TRILLIUM | Sustainable Opportunities

STRATEGY COMMENTARY
March 31, 2019 (1st Quarter)

In the first quarter and for the last twelve months, the Sustainable Opportunities Strategy measurably outperformed (net of fees) our primary benchmark, the S&P 1500.

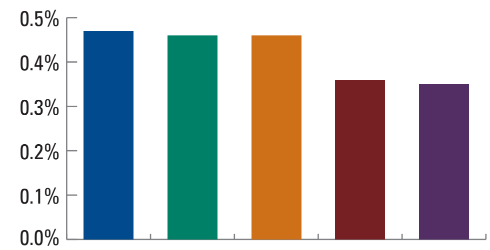
Within the context of a very strong first quarter stock market rebound (benchmark up 14%), the 50 portfolio holdings in our core themes of **Climate Solutions**, **Healthy Living**, and **Economic Empowerment** performed well, a reflection perhaps of the national focus and debate on Healthcare, Jobs, and now Climate Change. We were pleased that our solutions-oriented companies with China exposure bounced back, a trend that should continue if trade negotiations remain positive and constructive.

Our companies represent all eleven of the sectors comprising the S&P 1500 index except traditional Energy, as we are a fossil fuel free strategy, and Communication Services, where we have not identified any compelling solutions companies at present. During the quarter we were overweight the Consumer Discretionary, Industrials, Technology, Real Estate, and Utilities sectors, underweight Communication Services, Financials, and Materials, and roughly market weight in Consumer Staples. At quarter end, approximately 14% of the holdings were international names as defined by country of risk, a number we have been working to increase given the recent relative underperformance of international (and in particular European) companies that align with our investment themes.

We pushed trades from last December into January in part given the volatility in the markets at that time, resulting in two rebalancing sessions in the quarter and slightly higher than average turnover. We expect overall turnover for the year to be in line with traditional levels. We sold Weight Watchers, a relatively new position, after the company posted a second consecutive quarterly report with a major subscription level disappointment. While we think the company is right in its approach to rebranding as a broader wellness focused company, the timing and execution of the rebrand confused core customers during the crucial January recruitment period. We also exited lululemon, taking profits as we found the company's overall commitment to sustainability is not growing along with the size of the company. We sold out of two materials names, Owens-Illinois and Sonoco Products, in favor of a higher quality international position, Novozymes, a leading enzyme company. While Novozymes is classified as a healthcare company, we view it as an enabling materials name, with a very clear commitment to sustainability. We also initiated a new position in LKQ, a company that provides replacement

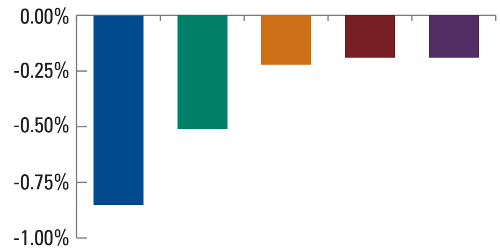
Top 5 Contributors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Celgene Corporation	1.93	47.20	0.47
Chipotle Mexican Grill, Inc.	1.23	64.50	0.46
Hannon Armstrong Sustainable Infra. Cap., Inc.	2.54	34.59	0.46
MSCI Inc. Class A	2.04	35.32	0.36
Waters Corporation	2.17	33.43	0.35



Top 5 Detractors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Weight Watchers International, Inc.	0.92	-47.55	-0.85
Biogen Inc.	1.88	-21.45	-0.51
BYD Company Ltd. Unspon. ADR Cl. H	1.00	-5.56	-0.22
Ormat Technologies, Inc.	2.63	5.66	-0.19
McCormick & Company, Inc.	2.58	8.18	-0.19



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(including recycled) parts to used cars. On the last earnings call, the CEO reported: "Between our full service salvage and self-service businesses, in 2018, we processed over 872,000 vehicles, resulting in, among other things, the recycling of 1.4 million catalytic converters, 2.2 million tires, 560,000 batteries, 2.4 million gallons of waste oil and over 4 million gallons of fuel." We sold out of Industrials companies Eaton and Middleby, to reduce our overall domestic Industrials exposure—which has had a nice rebound in the first quarter. We moved our proceeds from Borg Warner into our existing position in auto supplier Aptiv, which has better portfolio characteristics and exposure to higher growth areas (active safety, autonomous driving, electrification) of the automotive market. In addition, we sold Maxim and LogMeIn, and initiated a new position in German Industrial conglomerate Siemens, which is a leader in many areas of sustainable solutions, including developing fully electric ferries in use in Norway that cut emissions by 95% and costs by 80% compared to fuel-powered equivalents.

Overall sector allocation was positive in the quarter. With the increase in energy prices over the quarter, not owning fossil fuels was a 17bp headwind, with the traditional Energy sector up 16.7%. Our overweights to Technology, the highest performing sector, Real Estate, and Industrials contributed to relative performance, up 19.9%, 17.0%, and 16.9% respectively. On the other hand, our overweights to Health Care, the lowest performing sector, and Utilities detracted, up just 6.9% and 10.8% respectively.

Stock selection was positive or neutral in all but four sectors. Health Care, Financials, and Real Estate were our top performing sectors, while Technology and Staples were our biggest relative detractors. In Health Care, Celgene (up 47%) benefitted from an announced buyout by Bristol Myers.

Waters had a very strong quarter (up 33%) after a positive analyst day that demonstrated new pipeline innovation. At the same time, we were disappointed by our Biogen position, as the company fell precipitously after a failed trial of its Alzheimer's drug Aducanumab (-21%). In Financials, MSCI (up 35%) was the clear winner with an analyst day that demonstrated higher growth expectations for a number of key business segments, including ESG research. In Real Estate, Hannon Armstrong was up 34.6% as they continue to execute well on their focus on renewable energy financing, as well as raising their dividend

In Technology, utility technology provider company Itron had a weak quarterly earnings report, impacted by supply chain component shortages and tariffs from China (-1%) They recently acquired Silver Spring Networks, a competing smart meter company, and should benefit from synergies once they have fully integrated and optimized the new business. In Staples, McCormick gave back gains (up just 8%), after being one of our strongest names last year. In utilities, Ormat continued to struggle, up only 6% as they were slow to rebound from a number of operational issues, including closure of their Puna plant in Hawaii due to lava flows last year.

Individual name Chipotle also provided up a boost, up 65%, as new CEO Brian Niccol continues to show innovation in menu, digital, and delivery, and recently announced a new rewards program. In the same Discretionary sector, Weight Watchers was down (-48%) as noted above and Chinese EV car/bus company BYD was also down -6% as investors worried about pending additional cuts to Chinese EV subsidies.

In looking forward and in spite of the negative yield curve at the end of the quarter, we see no concrete evidence of an impending recession. What we do see, however, are new growth opportunities in addressing the compelling need for solutions in our three focus areas of Climate Solutions, Healthy Living, and Economic Empowerment.

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