

# Strategy Overview

First Quarter, 2023

## International Equity Strategy



Boston Common's International Equity Strategy invests in a diversified portfolio of high-quality companies with sound governance and sustainable business models selling into growing end markets. The strategy's financial and ESG quality bias seeks capital preservation in down markets and long-term outperformance vs. the benchmark. Vehicle options include Separate Account, Commingled Fund, Model/ADR, Mutual Fund<sup>1</sup>

<sup>1</sup>Subadvised by Boston Common

### Portfolio Activity

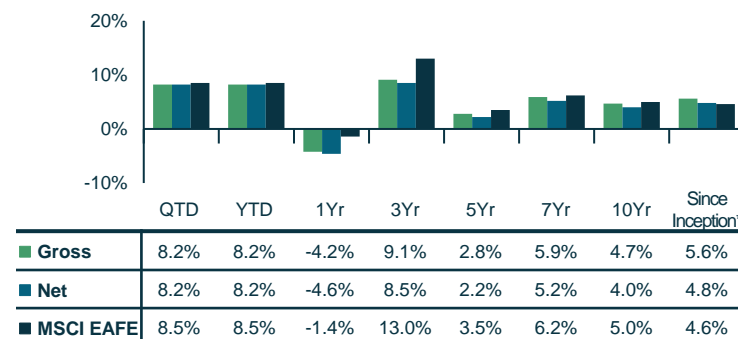
We purchased Spanish apparel retailer Inditex. The company's Zara franchise offers customers a popular and diverse value proposition with scope for growth, especially in the US. Zara's competitive advantage may be its sustainable and transparent sourcing model, which focuses on smaller design batches and decentralized manufacturing. Leading climate change commitments also boost its ESG profile. Trading at 10x EBITDA with a 3.5% dividend yield and net cash on its balance sheet, Inditex looks compelling. We also bought Convatec, a UK medical device company focused on diabetes and chronic care. The company produces the majority of infusion sets globally, which, as part of an automated insulin delivery system, help diabetics improve blood sugar control. Convatec's wound and other care businesses are benefiting from worsening trends in chronic conditions such as vascular disease and cancer. These stable growth markets support an enviable top-line outlook, and new management has delivered operational improvements that should drive continued profit margin expansion not reflected in Convatec's valuation, trading at 13x EBITDA with a 2.3% dividend yield.

We sold Vonovia based on concerns over its fundamentals and strategy against a challenging interest rate and regulatory backdrop. We also reduced several Financials holdings based on rising funding and credit risks for the sector.

### Portfolio Review

A composite of Boston Common's International portfolios returned +8.2% before fees, in line with the MSCI EAFE Index ("the Index"). Strong stock selection in the Consumer Staples sector was the largest contributor to relative results. Dutch grocery chain Ahold delivered sound financial results thanks to its ability to pass on rising food prices. French cosmetics leader L'Oreal rallied with improving travel-related sales in China. Communication Services was another positive driver, as Deutsche Telekom's US franchise T-Mobile continues to gain market share. Our Technology holdings outperformed. German semiconductor producer Infineon surged thanks to robust sales for its chips used in autos, especially electric vehicles (EVs). Japanese machine vision company Keyence and German software developer SAP returned 20%+. The UK was the largest regional contributor, led by British luxury fashion house Burberry, residential real estate developer Barratt, and heat

### Performance



### Annual Returns

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Gross</b>	8.2%	-22.3%	4.5%	19.6%	25.2%	-12.9%	27.5%	0.3%	-1.0%	-5.3%
<b>Net</b>	8.2%	-22.7%	3.9%	18.8%	24.4%	-13.5%	26.6%	-0.5%	-1.7%	-5.9%
<b>MSCI EAFE</b>	8.5%	-14.5%	11.3%	7.8%	22.0%	-13.8%	25.0%	1.0%	-0.8%	-4.9%

### Portfolio Characteristics

	Boston Common	MSCI EAFE
<b># Holdings</b>	56	795
<b>Valuation</b>		
Price/EPS (NTM)	15.0	13.9
Enterprise Value/EBITDA (NTM)	10.0	8.9
Price/Book	2.2	1.8
Price/Sales	1.7	1.4
Dividend Yield	2.6%	3.0%
<b>Growth</b>		
3yr EPS Consensus Growth	7.7%	1.2%
3yr Sales Growth	3.8%	2.0%
<b>Quality</b>		
Beta**	0.97	1.00
LT Debt to Cap	28.3%	30.3%
Net Debt to EBITDA	1.1	1.3
Return on Equity	11.9%	11.9%
Earnings Variability***	19.1%	25.9%
Free Cash Flow Yield	7.3%	5.8%

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, 2004 \*\*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

## Portfolio Review (continued)

exchange and pump system specialist Spirax-Sarco. Japan helped performance thanks to Sony and heating and ventilation company Daikin. Additional contributors included French energy management industrial Schneider and Danish pharmaceutical Novo Nordisk.

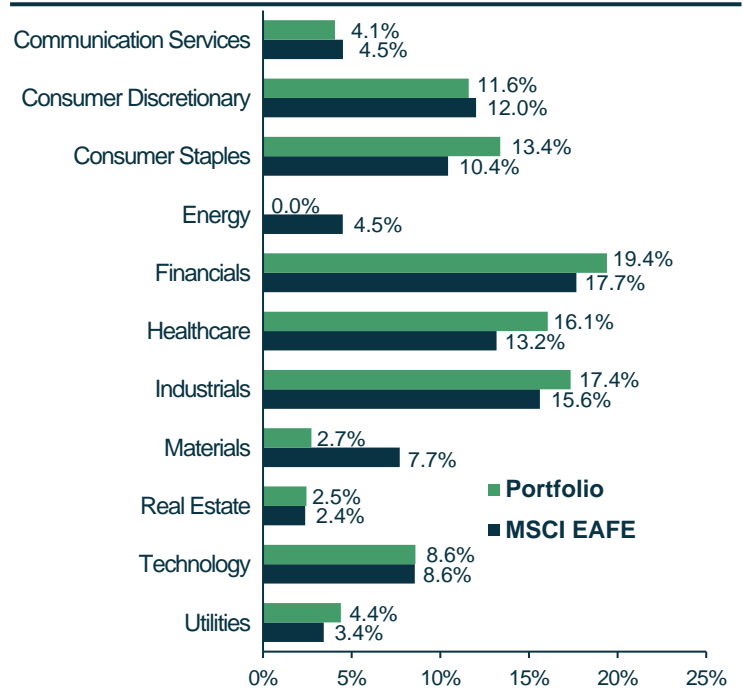
Stock selection in Healthcare was the largest detractor from performance. Swiss pharma Roche and German BioNTech provided disappointing guidance partially driven by lower Covid estimates. Japanese drug company Eisai fell on uncertainty over insurance coverage for its new Alzheimer's therapy. Our overweight and selection in Financials was a drag on performance. Nordic insurer Sampo fell out of favor with some investors after its recent capital reallocation. Hong Kong-based life insurer AIA retraced some of its strong recovery in the fourth quarter. Dutch bank ING lagged, as fears of bank contagion offset early gains. Europe ex. UK was the major geographic detractor; Danish wind utility Orsted and German biotech equipment provider Sartorius were laggards. Australian real estate operator Mirvac and Singaporean bank OCBC were relatively stable but top detractors, nevertheless.

## Outlook & Positioning

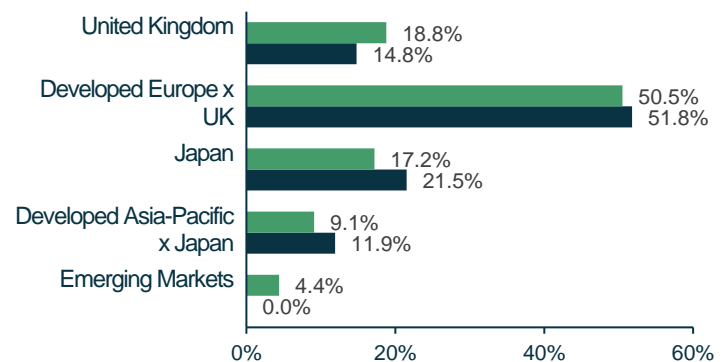
Global growth expectations have improved but remain modest and subject to volatility. Recent banking turmoil adds to headwinds from inflation, interest rates, and geopolitical risks leaving the probability of recession high. However, European monetary policy should end its tightening cycle soon, while Japan continues to stand out with exceptionally loose conditions. Emergency government spending for the pandemic is receding, but fiscal support for net-zero initiatives should foster a dramatic expansion in green technology investment in coming years, projected in the hundreds of billions to trillions of dollars.

Given uncertain cyclical prospects and valuations in line with history, our portfolios are overweight defensive sectors, especially Healthcare and Consumer Staples, and underweight Energy and Materials. We have more exposure to Financials than the Index, but we emphasize insurance and Asia-Pacific and are underweight European banks. Our modest overweight of the Industrials sector reflects our conviction in long-term growth of electrification, renewable power, and energy efficient equipment like heat pumps. In all sectors, we favor high-quality companies characterized by leading ESG practices, strong balance sheets, and an appealing balance of earnings prospects and valuation.

## Sector Allocation



## Regional Allocation



## Top 10 Equity Holdings

Name	% Weight	Sector Name
DEUTSCHE TELEKOM	4.1%	Communication Services
KON AHOLD DELHAIZE	3.3%	Consumer Staples
SCHNEIDER ELECTRIC	3.0%	Industrials
OVERSEA-CHINESE BK	3.0%	Financials
UNILEVER	3.0%	Consumer Staples
SSE	2.9%	Utilities
AXA	2.9%	Financials
ROCHE HLDGS	2.8%	Healthcare
INFINEON TECHNOLOG	2.7%	Technology
ASTRAZENECA	2.7%	Healthcare
<b>Total</b>	<b>30.5%</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 (Net) EAFE Index is a free-float adjusted market capitalization index that is designed to measure developed market equity performance in developed markets as determined by MSCI, excluding the U.S. and Canada. The Index's performance results are presented net of estimated foreign withholding taxes on dividends, interest and capital gains. 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.