

# US Large-Cap Core Strategy Update

## Second Quarter, 2021

For professional investors only



### Portfolio Activity

As economic and social activity in the US normalizes, our portfolio positioning has moved toward beneficiaries of increased mobility, while longer term, we continue to emphasize sustainable, attractively valued companies exposed to growing end markets.

Additions to current holdings in Consumer Discretionary have closed the underweight to this sector. Our focus on reopening highlights retailers like TJX, whose value proposition keeps shoppers coming to its stores. We also increased exposure to the auto industry, adding to both after-market retailer and distributor Advanced Auto Parts and OEM supplier Magna International. The former should benefit from increased summer auto travel and very strong used car prices, while the latter profits from rebounding new car sales and the transition to electric vehicles.

Intra-sector changes were most pronounced in Consumer Staples and Healthcare. We sold Kimberly Clark and Procter & Gamble from the portfolio, moving a more defensive posture in the sector towards higher-growth prospects embodied by spice manufacturer McCormick and boutique grocer Sprouts Farmers Market. McCormick is well positioned to deliver above-industry top-line growth, benefiting from both secular trends in healthy in-home cuisine as well as rebounding restaurant dining. Sprouts, with its focus on fresh and natural foods, has gone through a period of repositioning and is now set to expand its store base in support of healthier lifestyles. Within Healthcare, we added to Biogen on the news that the FDA approved its drug to treat Alzheimer's disease, the first new therapy approved to confront this devastating illness in nearly 20 years. We also consolidated our biotech positioning by increasing exposure to preferred holdings Regeneron and Vertex while selling Amgen.

We increased our exposure in Financials. Demographics, an abundance of savings, and democratization of investment markets remain key themes for companies like Morgan Stanley and Ameriprise Financial, which continue to expand product offerings that accumulate assets. We modestly reduced our weight within Industrials, selling Kansas City Southern. Funds were redistributed into the more diversified industrial companies of 3M and Emerson. We also increased active exposure to leaders in other industries with strong growth prospects such as streaming giant Netflix and software company Salesforce.

### Portfolio Review

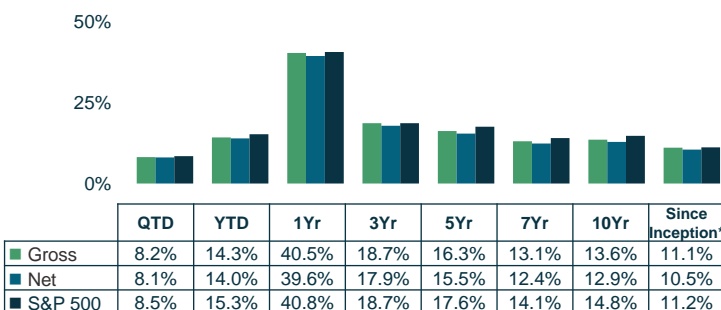
Boston Common's Tax-Exempt US Large-Cap Core account composite returned +8.2% (gross of fees) this quarter, slightly lagging the S&P 500 Index ("the Index"). On a trailing twelve-month basis, the composite's (+40.5%) performance remains in line with the Index's (+40.8%) return.

This quarter, stock selection benefited the Healthcare and Technology sectors, which were the strongest contributors to relative returns. In the former, global pharmaceutical company Novo Nordisk is seeing growth improve from its newer diabetes therapies and is receiving positive reviews for its R&D pipeline, especially in the area of obesity. Life science tools maker Waters also performed strongly, benefiting from renewed momentum under its new CEO. Mega-cap holdings Alphabet, Microsoft, and Apple rallied after a period of relative underperformance, while specialized software companies Adobe and Intuit reported strong earnings. Broadline retailer Target continued to

experience strong sales growth while healthy financial markets and higher dividends supported capital markets specialist Morgan Stanley. We sold our position in railroad Kansas City Southern after an additional takeover bid that appeared to value the company fully.

The Communications Services sector detracted from performance with Verizon's decline as investors grew concerned about capex for 5G in light of competitor AT&T's dividend cut. Also, the NY Times declined on a perceived short-term lull in political news. After strong performance in prior quarters, several cyclically oriented holdings, especially those exposed to housing and commodities, gave back some of their previous gains. Within Financials, disappointing revenue outlook hurt Citigroup, while profit-taking held back infrastructure financier Hannon Armstrong after it doubled in 2020.

### Performance



### Annual Returns

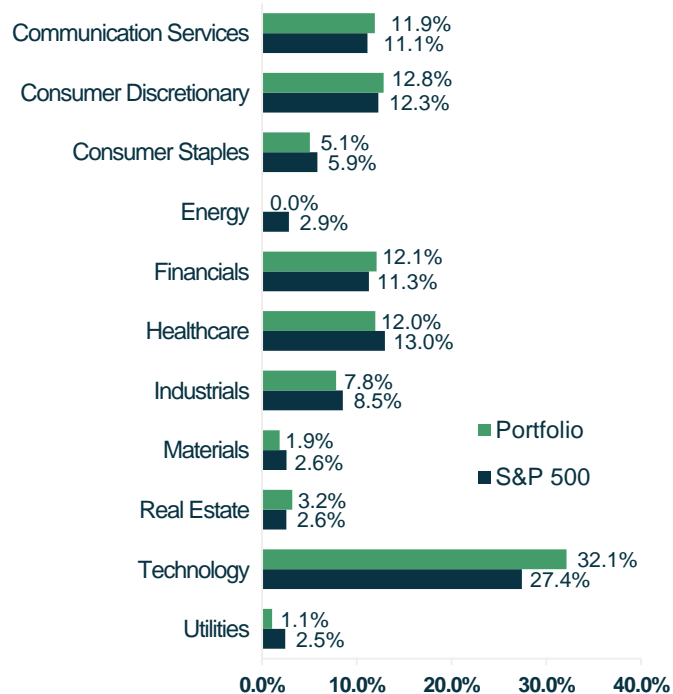
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Gross	14.3%	20.3%	29.9%	-7.2%	22.1%	9.0%	3.6%	9.8%	33.0%	15.0%
Net	14.0%	19.5%	29.1%	-7.8%	21.3%	8.3%	3.0%	9.1%	32.4%	14.4%
S&P 500	15.3%	18.4%	31.5%	-4.4%	21.8%	12.0%	1.4%	13.7%	32.4%	16.0%

### Portfolio Characteristics

	Boston Common	S&P 500
# Holdings	58	505
<b>Valuation</b>		
Price/EPS (NTM)	22.1	22.3
Enterprise Value/EBITDA (NTM)	15.4	15.3
Price/Book	4.9	4.8
Price/Sales	3.9	3.5
Dividend Yield	0.9%	1.2%
<b>Growth</b>		
3yr EPS Consensus Growth	9.9%	13.8%
3yr Sales consensus Growth	7.5%	7.0%
<b>Quality</b>		
Beta**	0.95	1.00
LT Debt to Cap.	37.1%	41.3%
Net Debt to EBITDA	0.4	0.9
Return on Equity	13.6%	19.0%
Earnings Variability***	18.4%	19.8%
Free Cash Flow Yield	4.5%	3.9%

Source: APX Advent Portfolio Exchange. 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
ALPHABET INC	5.6%	21.2%	0.61%	Communication Services
MICROSOFT	7.3%	15.2%	0.45%	Technology
INTUIT	2.2%	28.1%	0.39%	Technology
ADOBE INC	2.1%	23.2%	0.29%	Technology
MORGAN STANLEY	3.0%	18.6%	0.26%	Financials
TARGET CORP	2.1%	22.5%	0.25%	Consumer Discretionary
APPLE INC	5.5%	12.3%	0.19%	Technology
KANSAS CITY SOUTHERN	0.4%	13.8%	0.15%	Industrials
NOVO-NORDISK	1.1%	24.2%	0.14%	Healthcare
WATERS CORP	1.1%	21.3%	0.14%	Healthcare
			<b>2.86%</b>	
Bottom 10				
CITIGROUP INC	2.7%	-2.0%	-0.28%	Financials
VERIZON COMMUNICATIONS	2.3%	-2.6%	-0.25%	Communication Services
CUMMINS INC	1.8%	-5.4%	-0.25%	Industrials
MICRON TECHNOLOGY INC	1.8%	-3.6%	-0.23%	Technology
MOHAWK INDS INC	2.4%	-0.1%	-0.22%	Consumer Discretionary
NEW YORK TIMES CO	0.9%	-13.8%	-0.21%	Communication Services
DISNEY WALT CO	1.5%	-4.7%	-0.21%	Communication Services
BOOKING HOLDINGS INC	1.3%	-6.0%	-0.19%	Consumer Discretionary
TOPBUILD CORP	1.2%	-5.4%	-0.17%	Consumer Discretionary
HANNON ARMSTRONG	1.9%	0.7%	-0.16%	Real Estate
			<b>-2.18%</b>	

## Portfolio Activity

Closed	Sector	% of Port.
AMGEN INC	Healthcare	1.0%
AVANGRID INC	Utilities	0.8%
KANSAS CITY SOUTHERN	Industrials	1.3%
KIMBERLY CLARK CORP	Consumer Staples	1.2%
PROCTER & GAMBLE CO	Consumer Staples	1.2%
<b>Total Closed</b>		<b>5.4%</b>

New	Sector	% of Port.
MCCORMICK & CO INC	Consumer Staples	0.8%
ORGANON & CO	Healthcare	0.1%
SPROUTS FMRS MKT INC	Consumer Staples	0.7%
<b>Total New</b>		<b>1.5%</b>

## Shareowner Engagement Highlights

We released our [Fifth annual Impact Report](#), "Delivering Equitable, Ethical, and Environmental Returns" representing the impact of our ESG engagement efforts in 2020.

- Fifth Third Bank announced it joined the Partnership for Carbon Accounting Financials (PCAF) a key ask of our long-term engagement.
- Regeneron enhanced its disclosure around pricing decisions on its COVID-19 antibody cocktail.
- We are engaging holdings that manufacture refrigeration and air conditioning appliances to advocate adoption of alternatives to hydrofluorocarbon (HFC) refrigerants, increased refrigerant efficiency, and proper end-of-life disposal of refrigerants.
- Boston Common and Mercy Investment Services sent an investor letter to AT&T regarding CNN and anti-Native bias and recommended steps CNN can take to improve programming, staffing, and contributions related to Native Americans.

## Strategy Vehicle Options

Separate Account, Model/ADR, Mutual Fund

**Source: APX Advent Portfolio Exchange. Past performance does not guarantee future results. All investments involve risk, including the risk of losing principal**

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