

US Large-Cap Core Strategy Update

First Quarter, 2021

For professional investors only



Performance Review

Boston Common's Tax-Exempt US Large-Cap Core account composite returned +5.7% (gross of fees) this quarter, lagging the S&P 500 Index ("the Index") modestly in a period of strong cyclical performance. Our lack of exposure to the conventional Energy sector challenged relative returns. However, stock selection and portfolio construction continue to provide positive relative performance and, on a trailing twelve-month basis, the composite (+56.1%) performance is similar to the Index (+56.4%) return.

Reflecting the strong cyclical and value components in this quarter's Index return, the Consumer Discretionary and Industrials sectors' relative outperformances were helped by housing related companies Mohawk and Home Depot in the former, and engine manufacturer Cummins, in the latter. In addition, railroad Kansas City Southern benefited from a merger proposal with Canadian Pacific Railway, adding East-West exposure to their current North-South routes. As the yield curve steepened, Banks were among the top contributors including Citigroup and PNC Financial. The current global shortages in semiconductors highlight accelerating demand amidst strong, ongoing secular growth prospects, contributing to strong performance by memory chip maker Micron Technologies and equipment manufacturer Applied Materials. In addition, Google parent, Alphabet, and capital markets specialist Morgan Stanley provided robust results.

The Real Estate sector was the primary detractor this quarter as renewables infrastructure financier Hannon Armstrong, having doubled in price last year, experienced profit taking this quarter. Technology holdings, including Apple, Adobe, First Solar, and Visa, languished. Returns in more defensive holdings, such as telecom provider Verizon and pharmaceutical leader Merck, or holdings that have been viewed as 'shutdown' beneficiaries, such as media content provider Netflix, were also weak. Customer relations software company, Salesforce, struggled as investors maintain skepticism around a recent acquisition.

Portfolio Activity

As we gained more clarity about the economic and vaccination trajectory, we made several changes to the portfolio. Leaning into economic normalization, we selectively added cyclical exposure with a focus on companies that stand to benefit from economic reopening like online travel agency, Bookings.com. At the same time, we have scaled back our overweight to Technology, trimming both Apple and Micron Technology.

With a steepening yield curve and higher financial asset prices, we continued to increase our exposure to Financials. We added Ameriprise Financial, a diversified services group with a growing global footprint. Their embedded ESG offerings leverage their asset accumulation abilities. In Real Estate, we sold the more defensive healthcare focused office developer Alexandria Real Estate for Kimco Realty. This REIT develops and owns grocery-anchored malls, and is working with its retail tenants, large and small, to reimagine the customer experience, from traditional in-store retailing to curb side pick-up to web-based fulfillment.

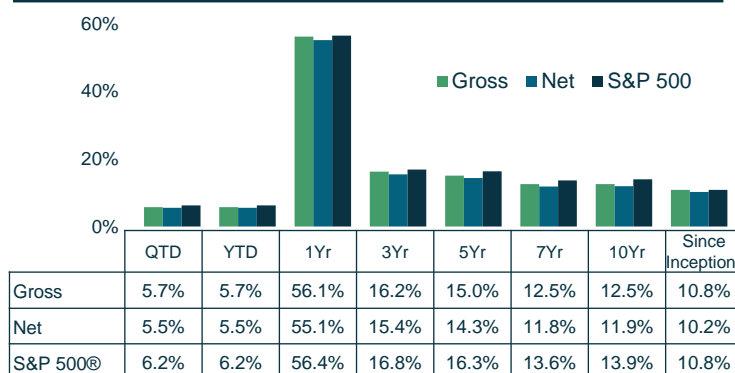
The US's return to the Paris Climate Accord reestablishes this country's commitment to decarbonize. The electrification of transportation remains a key variable in this fight. As electric vehicle (EV) technology advances we continue to find investment opportunities, including Magna International, the 3rd largest auto

parts supplier globally. Its powertrain technology can easily be transitioned to EVs and ongoing work to reduce vehicle weight alongside driver assisted electronics positions Magna well to continue supplying its diverse customer base of global auto manufacturers.

With the strong advance in stocks over the past twelve months and the rotation to lower valued cyclical stocks, valuation remains a key factor in portfolio construction. Our repositioning helped reduce the Portfolio P/E in the quarter. Attractive valuation relative to growth prospects underpinned the addition of Vertex Pharmaceuticals, an innovative biotech firm specializing in developing therapies for underserved medical conditions, like cystic fibrosis. We believe the company's pipeline is attractive and currently underappreciated by investors. To fund this new position, we sold biotech Gilead Sciences, where the revenue outlook appears to be challenging.

Our equity portfolios maintain a more modest "barbell" as we have, on the margin, repositioned to stocks that are beneficiaries of cyclical growth from the economic recovery and trimmed secular growth winners from the Pandemic. In Balanced accounts, Fixed Income is focused toward shorter duration bonds.

Performance



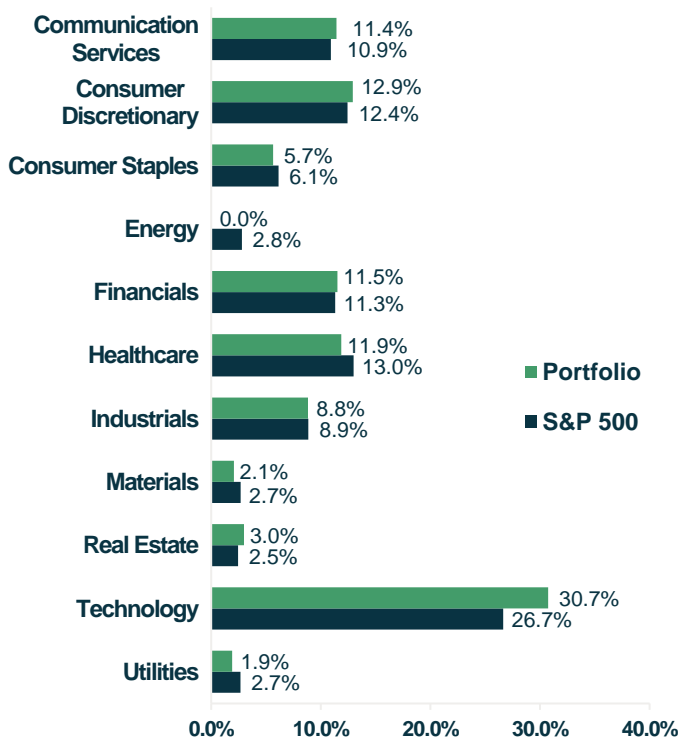
Portfolio Characteristics

	Boston Common	S&P 500
# Holdings	60	505
Valuation	Portfolio	S&P 500
Price/EPS (NTM)	21.2	22.4
Enterprise Value/EBITDA (NTM)	15.2	15.1
Price/Book	4.8	4.6
Price/Sales	3.7	3.4
Dividend Yield	1.2%	1.3%
Growth		
3yr EPS Consensus Growth	10.86%	11.87%
3yr Sales consensus Growth	6.11%	6.33%
Quality		
Beta**	0.95	1.00
LT Debt to Cap.	38.8%	42.3%
Net Debt to EBITDA	0.5	1.0
Return on Equity	13.6%	19.1%
Earnings Variability***	18.5%	20.1%
Free Cash Flow Yield	4.4%	3.9%

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, 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
MOHAWK INDS INC	2.1%	36.4%	0.54%	Consumer Discretionary
APPLIED MATLS INC	1.4%	55.1%	0.54%	Technology
ALPHABET INC	5.0%	18.1%	0.53%	Communication Services
CITIGROUP INC	2.5%	18.9%	0.30%	Financials
KANSAS CITY SOUTHERN	1.1%	29.6%	0.24%	Industrials
MICRON TECHNOLOGY INC	2.3%	17.1%	0.22%	Technology
PNC FINL SVCS GROUP INC	1.6%	18.6%	0.18%	Financials
MORGAN STANLEY	2.6%	13.9%	0.18%	Financials
HOME DEPOT INC	1.7%	15.6%	0.16%	Consumer Discretionary
CUMMINS INC	1.9%	14.7%	0.14%	Industrials
			3.02%	
Bottom 10				
APPLE INC	6.4%	-7.8%	-0.95%	Technology
HANNON ARMSTRONG SUST	2.4%	-11.6%	-0.44%	Real Estate
FIRST SOLAR INC	2.1%	-11.5%	-0.42%	Technology
VISA INC	3.6%	-3.1%	-0.34%	Technology
ADOBE INC	2.1%	-4.9%	-0.25%	Technology
MERCK & CO. INC	1.8%	-4.9%	-0.21%	Healthcare
CERNER CORP	1.3%	-8.4%	-0.20%	Healthcare
SALESFORCE COM INC	1.1%	-4.2%	-0.16%	Technology
VERIZON COMMUNICATIONS	2.4%	0.0%	-0.15%	Communication Services
NETFLIX INC	1.2%	-3.5%	-0.12%	Communication Services
			-3.25%	

Portfolio Activity

Closed	Sector	% of Port.
ALEXANDRIA REAL ESTATE EQ INC COM	Real Estate	0.9%
CARLISLE COS INC COM	Industrials	0.9%
GILEAD SCIENCES INC COM	Healthcare	1.2%
Total Closed		2.9%

New	Sector	% of Port.
AMERIPRISE FINANCIAL INC	Financials	0.8%
KIMCO RLTY CORP COM	Real Estate	0.8%
MAGNA INTL INC CL A	Consumer Discretionary	1.0%
VERTEX PHARMACEUTICALS INC COM	Healthcare	1.1%
Total New		3.7%

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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