TRILLIUM | All Cap Core

STRATEGY COMMENTARY
June 30, 2019 (2nd Quarter)

For the quarter-ended June 30, 2019, the All Cap Core strategy performed in-line with the benchmark, the S&P 1500, net of fees. At quarter-end, the portfolio contained 77 stocks, representing all 11 of the economic sectors comprising the benchmark S&P 1500 index. Our intention over the last 18 months has been to have sector allocations relatively close to the benchmark. However, the portfolio's underweight to the FANG group of internet stocks left it significantly underweight to the new (established in September 2018) Communication Services sector, with little desire to reduce the underweight given macro, market, company specific, and potential regulatory factors. The portfolio was correspondingly overweight Information Technology, with Materials also 1.2% greater than benchmark. Energy and Financials were both approximately 1% under the benchmark. All other sectors deviated less than a percent from the benchmark.

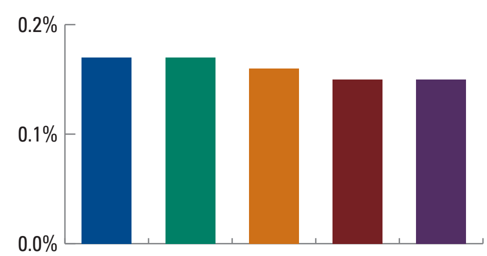
At a few points over the last year, uncertainty about the trajectory of the economy's growth shook investors' confidence and the equity market; at other times, the market seemed to anticipate continued stability. This quarter, the market's mood, driven by economic data and assumptions about the Fed's future interest rate path, corresponded neatly with the months: moderate optimism in in April, followed by pessimism in May that was offset by optimism again in June. This portfolio continues to be positioned for slowing growth. Consistent with that orientation, the portfolio lost ground compared to the benchmark in April, and then performed comparatively strongly in May and roughly in line with the benchmark in June.

While trading was light in the second quarter, we did move around some positions to take advantage of opportunities to improve quality characteristics and capitalize on specific situations. In Industrials, we closed our position in buildings services company Johnson Controls after the company announced the spin of its battery business. We reinvested in Ingersoll Rand, which provides similar HVAC building products, with a clearer focus, a more well-defined sustainability strategy and quality advantage. In Financials, we sold our holding in the turnaround Key Bank, trimmed our large positon in First Republic, increased ownership of insurer Travelers, and added to the well-situated Silicon Valley Bank, which had pulled back more than other regional banks. Together, these trades reduced regional bank exposure, increased more stable insurance exposure, and slightly increased capital markets exposure. Finally, in Technology, we took profits from our large holding in MasterCard and initiated a positon in consulting firm Accenture, which provides diversification inside the large Tech sector and continues to benefit from the transition to the digital cloud.

Relative to the S&P 1500, the contribution from sector weighting was marginally positive, as our generally small

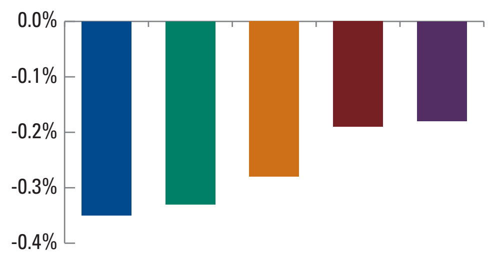
Top 5 Contributors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
First Solar, Inc.	0.96	24.30	0.17
Hexcel Corporation	1.34	17.19	0.17
Air Products and Chemicals, Inc.	1.28	19.15	0.16
American Water Works Company, Inc.	2.12	11.77	0.15
SBA Communications Corp. Class A	1.85	12.61	0.15



Top 5 Detractors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Palo Alto Networks, Inc.	1.59	-16.11	-0.35
Alphabet Inc. Class A	3.91	-7.99	-0.33
Waters Corporation	1.35	-14.49	-0.28
Lamb Weston Holdings, Inc.	0.90	-15.20	-0.19
Core Laboratories NV	0.58	-23.51	-0.18



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sector deviations from the benchmark kept any sector allocation from contributing much to performance. The biggest benefit came from being underweight Energy, the weakest performing sector in the benchmark, slightly offset by the underweight to Financials, the benchmark's best performing sector.

The portfolio's performance this quarter was driven by stock selection, primarily in Materials, where all three of our holdings, Air Products and Chemicals (+19% during the period), International Flavors & Fragrances (+13%), and Ecoloab (+12%) were strong performers. On the other hand, stock selection in Communication Services was weak, although as is frequently the case, this was partially a matter of what we didn't own. Facebook (+16%), which isn't held in this strategy, performed strongly during the quarter and was a detractor, while Alphabet (-8%), which we did own, also negatively impacted performance. Alphabet detracted from performance as year-over-year sales growth at the company continues to moderate, coming in below 20% in the recent quarter, which was below consensus. This, coupled with big tech regulatory concerns, led to pressure on the multiple, although our thesis remains intact and view the risk to reward ratio looking more favorable at present.

Overall across sectors, two of our biggest detractors had been top contributors in the first quarter, Palo Alto Networks (-16%) and Waters Corp (-14%), with Alphabet also a top detractor. After a very strong start to the year, technology security provider Palo Alto Networks came under pressure as billings growth slowed due to fewer long-term contracts being booked. As a result, near-term free cash flow margin guidance was lowered slightly, but is expected to improve in coming quarters, as cloud based revenue streams become a bigger part of the overall revenue mix. The secular tailwinds for security and management execution keep this name as a core technology holding. Despite seeing a rebound in its revenue performance late in 2018, health care tools supplier Waters reported disappointing first quarter results, mainly due to lower than expected orders from its key pharma/biotechnology and industrial segment customers. While the company lowered its full year 2019 financial outlook, management noted that pharma/biotech company order volume could accelerate as the year progresses, similar to 2018.

On the positive side, our biggest contributors were First Solar (+24%), Hexcel Corp (+17%), and Air Products (+19%). Photovoltaic equipment manufacturer and project developer First Solar continues to be a well-run company, making solid progress towards clear milestones as a leading provider of clean energy solutions and is increasingly earning the trust of clients and investors. Aerospace and wind energy component manufacturer Hexcel has been a strong performer since the company reaffirmed its financial targets at its recent investor day, driven by ongoing strength in Commercial aerospace, a recovery in Space & Defense, and momentum in its wind turbine business. Air Products has benefitted from strong volume growth in industrial gases, as well as solid pricing momentum that has driven margin expansion and earnings growth. The company continues to have a healthy project backlog across most geographies.

For more than a year, we have noted our belief that the gradual tightening of monetary policy, underway since December 2015, would begin to slow the economy's growth. While both Wall Street and Main Street chatter about a potential change in interest rate regime has continued to pick up over the past quarter, driven by the Fed's actions and communications, we remain convinced by the economic data and leading indicators that while we are not imminently headed for recession, there are reasons to be cautious. As has been true for the last year, we remain watchful over the seeming lack of sustainable growth drivers and the feeling we are at or approaching a business cycle peak. Therefore, we have been positioned closely to our benchmark, neither aggressive nor defensive, and intend to stay that way. As always, we continue to remain focused on high-quality and sustainability-centered growth companies selling at reasonable prices that can deliver improving earnings profiles independent of a more challenging macro environment.

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Past performance is no guarantee of future results. Every investment carries the potential for both profit and loss.

The S&P Indices are widely recognized, unmanaged indices of common stock. It is not possible to invest directly in an index. The S&P 1500 combines three indices, the S&P 500, the S&P MidCap 400, and the S&P SmallCap 600 to cover approximately 90% of the U.S. market capitalization. Investments in smaller companies generally carry greater risk than is customarily associated with larger companies for various reasons, such as narrower markets, limited financial resources and less liquid stock.