TRILLIUM | Large Cap Core

STRATEGY COMMENTARY
December 31, 2018 (4th Quarter)

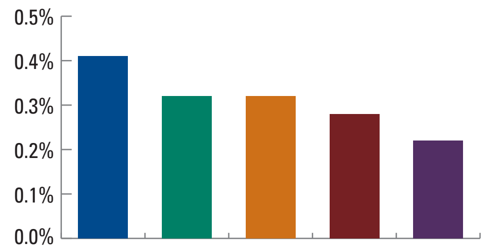
During a very volatile fourth quarter, the Large Cap Core strategy returned well above its benchmark, the S&P 500 index, as well as for year, net of fees. We have gradually reduced risk in the portfolio over the year, based on our expectation that gradually tightening monetary policy would slow interest-rate sensitive sectors of the economy. Rising concern about the effects of tariff and trade uncertainties, together with sharply falling oil prices, fueled a severe intra-quarter downdraft. Between its high on September 20, and its low on December 24, the S&P 500 Index dropped -19.8%, before reversing course, ending the quarter with a drop of -13.5%.

The economic background continues to evolve largely as we had expected, even with this higher volatility. The Federal Reserve's continuing process of interest rate renormalization will likely successively slow U.S. economic growth, but we believe this will be largely offset by the ongoing high level of fiscal stimulus. This U.S. slowdown accompanies a broader worldwide slowdown, but we do not expect either the U.S. or the global economy to enter recession near-term. During the year, we shifted toward more stable sectors and industries, while continuing to emphasize companies with steady growth patterns, solid profitability, high-quality earnings and balance sheets and demonstrable commitments to ESG factors. This high-quality positioning contributed positively for the quarter, as companies with lower volatility and higher profitability were favored by the market.

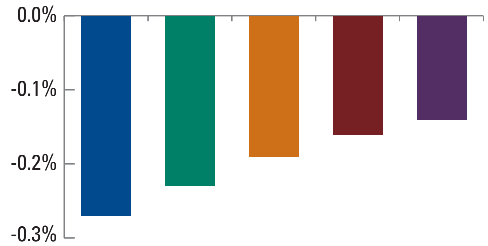
At quarter end, the portfolio contained 70 stocks representing each of the eleven economic sectors comprising the S&P 500 index. During the quarter, we moved to an overweight in Health Care and Consumer Staples, funding additions to these sectors with reductions in Industrials and the previously overweight Consumer Discretionary sector. We remain slightly overweight in Information Technology, underweight in Energy, Financials, Materials, Industrials, and Real Estate, and neutral in Communications Services, Consumer Discretionary, and Utilities.

We made modest changes to the portfolio during the quarter, generally seeking to increase stability of earnings and dividend yield. We reduced our exposure to the more economically-sensitive Consumer Discretionary sector, selling clothing company V.F. Corporation and trimming Starbucks and Home Depot; we added slightly to somewhat less cyclical general merchandiser and discount chain store Target Corporation. In Industrials, we sold Johnson Controls International, due to its exposure to the highly cyclical building equipment industry, adding a portion of the proceeds to risk assessment and decision analytics company Verisk

Top 5 Contributors (%)	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Starbucks Corporation	1.97	13.91	0.41
Verizon Communications Inc.	2.80	6.45	0.32
American Water Works Company, Inc.	2.12	3.71	0.32
McCormick & Company, Inc.	1.64	6.52	0.28
Unilever NV ADR	2.03	-2.47	0.22



Top 5 Detractors (%)	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Marathon Oil Corporation	0.89	-38.21	-0.27
Celgene Corporation	1.46	-28.38	-0.23
EOG Resources, Inc.	1.14	-31.51	-0.19
KeyCorp	1.29	-25.00	-0.16
TJX Companies Inc	2.38	-19.83	-0.14



TRILLIUM ASSET MANAGEMENT®

Analytics. We sold SBA Communications, a domestically-focused cell tower operator, reinvesting the proceeds in competitor American Tower Corporation, gaining greater international exposure, larger market capitalization, and dividends. We increased our exposure in the more resilient Consumer Staples and Healthcare sectors, adding wholesale membership warehouse operator Costco, consumer product bellwether Procter & Gamble, health care supplies company Baxter International, and life science equipment company Illumina, which provides products and services used for genomic research for the treatment of disease.

Relative to the S&P 500, the contribution from sector weighting was marginally positive. We were underweight Energy, by far the benchmark's worst performer, and neutral to the benchmark's only positive contributing sector, Utilities. Stock selection added notably to relative performance in Information Technology, Communication Services, Consumer Discretionary, Industrials, Consumer Staples, Financials, Materials, Real Estate, and Utilities, and detracted in Health Care and Energy. Information Technology was the biggest contributor, where our underweight in Apple (-30%) helped. PayPal (+4.3%), a payments processing company, benefitted from continuing strong retail spending, as well as from its on-line sales focus, which gained share from brick-and-mortar based transactions. In Communication Services, Omnicom Group (+8.6%) benefitted from modest valuation and recent better than expected U.S. revenue growth; Verizon (+6.5%) benefitted from weak performance at its primary competitor AT&T. We had negative stock selection in Health Care, from bio-tech companies Celgene (-28 %) and Gilead (-18%), and in Energy, from Marathon Oil Corporation (-38%), and EOG Resources (-32%).

Our top contributor during the quarter was Starbucks Corporation (+14%), after it reported positive U.S. sales growth, reassuring investors who had been concerned about slowing sales growth in China. American Water Works Company, Inc. (+3.7%), along with Verizon Communications, benefitted from increased investor focus on dividends. McCormick & Company, Inc. (+6.5%) reported stronger than expected sales and continued peer-leading growth. Our detractors for the quarter largely reflected macro trends; as investors sought safety and moved away from sectors and companies with anticipated earnings variability. Marathon Oil Corporation (-38%); and EOG Resources, Inc. (-32%), both suffered from the effect of dramatically falling oil prices. KeyCorp (-25%) dropped after indicating sluggish loan demand, while TJX Companies (-20%) fell sharply in November after lowering growth expectations for 2019. More idiosyncratically, bio-tech company Celgene Corporation (-28%) dropped on a combination of investor concerns about both management credibility and generic competition for its flagship cancer therapy Revlimid. We note that after the quarter closed, Bristol-Myers Squibb announced a proposed takeover bid for Celgene, boosting its stock price by +33%.

We have long expected that the gradual tightening of monetary policy, in place since December 2015, would begin to slow U.S. economic growth. We have also been mindful that policies coming from the current administration seem not to have been fully vetted for unintended consequences. This quarter, other investors seemed to come to similar conclusions, all at the same time. While both Wall Street and Main Street chatter about recession has picked up over the past quarter, we remain convinced by the economic data that we are not imminently headed for recession. However, since we remain watchful over the seeming lack of sustainable growth drivers and the feeling we are at or approaching a business cycle peak, we are positioned closely to our benchmark, neither aggressive nor defensive, and intend to stay that way. We continue to remain focused on high-quality and sustainability-centric growth companies selling at reasonable prices that can deliver improving earnings profiles independent of a more challenging macro environment.

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