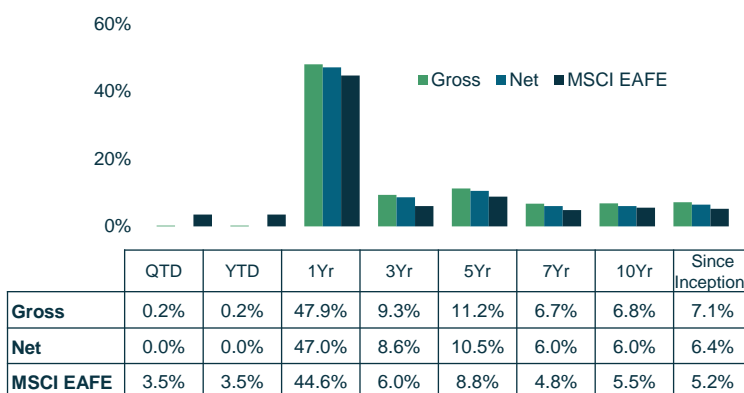
### Portfolio Activity

Among our transactions this quarter we purchased Oversea-Chinese Banking Corporation (OCBC), a high-quality Singaporean bank with exposure to emerging Asia. Singapore's banking market is attractive based on the country's political and legal stability and position as an Asian trading hub levered to an improving global economy. OCBC has strong wealth management and life insurance franchises that complement its business and household lending operations. The bank has demonstrated prudent credit underwriting, including attention to environmental impact, and supports micro and small businesses in underserved markets, especially in Indonesia and Malaysia. OCBC is trading at just over 1x book value with a dividend yield over 4% at a suppressed payout rate.

We also bought Volvo, the world's third-largest truck manufacturer and a top ten construction equipment producer. The company is poised to benefit from the economic recovery as well as global infrastructure development. With over five years of experience selling electric buses and last year's launch of its electric truck line, Volvo is effectively managing the transition away from internal combustion engines. Volvo has improved its profitability and strengthened its balance sheet, and its valuation looks attractive at 14.5x earnings.

During the quarter we sold two technology holdings, ASML and Keyence, after a long period of outperformance. In both cases, we believe price to earnings ratios of about 50x appear excessive relative to the companies' leadership in the fundamentally attractive semiconductor equipment and machine vision industries.

### Performance



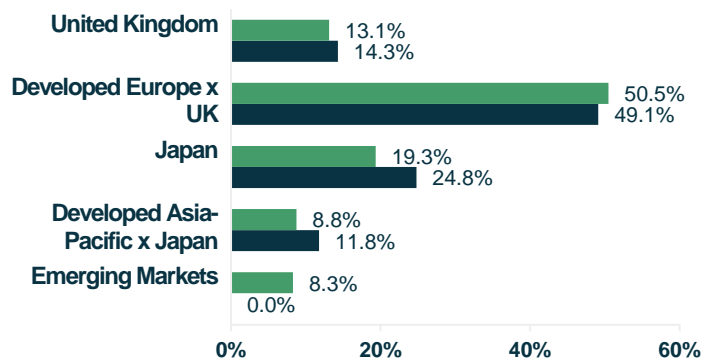
### Portfolio Characteristics

	Boston Common	MSCI EAFE
<b># Holdings</b>	58	876
<b>Valuation</b>		
Price/EPS (NTM)	19.3	17.8
Enterprise Value/EBITDA (NTM)	12.7	11.5
Price/Book	2.4	2.1
Price/Sales	1.9	1.7
Dividend Yield	1.7%	2.1%
<b>Growth</b>		
3yr EPS Consensus Growth	10.1%	7.5%
3yr Sales Growth	4.9%	3.5%
<b>Quality</b>		
Beta**	0.92	1.00
LT Debt to Cap	30.8%	
Net Debt to EBITDA	1.4	1.7
Return on Equity	12.8%	12.8%
Earnings Variability***	20.5%	26.0%
Free Cash Flow Yield	4.3%	5.4%

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, 2004 \*\*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



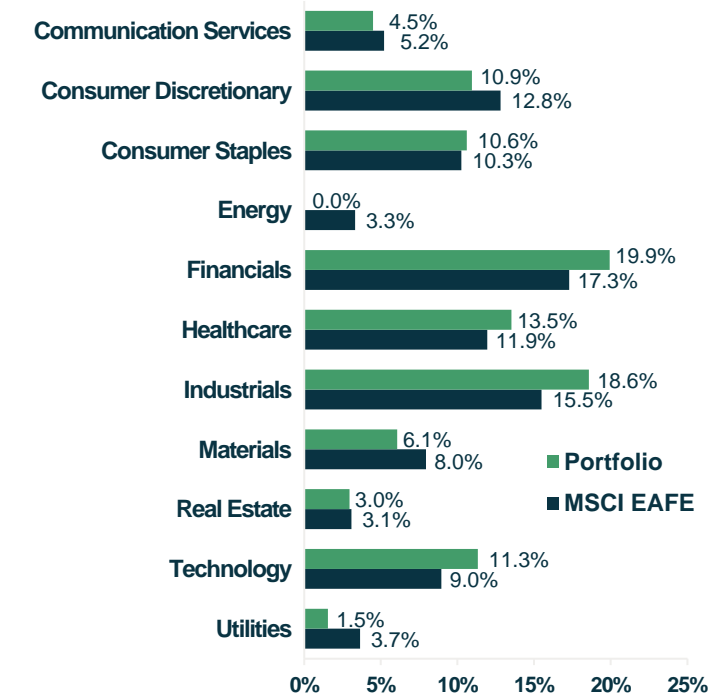
## Portfolio Activity

Closed	Sector	% of Port.
ASML HOLDING NV	Technology	1.2%
KEYENCE CORP	Technology	1.3%
<b>Total Closed</b>		<b>2.6%</b>
New	Sector	% of Port.
OVERSEA-CHINESE BANKING CORP	Financials	1.5%
VOLVO AB B	Industrials	1.2%
<b>Total New</b>		<b>2.7%</b>

## Contributors & Detractors

Top 10	% of Capital	Return	Relative Contrib.	Sector
ING GROEP N.V.	2.9%	32.8%	0.76%	Financials
AXA	2.7%	11.8%	0.23%	Financials
ASSA ABLOY	1.6%	16.8%	0.20%	Industrials
ATLAS COPCO AB	1.7%	16.3%	0.19%	Industrials
ASML HOLDING	0.8%	19.4%	0.19%	Technology
ORIX CORP	2.4%	12.5%	0.19%	Financials
KION GROUP	1.6%	13.8%	0.16%	Industrials
NASPERS	1.5%	16.4%	0.16%	Consumer Discretionary
INFINEON TECHNOLOG	2.4%	11.1%	0.16%	Technology
RECRUIT HLDGS CO L	1.6%	16.9%	0.15%	Industrials
<b>Bottom 10</b>				
XINYI SOLAR HOLDINGS LTD	1.5%	-37.5%	-0.67%	Technology
ORSTED A/S	1.7%	-20.1%	-0.41%	Utilities
HOYA CORP	2.0%	-14.9%	-0.39%	Healthcare
VESTAS WIND SYSTEM	1.9%	-13.0%	-0.34%	Industrials
KAO CORP	1.7%	-14.4%	-0.33%	Consumer Staples
KERRY GROUP	1.7%	-13.5%	-0.31%	Consumer Staples
TDK CORP	2.7%	-7.3%	-0.31%	Technology
ADIDAS	1.5%	-14.0%	-0.30%	Consumer Discretionary
KEYENCE CORP	1.2%	-17.0%	-0.27%	Technology
UNILEVER	2.5%	-6.8%	-0.27%	Consumer Staples
			<b>-3.60%</b>	

## 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.** The information in this document should not be considered a recommendation to buy or sell any security. There is no assurance that any securities we discuss will remain in a strategy at the time you receive this document. The securities discussed do not represent a strategy's entire portfolio and may represent only a small portion of a strategy's holdings. It should not be assumed that any securities transactions we discuss were or will prove to be profitable. A different company is selected each quarter to be featured in our Company Spotlight. The company is chosen based on any potential updates to our investment thesis and/or ESG case. Composite returns are presented in U.S. dollars, net of transaction costs, management fees and withholding taxes, with interest and dividends accrued. Returns for periods greater than one year are annualized. This product invests in foreign securities, which are subject to special currency, political and economic risks. The MSCI (Net) EAFE Index is a free-float adjusted market capitalization index that is designed to measure developed market equity performance in developed markets as determined by MSCI, excluding the U.S. and Canada. The Index's performance results are presented net of estimated foreign withholding taxes on dividends, interest and capital gains. The index is unmanaged and does not incur management fees, transaction costs, or other expenses associated with separately managed accounts. The composition of our composite is different from the composition of indices because of differences in sector and industry exposure, risk, volatility and holdings. Boston Common claims compliance with Global Investment Performance Standards (GIPS®). For a full listing of Boston Common's composites and to request a GIPS® Compliant presentation, please call the Compliance department at 617-720-5557.

