TRILLIUM | Small/Mid Cap Core

STRATEGY COMMENTARY
June 30, 2019 (2nd Quarter)

For the quarter-ended June 30, 2019, the Small/Mid Cap Core strategy outperformed its benchmark, the S&P 1000, net of fees.

At quarter end, the portfolio contained 77 stocks, representing all of the eleven economic sectors comprising the S&P 1000 index. During the period, relative to sector weights in the S&P 1000, the portfolio was overweight the Health Care, Information Technology, Industrials, Consumer Staples and Utilities sectors. The portfolio was underweight Energy, Real Estate, Communication Services, Materials, Financials and Consumer Discretionary.

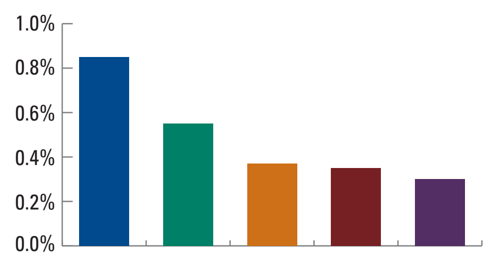
Since the first quarter, we added a handful of new positions, while exiting a few smaller positions where we didn't have sufficient conviction to remain holders. Two names we added were Burlington Stores, an off-priced retailer targeting more budget conscious shoppers, and Ingevity Corporation, a specialty chemical company geared to lowering vehicle emissions. Burlington's stock had been volatile given choppy sales trends, so we took advantage of this weakness to build a position. We like Burlington's model given its ability to drive traffic into the store with its "treasure hunt" nature and the historically more stable sales trends during various economic environments. Ingevity produces high-performance activated carbon materials as well as additives and intermediate chemicals all derived largely from renewable raw materials — mainly hardwood sawdust and crude tall oil CTO (from pine wood). These activated carbon products help carmakers reduce "evaporative emissions" emanating from a vehicle's gas tank. As tighter emission standards are adopted globally, Ingevity should see a meaningful growth ramp in volume and per vehicle content in this business.

Relative to the S&P 1000, the contribution from sector weighting was positive, with the majority of our sector bets providing positive impact. However, the largest benefit was from our continued underweight to Energy (sector -16% in Q2), as macro concerns on oil demand dynamics negatively impacted sector sentiment. Our underweights to Real Estate and Communication Services helped as both of these sectors experienced slight negative performance in the quarter. On the contrary, there was a slight negative offset from our overweight to Consumer Staples.

Overall, we saw positive impact from stock selection in the quarter. The strongest selection was once again in Information Technology and Healthcare. The top performer in the portfolio was Cypress Semiconductor (+50%), who announced in early June that it was being acquired by emerging semiconductor player Infineon. We had added to the position earlier in the year on weakness, leaving it a top

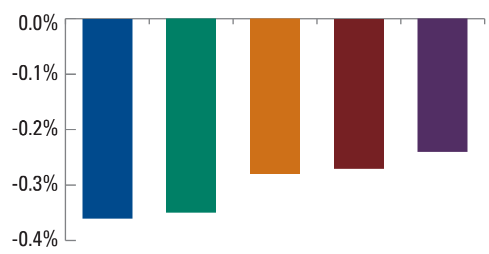
Top 5 Contributors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Cypress Semiconductor Corporation	2.32	49.80	0.85
Tetra Tech, Inc.	2.22	32.12	0.55
Cambrex Corporation	2.38	20.49	0.37
Hexcel Corporation	2.48	17.19	0.35
MSCI Inc. Class A	1.59	20.40	0.30



Top 5 Detractors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Lamb Weston Holdings, Inc.	1.71	-15.20	-0.36
Superior Energy Services, Inc.	0.32	-72.16	-0.35
Palo Alto Networks, Inc.	1.47	-16.11	-0.28
Core Laboratories NV	1.00	-23.51	-0.27
Dave & Buster's Entertainment, Inc.	0.33	-24.86	-0.24



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portfolio position at the time of the announcement. Within Healthcare, our top performer was Cambrex (+20%), a pharmaceutical manufacturer, who benefited from solid quarterly results and a report by its largest pharmaceutical ingredient (API) product customer - Gilead - that it delivered higher than forecasted 1Q19 product revenue for a key drug manufactured by Cambrex. Other top performers came from the Industrial sector; Tetra Tech (+32%), an environmental consulting firm, and Hexcel (+17%), a carbon fiber manufacturer. Tetra Tech is benefiting from broad-based growth across all markets, as underlying demand for its water infrastructure and environmental restoration work remains strong both domestically and internationally. Hexcel has been a strong performer since the company reaffirmed its financial targets at its recent investor day. Its guidance for strong sales growth and double digit EPS growth is driven by ongoing strength in commercial aerospace, a recovery in Space & Defense, and momentum in its wind turbine business. The final name in the top 5 was MSCI (+20%), an index and analytics provider, that continued its upward trajectory based in part on its relative lack of interest rate sensitivity.

Stock selection was weakest in the Consumer Staples and Energy sectors. The bottom performer in the portfolio this quarter was Lamb Weston (-15%), a leading player in frozen potato products. Additional processing capacity is coming on line industry-wide, spurring concerns that Lamb Weston's pricing power will be pressured. Given a rational competitive landscape and the fact that capacity utilization is predicted to remain high even after all the new production ramps, we feel the stock weakness is overdone. Two of our bottom performers were again in the energy services group which gave back the strength of Q1. Given oil macro concerns, energy was weak as investors continued to press oil and gas companies and energy services companies to decrease capital spending. When one of the service companies filed for bankruptcy protection mid-quarter, investors turned a very critical eye on other service companies' balance sheets. While geology specialist firm Core Laboratories (-24%) has a solid balance sheet and free cash flow, diversified energy service supplier Superior Energy Services (-72%) is highly levered. Core Labs missed investor expectations due to more inconsistent project timing assumptions near-term, but with a return to increased activity later in the year. Superior Energy, on the other hand, is prudently shifting their business to focus more on high-margin international markets; however, their low free cash flow and high debt burden will continue to hamper the company and we continue to monitor the situation. After a very strong start to the year Palo Alto Networks (-16%) came under pressure as billings growth slowed due to fewer long-term contracts booked. As a result, near-term FCF 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 us comfortable with the holding. Also in the bottom 5 was Dave & Buster's, a name we recently added to get differentiated restaurant exposure. The company's shares were weak on lower than expected same store sales. We remain hopeful that its strong amusement content combined with a focus on improving its food and beverage profile will help the Company stand out in a competitive landscape.

As the expansionary cycle reaches new records for length, investors (including ourselves) closely monitor the economic landscape for signs that may indicate when this upward trajectory may end. As such, equity performance is likely to remain volatile, as each data point is scrutinized to determine whether it is short term "noise" or the first signs of a weaker trend. In this environment, our quality and ESG centric investment philosophy remains consistent and our portfolio stays positioned fairly close to our benchmark, neither largely aggressive nor overtly defensive.

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