

US Large-Cap Core Strategy Update

Second Quarter, 2022



Portfolio Activity

Our US Core strategy seeks forward looking companies attuned to the opportunities focused on Environmental, Social, and Governance (ESG) issues. When markets correct, we pursue opportunities to buy higher-quality, sustainable companies where stock prices appear unduly depressed.

Adjusting portfolios in response to stresses on consumers' wallets, in the Consumer Discretionary sector, we sold Canadian auto parts manufacturer Magna International, residential, and commercial floor covering manufacturer Mohawk Industries, and Tommy Hilfiger and Calvin Klein apparel parent PVH. This activity reduced our overweight to interest-rate sensitive household durables, travel, and apparel.

We reduced our overweight to Information Technology when we sold our position in optical equipment company Ciena after its management provided a subdued earnings outlook. We also sold out of solar panel manufacturer First Solar in favor of solar components maker Enphase Energy, which has a strong niche in micro-inverters.

We redeployed proceeds to bolster our current defensive holdings, including adding to names like Merck, Hasbro, and PNC Financial. We also developed a position in warehouse club Costco Wholesale, the world's third largest retailer and largest seller of organic products in the US. The company exhibits strong compounding earnings power, exceptional return on invested capital (ROIC), and a sustainable and defensive business model via its highly profitable membership fee stream and leading value proposition for its product offerings. From an ESG standpoint, Costco is known for an unwavering commitment to its workforce, which remains one of the highest paid, including benefits, within the industry.

Portfolio Review

Boston Common's Tax-Exempt US Large-Cap Core account composite declined -14.7% (gross of fees) this quarter, declining less than the S&P 500 Index (the "Index"). Positive stock selection reflected steps to reposition the portfolio towards a more defensive stance.

Stock selection in Consumer Discretionary proved the main contributor to this quarter's relative performance, thanks in part to toy and entertainment company Hasbro, as the portfolio shifted away from economically sensitive housing- and auto-related stocks and does not own ecommerce behemoth Amazon. Top relative outperformers include defensive Healthcare holdings Merck and Vertex Pharmaceuticals, Telecommunications conglomerate Verizon, and multinational personal care company Colgate, all of which posted positive returns. In addition to Healthcare's relative strength, stock selection in Technology and Financials was also beneficial.

Communication Services was the largest detractor of relative performance as internet and media stocks Alphabet, Netflix, and New York Times were especially weak. Within Technology, semiconductor related holdings Applied Materials and Micron Technology continued their declines on fears that future guidance may disappoint. From a sector allocation perspective, the strategy's underweight to Utilities and Energy was also a drag on relative returns.

Annual Returns

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Gross	-22.3%	25.7%	20.3%	29.9%	-7.2%	22.1%	9.0%	3.6%	9.8%	33.0%
Net	-22.5%	24.9%	19.5%	29.1%	-7.8%	21.3%	8.3%	3.0%	9.1%	32.4%
S&P 500	-20.0%	28.7%	18.4%	31.5%	-4.4%	21.8%	12.0%	1.4%	13.7%	32.4%

Performance



Portfolio Characteristics

	Boston Common	S&P 500
# Holdings	54	503
Valuation	Portfolio	S&P 500
Price/EPS (NTM)	17.1	16.5
Enterprise Value/EBITDA (NTM)	12.7	11.7
Price/Book	4.3	3.9
Price/Sales	2.7	2.7
Dividend Yield	1.5%	1.5%
Growth		
3yr EPS Consensus Growth	5.7%	7.7%
3yr Sales consensus Growth	6.3%	5.8%
Quality		
Beta**	0.95	1.00
LT Debt to Cap.	39.6%	41.1%
Net Debt to EBITDA	0.9	1.0
Return on Equity	22.3%	19.7%
Earnings Variability***	18.4%	19.8%
Free Cash Flow Yield	3.8%	4.1%

Strategy Vehicle Options

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

**Subadvised by Boston Common

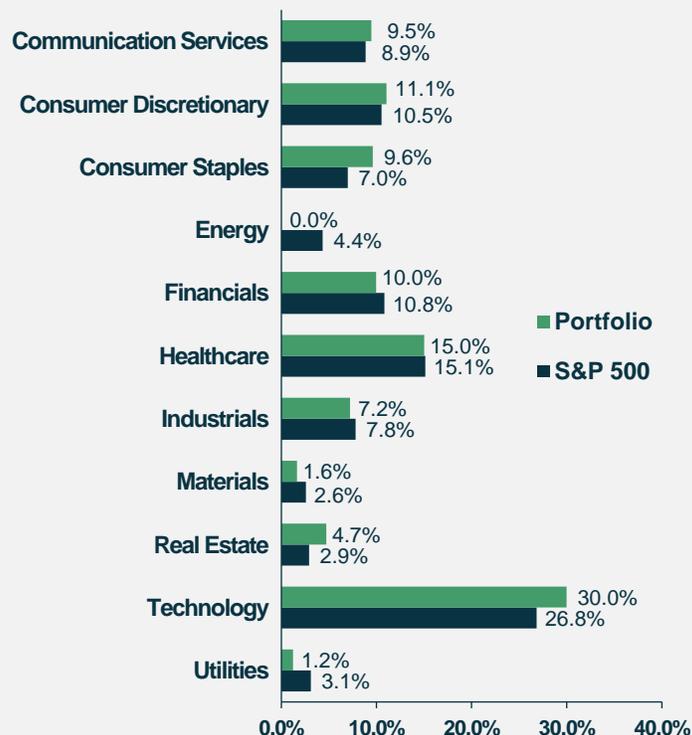
Portfolio Outlook and Strategy

Various countervailing forces make current market behavior both confounding and erratic. Our optimistic outlook at the end of 2021 has been curtailed and, as a result, we continue to take a barbell approach to the strategy's overall positioning. We have reduced but not eliminated our positive outlook around COVID reopening demand with the budding reality that consumers now face record-high inflation in nearly all facets of life. In addition, higher interest rates have negatively impacted household wealth as portfolio values declined and housing prices have stopped rising, all leading to a loss of confidence, with some surveys seeing consumer sentiment at lows last seen during the Great Recession. Consumer confidence ironically tends to serve as a contrarian indicator for equity markets over ensuing quarters.

Economic slowdown looks probable. Economists continue to assess whether it will meet the definition of a "recession", but most agree it is unlikely to be severe. There is also debate about the likely duration and intensity of inflation challenges. Some view current global developments as a significant regime change away from global monetary easing, deflating assets and tackling a shift from deflation to inflation, as trends in productivity, global trade and geopolitical arrangements are all in a flux. Others view this market correction as an appropriate response to an extended period of high valuations, precipitated by delayed Fed action to address inflation, with conditions likely to improve as inflation declines and growth expectations moderate.

Commentary from company managements here and abroad remain relatively sanguine, making the upcoming earnings season important to the tone set for the second half. Earnings revisions are muted, as analysts are generally still positively inclined for improved results.

Sector Allocation



Contributors & Detractors

Top 10	% of Capital	Return	Relative Contrib.	Sector
MERCK & CO INC	4.2%	11.1%	1.06%	Healthcare
VERTEX PHARMACEUTICALS INC	1.8%	8.0%	0.44%	Healthcare
VERIZON COMMUNICATIONS INC	2.1%	0.8%	0.36%	Communication Services
ENPHASE ENERGY INC	1.4%	-0.5%	0.31%	Technology
COLGATE PALMOLIVE CO	1.1%	6.3%	0.24%	Consumer Staples
HASBRO INC	1.8%	0.7%	0.22%	Consumer Discretionary
MONDELEZ INTL INC	1.4%	-0.5%	0.22%	Consumer Staples
WATERS CORP	0.9%	6.6%	0.20%	Healthcare
VISA INC	3.5%	-11.0%	0.19%	Technology
NOVO-NORDISK A S	1.2%	0.3%	0.19%	Healthcare
			3.42%	

Bottom 10	% of Capital	Return	Relative Contrib.	Sector
NETFLIX INC	1.2%	-53.3%	-0.74%	Communication Services
APPLE INC	6.9%	-21.6%	-0.47%	Technology
TARGET CORP	1.9%	-33.1%	-0.45%	Consumer Discretionary
ALPHABET INC	5.4%	-21.7%	-0.38%	Communication Services
PAYPAL HLDGS INC	0.9%	-39.6%	-0.29%	Technology
APPLIED MATLS INC	1.4%	-30.8%	-0.25%	Technology
MICRON TECHNOLOGY INC	1.6%	-28.9%	-0.23%	Technology
NEW YORK TIMES CO	0.7%	-39.0%	-0.22%	Communication Services
BOOKING HOLDINGS INC	1.2%	-25.5%	-0.13%	Consumer Discretionary
CIENA CORP	1.2%	-23.1%	-0.12%	Technology
			-3.26%	

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. The S&P 500 Index (the "Index") is a broad market index of the 500 largest U.S. large cap 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.

