

# All Country International Strategy Update

Third Quarter, 2021



## Portfolio Activity

Among our transactions this quarter we purchased three Japanese stocks (Kurita Water, Sony, and Eisai) as we are encouraged by the Japanese market's improving corporate governance and low valuations. Kurita is a leading provider of equipment and chemicals to produce ultrapure water, reclaim wastewater, and enable optimal efficiency for technology and industrial customers. In our view, Kurita's products and services should see greater demand and pricing power over time with wider appreciation of water scarcity, and the stock looks compelling, trading at 10x EBITDA. Sony's video gaming, music, and image sensor businesses form the core of an attractive growth profile. The company's PlayStation franchise is in the midst of a new hardware cycle, as its platform benefits from digitalization. The consolidated music industry offers long-term asset value as well as expansion from streaming services. Sony's environmental management is based on life cycle assessments and women account for 33% of board members, very high for a Japanese company. Eisai is a leader in Alzheimer's disease drug development, an area of massive unmet medical need. Eisai's innovative pipeline is complemented by a diverse set of commercial products with a focus on oncology drugs.

During the quarter, we sold British pharmaceutical company GSK, as our conviction level diminished that a catalyst could enhance its mature franchise. We also sold French industrial gas supplier Air Liquide, as its valuation reached levels that looked out of line with its financial profile. Finally, we sold Hang Lung Properties in Hong Kong, which owns and develops high-end malls, choosing to lower China property exposure.

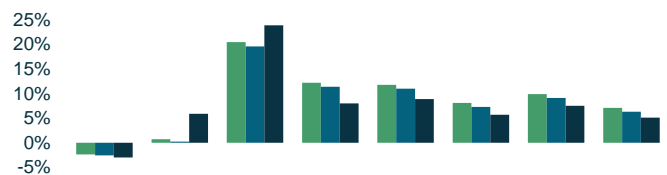
## Portfolio Review

A composite of accounts invested in the Boston Common All Country International Equity strategy fell -2.4%, modestly outperforming the MSCI ACWIxUS Index. Strong stock selection in the Communication Services, Consumer Discretionary, and Industrials sectors helped performance. Yandex, a leader in Russian Internet search, ride-hailing, and other online services, was the primary driver in Communications. Within Discretionary, Japanese firms Shimano (bike parts) and Yamaha (musical instruments) performed strongly. Within Industrials, relative results were led by Japanese job search leader Recruit and air conditioning manufacturer Daikin. Unsurprisingly, Japan was our top regional performer and included Hoya (medical/technology) and Orix (diversified financials). Additional outperformers were in Europe, led by financials ING and AXA along with insulin leader Novo Nordisk.

Stock selection in the Technology sector was the largest detractor from relative performance. Asian semiconductor firms SK Hynix and Taiwan Semiconductor delivered outlooks below expectations, while electronic component makers Delta

Electronics in Taiwan and TDK in Japan also underperformed. Consumer Staples holdings faced headwinds and were among the bottom performers: cosmetics firm LG Household in Korea, Unilever in EU, and Shiseido in Japan. From a regional perspective, Emerging Markets was the top drag on performance. Besides the above-mentioned stocks, ecommerce giant Alibaba and South African internet holding company Naspers were pressured by China's barrage of business restrictions, Ping An Insurance sold off in sympathy with Chinese real-estate, while China Traditional Medicine (TCM) fell as a potential privatization offer did not transpire.

## Performance



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	-2.4%	0.7%	20.5%	12.2%	11.8%	8.1%	9.9%	7.1%
Net	-2.6%	0.2%	19.6%	11.4%	11.0%	7.3%	9.1%	6.3%
MSCI ACWIxUS	-3.0%	5.9%	23.9%	8.0%	8.9%	5.7%	7.5%	5.1%

## Annual Returns

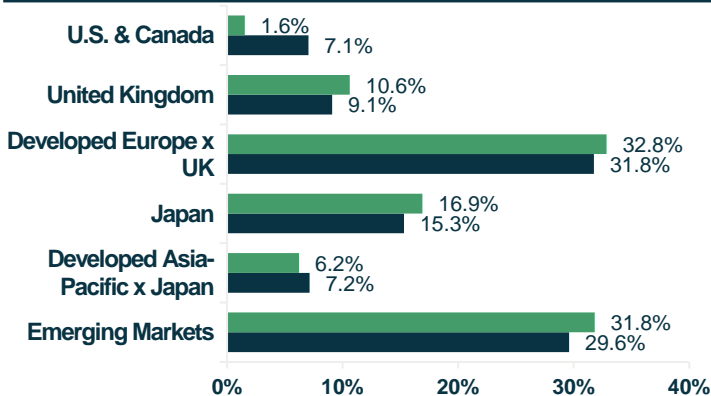
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Gross	0.7%	26.3%	25.4%	-12.3%	31.5%	1.0%	-4.7%	-1.8%	17.5%	17.6%
Net	0.2%	25.4%	24.5%	-13.0%	30.5%	0.1%	-5.4%	-2.5%	16.7%	16.9%
MSCI ACWIXUS	5.9%	10.7%	21.5%	-14.2%	27.2%	4.5%	-5.7%	-3.9%	15.3%	16.8%

## Portfolio Characteristics

	Boston Common	MSCI ACWIxUS
# Holdings	62	2,354
<b>Valuation</b>		
Price/EPS (NTM)	16.7	15.0
Enterprise Value/EBITDA (NTM)	11.0	8.9
Price/Book	2.4	2.1
Price/Sales	2.0	1.7
Dividend Yield	1.7%	2.1%
<b>Growth</b>		
3yr EPS Consensus Growth	14.1%	7.2%
3yr Sales consensus Growth	7.6%	6.4%
<b>Quality</b>		
Beta**	1.07	1.00
LT Debt to Cap.	26.2%	27.9%
Net Debt to EBITDA	2.4	1.5
Return on Equity	11.3%	12.9%
Earnings Variability***	23.4%	27.0%
Free Cash Flow Yield	3.8%	4.9%

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, 2010, \*\*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.
AIR LIQUIDE(L')	Materials	1.2%
BANK RAKYAT INDONESIA RIGHTS	Financials	0.0%
GLAXOSMITHKLINE PLC SPONSORED ADR	Healthcare	1.2%
HANG LUNG PROP	Real Estate	1.3%
Total Closed		3.6%

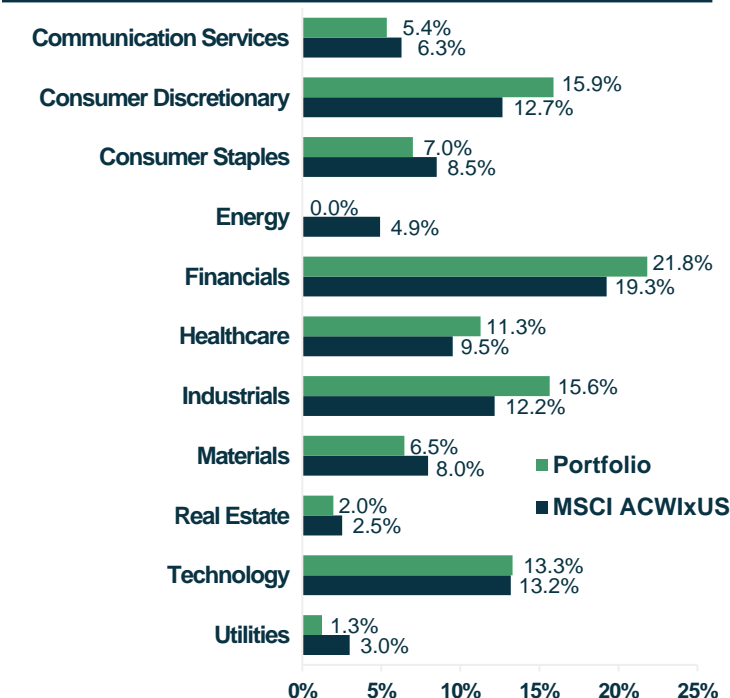
New	Sector	% of Port.
BANK RAKYAT INDONESIA RIGHTS	Financials	0.0%
EISAI CO., LTD	Healthcare	1.1%
KURITA WATER INDUSTRIES LT	Industrials	1.3%
SONY GROUP CORP	Consumer Discretionary	1.3%
Total New		3.7%

## Contributors & Detractors

Top 10	% of Capital	Return	Relative Contrib.	Sector
SHIMANO INC	1.8%	24.3%	0.42%	Consumer Discretionary
HOYA CORP	2.2%	18.3%	0.41%	Healthcare
ING GROEP N.V.	2.4%	10.3%	0.32%	Financials
RECRUIT HLDGS CO L	1.3%	24.4%	0.31%	Industrials
ORIX CORP	2.0%	14.0%	0.31%	Financials
DAIKIN INDUSTRIES	1.7%	18.0%	0.28%	Industrials
AXA	2.2%	10.1%	0.27%	Financials
YAMAHA CORP	1.5%	16.8%	0.26%	Consumer Discretionary
MACQUARIE GP LTD	1.9%	11.5%	0.26%	Financials
NOVO NORDISK A/S	1.5%	16.1%	0.26%	Healthcare
			<b>3.10%</b>	

Bottom 10	% of Capital	Return	Relative Contrib.	Sector
ALIBABA GROUP HLDG LTD	2.4%	-34.7%	-0.95%	Consumer Discretionary
PING AN INSURANCE	1.4%	-28.8%	-0.43%	Financials
LG HOUSEHOLD&HEALT	1.3%	-27.8%	-0.39%	Consumer Staples
SK HYNIX INC	1.6%	-23.2%	-0.37%	Technology
NASPERS	1.6%	-21.1%	-0.34%	Consumer Discretionary
CHINA TRAD CHINESE	1.1%	-24.6%	-0.30%	Healthcare
ADIDAS	2.2%	-15.4%	-0.28%	Consumer Discretionary
DELTA ELECTRONIC	1.7%	-15.7%	-0.23%	Technology
CANADIAN PAC RY LTD	1.6%	-15.3%	-0.22%	Industrials
TAIWAN SEMICONDUCTOR	3.7%	-6.8%	-0.14%	Technology
			<b>-3.64%</b>	

## Sector Allocation



## Shareowner Engagement Highlights

Boston Common announced the [launch of a new mutual fund](#) vehicle for our Emerging Markets strategy, providing investors another avenue of access to a diversified portfolio of EM companies with sound governance and sustainable business models.

Out of over 4,000 Certified B Corps, Boston Common was named [Best for the World 2021](#), placing us among the top 5% of B Corps in the Clients impact area.

### Refrigerants engagement

Boston Common engaged holdings that manufacture refrigeration and air conditioning appliances. Dialogues focused on global warming potential (GWP) product disclosure, transition to low GWP refrigerants, circularity, and emissions reductions targets & collaborative platforms.

### Climate change & inclusive finance with banks

We are engaging insurers Axa and Ping An on integrating climate risk in underwriting and investment portfolios.

## Strategy Vehicle Options

Separate Account, Commingled Fund, Model/ADR, Mutual Fund\*\*

\*\*Subadvised by Boston Common

**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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