

# All Country International Strategy Update

## Second Quarter, 2022



### Portfolio Activity

Among our transactions this quarter, we added two stable European companies with price to earnings ratios below 14.5x and dividend yields above 4%. First, we bought Ahold, a European and US grocery store operator based in the Netherlands. The company's strong operational profile is characterized by products tailored to consumers' health & wellness trends and integrated ecommerce. Demand for Ahold's affordable generic brand should also benefit from rising food inflation. The company has industry leading ESG practices, including operating the first large-scale supermarket chain (Hannaford) in the Northeast US to achieve zero food waste to landfills. We also purchased UK utility SSE. The company's current operations and long-term strategy are aligned with the transition to clean energy. SSE's capital investment plan is designed to double and then triple wind power capacity by 2026 and 2031, driving over 70% of earnings growth. The company's transmission & distribution business should benefit from the rising importance of grid connections as the economy shifts from fossil fuels to electricity.

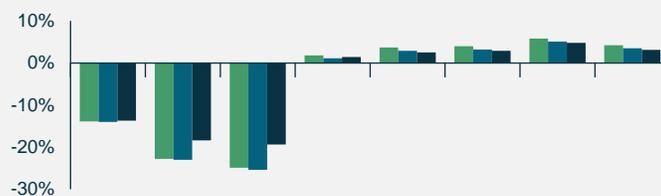
During the quarter, we sold plumbing supplies distributor Ferguson since the company is changing its primary listing from the UK to the US. We also sold Belgian metal recycler Umicore, whose primary growth segment, cathode materials for electric vehicle batteries, has been out competed by Korean and Chinese rivals. While Umicore is doubling down on capital expenditures to catch up on the product technology, they have a poor track record over the last few years.

### Portfolio Review

A composite of Boston Common's International portfolios declined -13.7% before fees, about in line with the MSCI ACWIxUS Index ("the Index"). The Industrials sector was the largest detractor, as European engineers Schneider Electric, Spirax Sarco, and Atlas Copco declined with concerns around slowing economic activity, while wind turbine maker Vestas was hurt by rising steel and freight costs. In Japan, Recruit, the owner of online placement app Indeed, was pressured by fears of a weaker labor market. The Real Estate sector was also a detractor from relative performance; both of our holdings, Mirvac in Australia and Vonovia in Germany, fell on fears that rent increases and real estate values, even in an inflationary environment, may not hold up against rising interest rates and a weakening economy. Our lack of exposure to conventional Energy was also a drag. From a regional perspective, Japan was the largest detractor from relative performance, led by bike parts manufacturer Shimano, while eyeglass and lens equipment supplier Hoya declined alongside semiconductor-related companies. UK was also a major detractor.

Our stock selection in the Consumer Discretionary sector was the largest contributor to performance. Chinese electric vehicle manufacturer BYD delivered strong growth with help from further policy subsidies, while online travel operator Trip.com and Internet giant Alibaba were both beneficiaries of China's easing of COVID-19 restrictions. South African media company Naspers rose, as it announced shareholder-friendly actions to unlock value. Stock

### Performance



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	-13.9%	-22.8%	-24.9%	1.8%	3.7%	4.0%	5.8%	4.2%
Net	-14.0%	-23.0%	-25.4%	1.1%	2.9%	3.2%	5.1%	3.5%
MSCI ACWIxUS	-13.7%	-18.4%	-19.4%	1.4%	2.5%	2.9%	4.8%	3.1%

### Annual Returns

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Gross	-22.8%	0.3%	26.3%	25.4%	-12.3%	31.5%	1.0%	-4.7%	-1.8%	17.5%
Net	-23.0%	-0.4%	25.4%	24.5%	-13.0%	30.5%	0.1%	-5.4%	-2.5%	16.7%
MSCI ACWIxUS	-18.4%	7.8%	10.7%	21.5%	-14.2%	27.2%	4.5%	-5.7%	-3.9%	15.3%

### Portfolio Characteristics

	Boston Common	MSCI ACWIxUS
# Holdings	62	2,266
<b>Valuation</b>		
Price/EPS (NTM)	13.0	12.0
Enterprise Value/EBITDA (NTM)	7.7	7.1
Price/Book	1.9	1.8
Price/Sales	1.5	1.4
Dividend Yield	2.5%	2.8%
<b>Growth</b>		
3yr EPS Consensus Growth	8.4%	4.7%
3yr Sales consensus Growth	6.8%	5.4%
<b>Quality</b>		
Beta**	1.03	1.00
LT Debt to Cap.	27.9%	28.5%
Net Debt to EBITDA	1.3	1.4
Return on Equity	13.3%	13.8%
Earnings Variability***	23.0%	26.2%
Free Cash Flow Yield	4.3%	5.3%

### 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  
 \*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

selection in the Materials sector was also a key contributor. Chilean lithium producer SQM was nearly flat, as battery grade lithium prices remained firm, while Korean battery maker LG Chem outperformed amidst strong electric vehicle demand. The Communication Services sector also added value. Deutsche Telekom outperformed thanks to strong operations at its US subsidiary T-Mobile and potential for partial divestment of its tower assets. Regionally, Emerging Markets was the primary contributor, driven by the above-mentioned stocks.

## Portfolio Outlook and Positioning

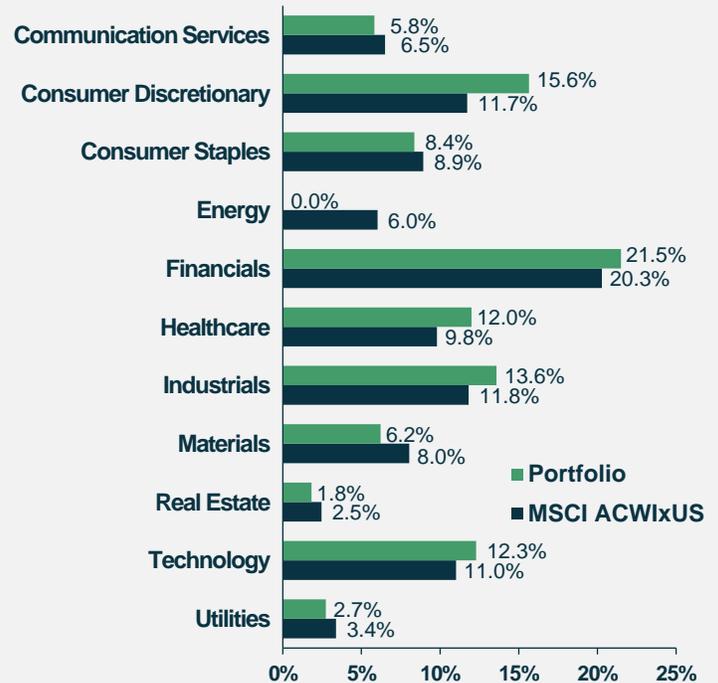
European and Japanese growth expectations have deteriorated with heightened macroeconomic uncertainty. Greater curtailment of Russian natural gas delivery to Europe looms as a key industrial and societal threat, especially this winter. Vigorous policy response, led by Germany, could foster a deeper and faster transition to electrification, renewable power, and efficiency that will enhance both national security and environmental resilience. Rising costs from the commodity supply shock and pandemic disruptions along with corresponding higher interest rates will likely weigh on spending and investment for consumers and businesses. However, mitigating considerations include robust labor markets with low unemployment and rising wages, a pro-growth policy shift in China, and pent-up demand for many products and services. In addition, this year's equity market decline and relatively low valuation at least partially reflect the macro challenges.

Given our view that the probability of recession and expansion are nearly equivalent, we have sought to balance the portfolio among defensive and growth investments. In aggregate, we are equal weight the relatively stable Healthcare, Consumer Staples, Communication Services, and Utilities sectors. Our cyclical exposure is mostly concentrated in the Industrial, Technology, and Consumer Discretionary sectors. We remain overweight Financials based on its positive correlation with higher interest rates. Regionally, EM equities have shown remarkable resilience relative to developed peers during a period of significant market declines. In aggregate, EM central banks have been ahead of the curve in raising interest rates to curb inflation. In contrast to most large global economies, China has been easing its monetary policy rates as domestic inflation is largely contained and its major cities are still emerging from COVID-related lockdowns. We are overweight Emerging Markets. All portfolio holdings reflect our preference for high-quality companies positioned to support a net-zero economy and more just society.

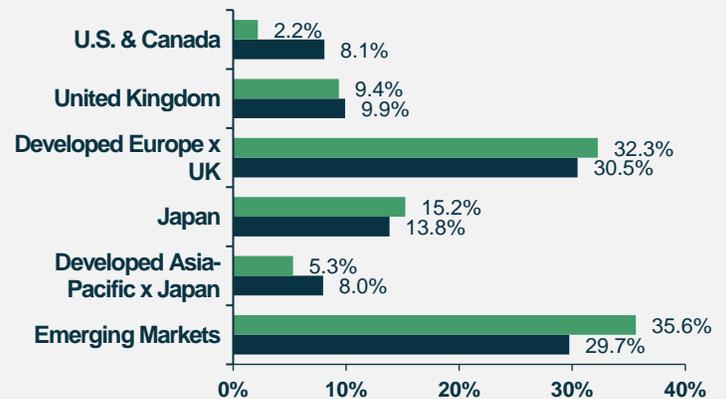
## Contributors & Detractors

Top 10	% of Capital	Return	Relative Contrib.	Sector
BYD COMPANY LTD	2.0%	39.6%	0.91%	Consumer Discretionary
NASPERS	1.2%	26.9%	0.51%	Consumer Discretionary
DEUTSCHE TELEKOM	2.4%	7.1%	0.48%	Communication Services
CHINA TRAD CHINESE	1.3%	18.0%	0.42%	Healthcare
TRIP COM INTL LTD	1.0%	18.7%	0.35%	Consumer Discretionary
UNILEVER	2.3%	0.4%	0.33%	Consumer Staples
ALIBABA GROUP HLDG LTD	1.6%	4.5%	0.32%	Consumer Discretionary
SOCIEDAD QUIMICA MINERA DE CHILE	1.9%	0.2%	0.29%	Materials
ESSITY AB	1.3%	9.3%	0.27%	Consumer Staples
NOVO NORDISK A/S	1.8%	-1.2%	0.22%	Healthcare
			<b>4.09%</b>	

## Sector Allocation



## Regional Allocation



Bottom 10	% of Capital	Return	Relative Contrib.	Sector
SCHNEIDER ELECTRIC	2.1%	-30.6%	-0.43%	Industrials
SHIMANO INC	1.7%	-27.3%	-0.34%	Consumer Discretionary
AXA	2.6%	-24.8%	-0.33%	Financials
SK HYNIX INC	1.8%	-28.7%	-0.31%	Technology
RECRUIT HLDGS CO L	1.1%	-34.2%	-0.27%	Industrials
TAIWAN SEMICONDUCTOR	3.3%	-21.2%	-0.27%	Technology
INFINEON TECHNOLOG	1.4%	-30.0%	-0.26%	Technology
MACQUARIE GP LTD	2.0%	-23.3%	-0.25%	Financials
HOYA CORP	1.5%	-26.5%	-0.23%	Healthcare
VONOVIA SE	0.8%	-33.3%	-0.20%	Real Estate
			<b>-2.90%</b>	

**Source: APX Advent Portfolio Exchange. Past performance does not guarantee future results. All investments involve risk, including the risk of losing principal.** The information in this document is not a recommendation to buy or sell any security. There is no assurance that securities discussed will remain in a strategy upon receiving this document. Securities discussed represent only a portion of a strategy's holdings. It should not be assumed that securities transactions discussed were or will be profitable. 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 ACWI ex. U.S. Index is a free-float adjusted, market capitalization weighted index of the largest publicly traded companies listed on the exchanges of developed and emerging market countries around the world, excluding U.S.-based companies. 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 varies from the composition of the Index 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 617-720-5557.

