

# Strategy Overview

Second Quarter, 2023

## Global Impact Strategy



Boston Common's Global Impact Equity strategy seeks long term capital appreciation by investing in impact investment themes such as Inclusive Finance, Sustainable Transport, Eco Efficiency, and Renewable Energy. The result is a high-conviction portfolio of high impact companies whose products & services can facilitate the transition to a just and sustainable world. Strategy vehicle options include Separate Account, Commingled Fund, Model/ADR, Mutual Fund

### Portfolio Activity

This quarter we purchased medical diagnostics firm Hologic, a purpose & impact-driven healthcare company strongly focused on women's health improvement, particularly preventive medicine through breast and cervical cancer screening. Its products consist of molecular diagnostics systems, gynecologic surgery tools, and mammography equipment. Hologic's purpose is to enable healthier lives using its innovative (life-changing) technologies, fueling business growth and earnings. At 19x earnings its valuation is only in-line with the overall US market.

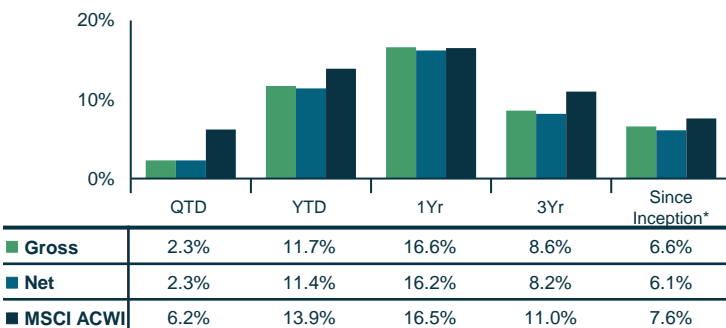
We also purchased French industrial company Rexel SA. Rexel is engaged in the distribution of electrical products and solutions to the residential, industrial, and commercial markets, serving Europe, North America, and Asia Pacific. Distributors are in a unique position to increase the availability of eco-efficient products on the market. In addition, leading players can engage customers and suppliers to choose eco-efficient options or increase eco-efficient product lines. Rexel has been systematically engaging its suppliers to address emissions in its value chain (accounting for 97% of GHG emissions). We like the company's 7% free cash flow yield and inexpensive valuation of 6x EV/EBITDA.

To fund these purchases, we sold Barratt Developments, mitigating our exposure to interest rate sensitive (sustainable) housing. Following strong performance, we reduced our positions in Salesforce, McCormick, and home building-related holdings KB Home, TopBuild, and Daikin. In Australia, we trimmed CSL to add back to Macquarie Group. Furthermore, we increased our position in Vestas Wind Systems based on its improving order intake and better earnings prospects, as the pressure from higher input prices and transport costs is abating. We also added to Intuit, as worries about the IRS developing competitive tax software package appear overdone in our opinion.

### Portfolio Review

The Boston Common Global Impact strategy returned +2.4% before fees, significantly underperforming the MSCI ACWI Index ("the Index"). Nearly two-thirds of the relative underperformance can be attributed to stock selection within the Technology sector, as mega-cap names Apple and Microsoft as well as Artificial Intelligence beneficiary NVIDIA, which we do not own, performed strongly. Meanwhile, our clean energy technology holdings Enphase Energy and First Solar, for which we continue to see strong secular growth prospects, declined notably. Outside of Tech, stock selection in Healthcare and Materials also weighed on results. In the former, biopharma

### Performance



### Annual Returns

	2023	2022	2021	2020	2019	2018
Gross	11.7%	-24.6%	12.9%	25.8%	27.8%	-11.3%
Net	11.4%	-24.7%	12.4%	25.0%	27.1%	-11.4%
MSCI ACWI	13.9%	-18.4%	18.5%	16.3%	26.6%	-12.8%

### Portfolio Characteristics

	Boston Common	MSCI ACWI
# Holdings	57	2,935
<b>Valuation</b>		
Price/EPS (NTM)	18.0	16.8
Enterprise Value/EBITDA (NTM)	11.7	11.2
Price/Book	3.0	2.9
Price/Sales	2.3	2.0
Dividend Yield	1.4%	2.0%
<b>Growth</b>		
3yr EPS Consensus Growth	-13.2% <sup>1</sup>	2.6%
3yr Sales Growth	5.2%	2.5%
<b>Quality</b>		
Beta**	N/A	1.00
LT Debt to Cap	30.4%	34.5%
Net Debt to EBITDA	0.7	1.1
Return on Equity	14.7%	14.9%
Earnings Variability***	22.2%	24.1%
Free Cash Flow Yield	4.7%	4.6%

<sup>1</sup>The 3-year EPS growth metric was significantly impacted by one holding, BioNTech. Despite a 0.9% portfolio weight, excluding this one company would bring the portfolio's 3-year EPS growth to +3.2%.

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 has been omitted because there are less than five years of performance data available for the 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)

holdings Regeneron and Gilead gave back some of earlier quarters' gains. In the latter, ongoing disruptions in inventory cycles pressured specialty chemical holdings DSM-Firmenich and Borregaard. Additional detractors included Japanese water specialist Kurita and renewable infrastructure financier Hannon Armstrong.

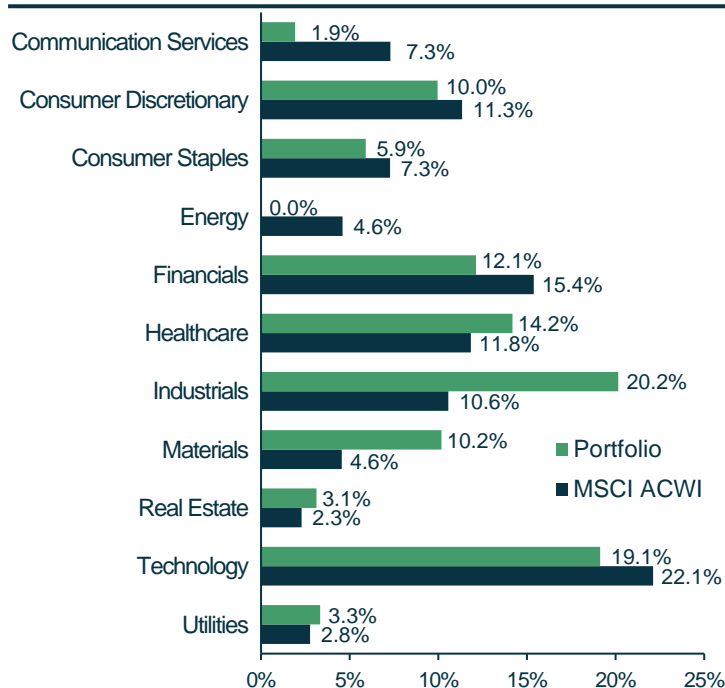
Stock selection in the Consumer sectors was the primary contributor to performance. Within Discretionary, our exposure to the resilient US housing sector helped, as insulation leader TopBuild and sustainable homebuilder KB Home both rose. Within Staples, sustainable grocer Sprouts Farmers Market and seasonings champion McCormick outperformed industry peers. Utilities holdings also added to relative returns, as offshore wind developer Orsted's renewed strategic plan helped it rebound from a weak first quarter. US holdings accounted for a majority of top contributors this quarter, including digital publisher Adobe, recycled decking supplier Azek, semi equipment manufacturer Applied Materials, and cardiac device-maker Edwards Lifesciences.

## Outlook and Positioning

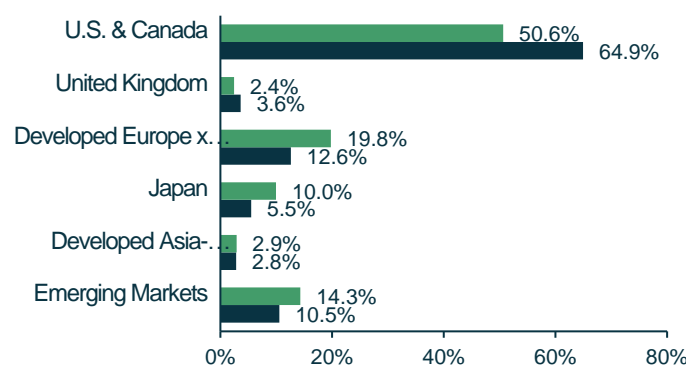
The global economy remains remarkably resilient despite supply chain challenges, US regional banking troubles, geopolitical tensions, and Fed tightening. A few more interest rate hikes may be expected in the US and Europe, with the short-term outlook pointing towards a slowing economy and decelerating earnings growth. Inflation is coming down in most places but remains elevated in certain countries. China's recovery has undershot expectations, driven by property weakness and restrained policy stimulus, while rising trade tensions present risks and opportunities as global supply chains reconfigure. Fiscal policy is supporting market trends towards decarbonization, reducing supply chain vulnerability, and enhancing infrastructure, thereby enabling pockets of secular growth. Pandemic-driven stimulus and post-pandemic reopening are sustaining services demand.

Our portfolio contains beneficiaries of recession-agnostic growth. In every sector and every investment theme, we seek high-quality operating models in expanding end markets. Although industrial activity has been weaker than the service economy, ongoing investments in strategic areas related to the energy transition, energy independence, and Net Zero ambitions continue to bolster the longer-term revenue and profit outlook for many of our holdings. Therefore, we maintain our overweight to Industrials and Materials, with particular emphasis on renewable energy, electrification, and resource efficiency. In all impact investment themes, we seek to combine impact revenue generating companies with financial quality as well as an attractive balance between growth and valuation.

## Sector Allocation



## Regional Allocation



## Top 10 Equity Holdings

Name	% Weight	Sector Name
INTUIT	3.0%	Technology
BK RAKYAT	3.0%	Financials
SCHNEIDER ELECTRIC	2.9%	Industrials
XYLEM INC	2.6%	Industrials
BYD COMPANY LTD	2.6%	Consumer Discretionary
ORIX CORP	2.6%	Financials
ADOBE SYSTEMS INC	2.5%	Technology
TOPBUILD CORP	2.5%	Consumer Discretionary
SALESFORCE INC	2.4%	Technology
CARRIER GLOBAL	2.4%	Industrials
<b>Total</b>	<b>26.5%</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) 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 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 department at 617-720-5557.