

# US Large-Cap Value Strategy Update

## Third Quarter, 2021



### Portfolio Activity

Our Value portfolios remain focused on sustainable product companies, ESG leaders or improving ESG companies with attractive valuations, appealing structural drivers, and potential catalysts for rerating. The portfolio has been invested to benefit from economic normalization and sustainability-driven investment spending, reflected in our overweight to the Consumer Discretionary and Industrial sectors and increased exposure to banks. We continue to tweak the portfolio's "barbell" positioning between cyclical and defensive exposures, but valuation considerations drove much of this quarter's activity.

We took profits from successful stock picks in several sectors as valuations rose to levels incompatible with our Value style-discipline. As these names continue to experience strong performance, we took the opportunity to refresh the portfolio with more attractively valued names. In Healthcare, we sold analytical instrument maker Agilent, while in Consumer Discretionary we sold Aptiv PLC, an auto parts supplier with exposure to the EV and autonomous driving markets. We sold long-term Industrials holding Xylem, a solutions provider for water infrastructure, and we exited Materials name Albemarle as the spot price for lithium, a critical input for EV batteries, recorded near-term highs. We modestly trimmed Target, another strong performing long-term holding.

We added to global auto parts supplier Magna international, a beneficiary of the electrification of transportation. Demand for its core expertise in drivetrains, sensors, and other structural items should remain healthy through the transition to EVs and automated driving. The stock was pressured with other traditional automakers as semiconductor shortages created production bottlenecks, providing an attractive entry point.

In the Materials sector, we added new holding WestRock, a leading provider of corrugated packaging solutions to many end users, including consumer product companies. The growing adoption of recycled and responsible packaging in lieu of single-use plastics should continue to provide a secular tailwind to what had been a commodity-based business.

In Industrials we purchased United Rentals, a US-based equipment rental business that should benefit as economic activity picks up. The company is a leader in a fragmented market and participates in the trend towards "rent versus purchase." In Healthcare we added Henry Schein, a dental and medical products distributor that should see more activity as patients return for delayed services and procedures. We also added to Organon, a recent spin-off from Merck with an attractive risk/reward proposition, as the newly independent management stabilizes its execution capabilities.

### Portfolio Review

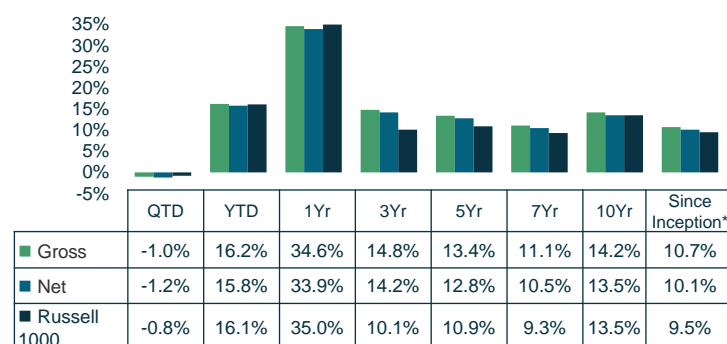
Boston Common's Tax-Exempt US Value Equity account composite declined -1.1%, gross of fees this quarter, lagging the Russell 1000 Value Index ("the Index") modestly. Year to date, the composite remains slightly ahead rising +16.3% to the Index's +16.1%.

The cyclical Materials and Industrials sectors benefited from strong stock selection and were major contributors to performance this quarter thanks in large part to lithium producer Albemarle and water solutions provider Xylem. In Financials, stock selection and the portfolio's overweight contributed to the sector's strong absolute and relative performance.

Regional banks Fifth Third Bancorp, PNC Financial, and US Bancorp along with asset gatherers Morgan Stanley and Ameriprise Financial were all among this quarter's best-performing holdings.

Several sectors that detracted from performance overall had mixed results at the stock level. The Technology sector was a drag on relative returns. Although global database provider Oracle was a top-ten contributor, that was not enough to offset the weakness of semiconductor holdings Micron Technology and Applied Materials, telecom equipment provider Ciena Corp, and digital payments processor FIS. Similarly in Healthcare, strength in biotech Regeneron and analytical instrument maker Agilent was offset by weakness in biotech companies Biogen and Amgen and medical information company Cerner. From an allocation perspective, our overweight to Consumer Discretionary detracted from relative returns.

### Performance



### Annual Returns

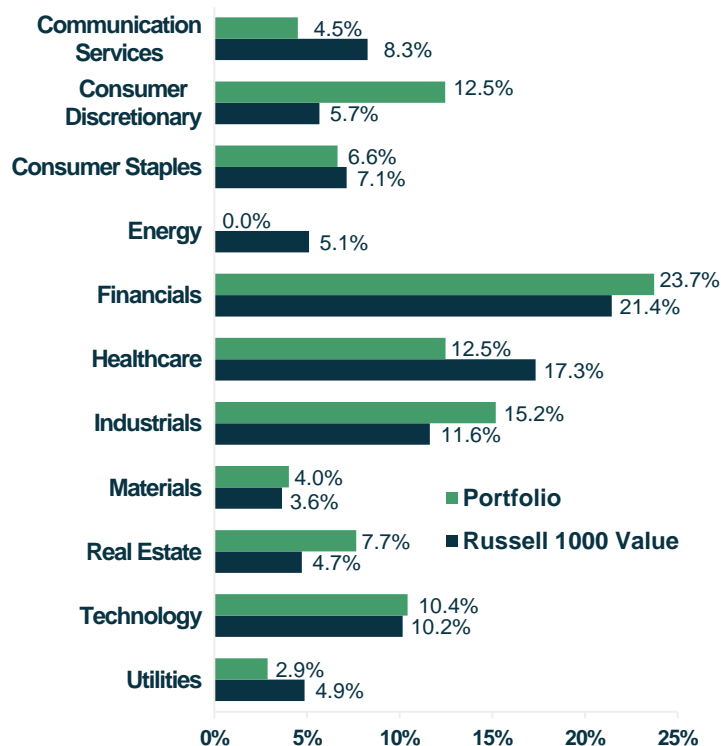
	2021 YTD	2020	2019	2018	2017	2016	2015	2014	2013	2012
Gross	16.2%	14.0%	29.0%	-8.8%	17.8%	13.0%	-1.6%	8.5%	35.1%	12.5%
Net	15.8%	13.4%	28.3%	-9.3%	17.1%	12.3%	-2.3%	7.7%	34.0%	12.0%
Russell 1000	16.1%	2.8%	26.5%	-8.3%	13.7%	17.3%	-3.8%	13.5%	32.5%	17.5%

### Portfolio Characteristics

	Boston Common	Russell 1000 Value
# Holdings	55	847
<b>Valuation</b>		
Price/EPS (NTM)	14.6	16.2
Enterprise Value/EBITDA (NTM)	10.2	11.5
Price/Book	3.0	2.6
Price/Sales	2.1	2.4
Dividend Yield	1.7%	1.7%
<b>Growth</b>		
3yr EPS Consensus Growth	13.6%	11.9%
3yr Sales consensus Growth	7.0%	6.7%
<b>Quality</b>		
Beta**	0.90	1.00
LT Debt to Cap.	45.7%	40.9%
Net Debt to EBITDA	1.8	2.4
Return on Equity	9.0%	12.1%
Earnings Variability***	21.6%	21.9%
Free Cash Flow Yield	6.7%	4.7%

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
ALBEMARLE CORP	1.1%	29.1%	0.28%	Materials
FIFTH THIRD BANCORP	2.2%	11.8%	0.27%	Financials
ORACLE CORP	2.1%	12.3%	0.25%	Technology
MORGAN STANLEY	3.5%	6.9%	0.25%	Financials
AMERIPRISE FINL INC	3.0%	6.6%	0.21%	Financials
REGENERON PHARMACEUTICALS	2.2%	8.4%	0.18%	Healthcare
PNC FINL SVCS GROUP INC	3.6%	3.2%	0.14%	Financials
XYLEM INC	1.1%	8.5%	0.13%	Industrials
US BANCORP DEL	2.1%	5.1%	0.12%	Financials
AGILENT TECHNOLOGIES INC	1.4%	8.6%	0.12%	Healthcare
			<b>1.96%</b>	
Bottom 10				
MICRON TECHNOLOGY INC	2.0%	-16.4%	-0.35%	Technology
BIOGEN INC	1.6%	-18.3%	-0.29%	Healthcare
FIDELITY NATL INFORMATION SV	1.7%	-13.9%	-0.23%	Technology
UNITED PARCEL SERVICE INC	1.8%	-12.0%	-0.22%	Industrials
MAGNA INTL INC	1.1%	-17.6%	-0.21%	Consumer Discretionary
CUMMINS INC	2.6%	-7.3%	-0.18%	Industrials
CERNER CORP	2.0%	-9.5%	-0.17%	Healthcare
CIENA CORP	1.9%	-9.7%	-0.17%	Technology
AMGEN INC	1.3%	-12.1%	-0.16%	Healthcare
APPLIED MATLS INC	1.6%	-9.4%	-0.15%	Technology
			<b>-2.12%</b>	

## Portfolio Activity

Closed	Sector	% of Port.
AGILENT TECHNOLOGIES INC COM	Healthcare	1.4%
ALBEMARLE CORP COM	Materials	0.9%
APTIV PLC SHS	Consumer Discretionary	1.4%
XYLEM INC COM	Industrials	1.2%
<b>Total Closed</b>		<b>4.9%</b>
New	Sector	% of Port.
HENRY SCHEIN INC COM	Healthcare	1.5%
UNITED RENTALS INC COM	Industrials	1.0%
WESTROCK CO COM	Materials	2.0%
<b>Total New</b>		<b>4.5%</b>

## 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, Model/ADR

**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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