

# Global Impact Equity Strategy Update

Third Quarter, 2021



## Portfolio Activity

Among our transactions this month, we purchased and sold two stocks. Within the impact theme of organic & healthier food, we bought McCormick, a leading global ingredient and flavor solutions provider. Its focus on spices, seasonings, baking ingredients, and condiments positions the company in a superior growth category. The company sells to consumers (natural and organic seasoning, 61% of sales) and to the food manufacturing and service industry (flavor solutions, 39% of sales). We anticipate this company to deliver above-industry top-line growth, as it benefits from both secular trends in healthy in-home cuisine as well as rebounding restaurant dining. McCormick has strong sustainability practices and a solid track record of prudent capital allocation. As McCormick's supply chain is heavily dependent on agricultural activities, it implemented strong policies, training, and monitoring strategies to safeguard sustainability in the company's supply chain.

The other stock we bought is Kurita Water Industries, a Japan-based 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. Kurita has launched a concept of "CSV Businesses" which are products and services that contribute to water savings, CO2 reductions, waste reduction and contribute to SDG 6 [Clean Water & Sanitation]. Ultrapure water is water of extremely high purity (only one gram of impurity in an amount of water that would fill the Tokyo Dome) and is essential for the manufacturing of electronic devices, such as semiconductors and liquid crystals. Kurita aims to save its customers 240 million cubic meters of water by 2023.

To finance these purchases, we sold Grifols following an expensive acquisition that materially increased its debt burden, and Swedish personal care company Essity. The latter's personal care and professional hygiene businesses have benefited from normalization of economic activities. However, we have less conviction in the company's ability to navigate margin pressures within its consumer tissue segment, driven by continued volatility in pulp pricing.

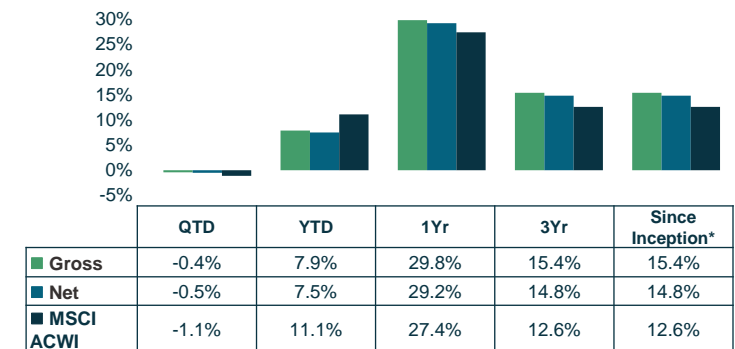
## Portfolio Review

The Boston Common Global Impact strategy fell -0.4% before fees, modestly less than the MSCI ACWI Index ("the Index"). Stock selection in the Consumer Discretionary, Industrial, and Materials sectors was the largest contributor to relative performance. Within the consumer sector, Japanese holdings Shimano (bike components) and Yamaha (musical instruments) performed strongly amidst growing demand for leisure products. Manufacturers of highly efficient HVAC systems Carrier (US) and Daikin (Japan) drove outperformance within Industrials. Within Materials, green chemical specialists Borregaard (Norway) and Croda International (UK) were stronger than most

metal and mining companies in the Index. Unsurprisingly, Japan led relative performance from a regional perspective with additional help from financial services firm Orix. Additional contributors included US financial solutions software leader Intuit and water utility American Water Works.

Stock selection in Technology and Healthcare were primary detractors from relative performance. In the former, US holdings were weak: telecom equipment provider Ciena, semiconductor equipment maker Applied Materials, and cloud software provider VMware. In the latter, global biopharma holdings China Traditional Medicine (China), Biogen (US), and Grifols (Spain) lagged, in addition to genomic sequencing leader Illumina and electronic health software provider Cerner. From a regional perspective, US holdings detracted from relative performance. Additional detractors included healthy grocer Sprouts Farmers Markets and China's leading insurer Ping An.

## Performance



## Annual Returns

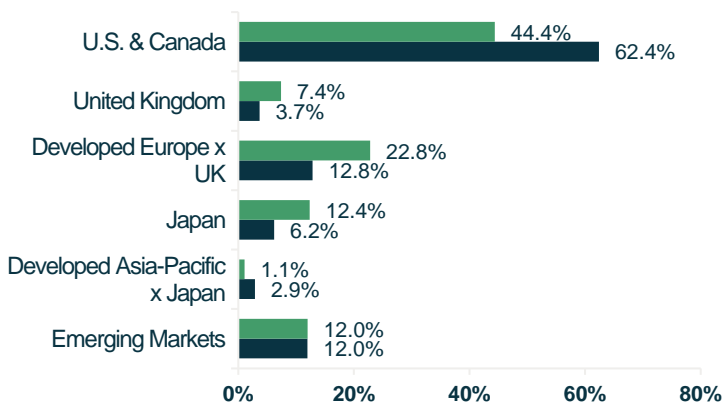
	2021 YTD	2020	2019	2018
Gross	7.9%	25.8%	27.8%	-11.3%
Net	7.5%	25.0%	27.1%	-11.4%
MSCI ACWI	11.1%	16.3%	26.6%	-12.8%

## Portfolio Characteristics

	Boston Common	MSCI ACWI
# Holdings	53	2,979
<b>Valuation</b>		
Price/EPS (NTM)	19.4	18.1
Enterprise Value/EBITDA (NTM)	13.3	11.7
Price/Book	3.2	3.1
Price/Sales	2.4	2.4
Dividend Yield	1.1%	1.6%
<b>Growth</b>		
3yr EPS Consensus Growth	11.7%	10.6%
3yr Sales Growth	8.5%	7.2%
<b>Quality</b>		
Beta**	1.01	1.00
LT Debt to Cap.	30.8%	34.7%
Net Debt to EBITDA	1.7	1.8
Return on Equity	8.5%	15.9%
Earnings Variability***	19.1%	23.2%
Free Cash Flow Yield	4.3%	4.1%

Source: APX Advent Portfolio Exchange. Past performance does not guarantee future results. All investments involve risk, including the risk of losing principal  
 \*Since Inception: September 30, 2018 \*\*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.
BANK RAKYAT INDONESIA RIGHTS	Financials	0.0%
ESSITY AB	Consumer Staples	1.2%
<b>Total Closed</b>		<b>1.2%</b>

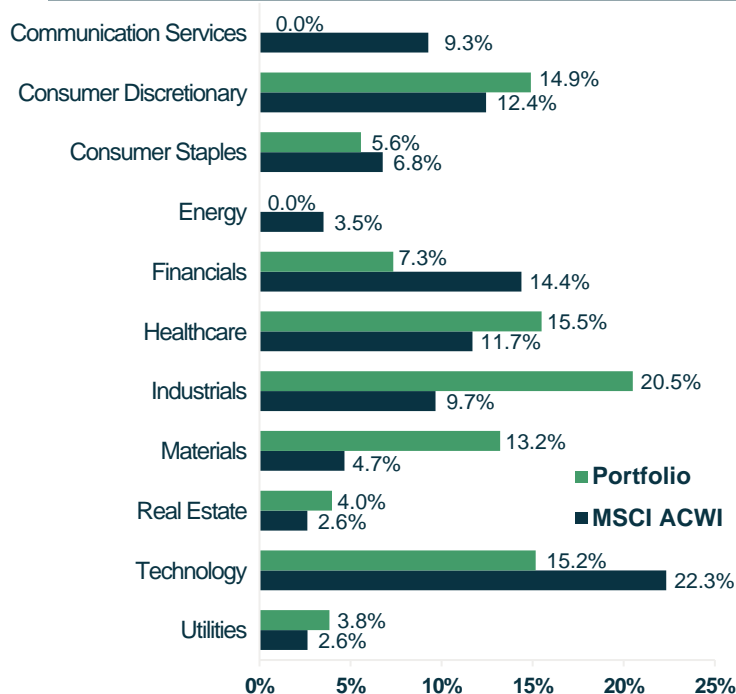
New	Sector	% of Port.
BANK RAKYAT INDONESIA RIGHTS	Financials	0.0%
KURITA WATER INDUSTRIES LT	Industrials	1.4%
MCCORMICK & CO INC	Consumer Staples	1.3%
<b>Total New</b>		<b>2.7%</b>

## Contributors & Detractors

Top 10	% of Capital	Return	Relative Contrib.	Sector
SHIMANO INC	2.7%	24.3%	0.57%	Consumer Discretionary
YAMAHA CORP	2.1%	16.8%	0.34%	Consumer Discretionary
ORIX CORP	2.1%	14.0%	0.29%	Financials
BORREGAARD ASA SHS	2.4%	11.4%	0.29%	Materials
HOYA CORP	1.5%	18.3%	0.25%	Healthcare
CARRIER GLOBAL CORPORATION	3.1%	6.6%	0.25%	Industrials
DAIKIN INDUSTRIES	1.6%	18.0%	0.25%	Industrials
INTUIT	2.4%	10.2%	0.25%	Technology
CRODA INTL	1.8%	13.7%	0.24%	Materials
AMERICAN WTR WKS CO INC	2.2%	10.0%	0.22%	Utilities
			<b>2.94%</b>	

Bottom 10	% of Capital	Return	Relative Contrib.	Sector
CHINA TRAD CHINESE	1.7%	-24.6%	-0.49%	Healthcare
PING AN INSURANCE	1.4%	-29.2%	-0.44%	Financials
BIOGEN INC	1.4%	-18.3%	-0.26%	Healthcare
ILLUMINA INC	1.7%	-14.3%	-0.22%	Healthcare
GRIFOLS S A SP	1.1%	-16.1%	-0.16%	Healthcare
CIENA CORP	1.8%	-9.7%	-0.16%	Technology
APPLIED MATLS INC	1.7%	-9.4%	-0.15%	Technology
CERNER CORP	1.7%	-9.5%	-0.15%	Healthcare
VMWARE INC	1.8%	-7.0%	-0.11%	Technology
SPROUTS FMRS MKT INC	2.0%	-6.8%	-0.11%	Consumer Staples
			<b>-2.25%</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 Advert Portfolio Exchange. 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) ACWI Index is a free-float adjusted, market capitalization-weighted index of the largest publicly traded companies listed on the exchanges of the developed and emerging market countries around the world. 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 these 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.