TRILLIUM | # Sustainable Opportunities

STRATEGY COMMENTARY
December 31, 2019 (4th Quarter)

In Q4 of 2019, the Sustainable Opportunities Strategy (SO) returned 6.0% vs. its benchmark, the S&P 1500, at 8.9% net of fees. For calendar 2019, SO returned +30.3%, vs the benchmark at 30.9%benchmark net of fees, and for the longer three year time period, the average annual return for SO was 16.4%, versus the benchmark at 14.6% net of fees.

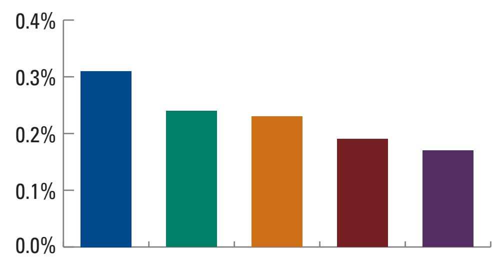
After performing strongly throughout the first three quarters of 2019, the 49 portfolio holdings in our three core sustainability growth themes of **Climate Solutions**, **Healthy Living**, and **Economic Empowerment** lagged the more cyclical move in the market in Q4 itself. We ended the year more defensively positioned than the market, with a slight tilt toward more defensive securities and a lower beta than the benchmark. We also had more exposure to momentum names (such as **Bright Horizons** and **American Water**), which helped lead the market higher earlier in the year, but also gave back gains later in Q4. It is important to keep in mind that we invest for the long term by which we mean full market cycles, not unlike true sustainability growth companies that are building competitive advantages based on long-term sustainable solutions.

Our portfolio holdings represent all of the sectors comprising the S&P 1500 index except Energy, as we eschew traditional energy companies linked to fossil fuels. During the quarter, we were overweight the Consumer Discretionary, Industrials, Real Estate, Technology, and Utilities sectors, underweight Communication Services, Consumer Staples, and Financials, and market weight in Health Care and Materials. At year-end, roughly 14% of the holdings were international names as defined by country of risk.

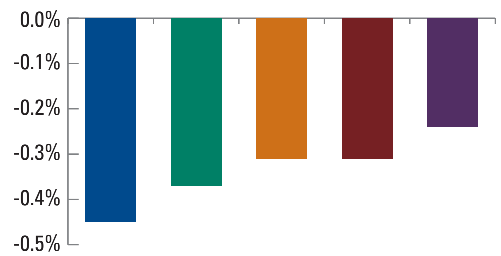
In the quarter, we made minor changes in the portfolio including initiating a new position in Etsy, a global online marketplace for handmade crafts and other unique items with what we conclude is a superior ESG record. To fund this position, we trimmed a rebounding position in auto supplier **Aptiv** and eliminated our underperforming position in Chinese EV manufacturer **BYD** after several quarters of disappointing developments

Overall sector allocation was slightly negative for the quarter. Our underweight to Consumer Staples and overweight of Technology contributed favorably to performance. Our overweighting in Consumer Discretionary, Industrials, Real

Top 5 Contributors (%)	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
SVB Financial Group	2.98	20.14	0.31
ASML Holding NV ADR	2.42	19.56	0.24
MSCI Inc. Class A	2.56	18.89	0.23
Autodesk, Inc.	1.49	24.21	0.19
Siemens AG Sponsored ADR	1.53	21.25	0.17



Top 5 Detractors (%)	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Travelers Companies, Inc.	2.63	-7.34	-0.45
Hexcel Corp.	1.81	-10.54	-0.37
Blackbaud, Inc.	1.43	-11.76	-0.31
Unilever NV ADR	2.45	-3.66	-0.31
American Water Works Company, Inc.	2.51	-0.69	-0.24



TRILLIUM ASSET MANAGEMENT®

Estate, Utilities, detracted from performance. Avoiding fossil fuel energy companies benefitted the SO portfolio by 13 basis points in the quarter, a longer-term trend that continues despite short-term fluctuations. In 2019, traditional (fossil fuel) energy lagged all the other market sectors.

Overall, stock selection was negative in the quarter, although we benefitted from strong stock performance in Real Estate, Communication Services, and Financials. In Real Estate, sustainability infrastructure financing company **Hannon Armstrong** outperformed the group by 13%. In Communication Services, our recent investment in **New York Times** (13%) paid off as the company bounced back from a disappointing prior quarter for paid digital advertising. In Financials**, SVB Financial** benefitted (20%) as expectations for lower interest rates receded somewhat on improving macro trends. **MSCI** also continued its climb higher, as the index company rose along with the market (+19%).

Stock selection in Technology, Health Care, and Industrials particularly detracted from performance. In Technology, not owning Apple was a major headwind, while software company **Blackbaud** continued to have sales integration issues (-12%). In Health Care, our lack of exposure to biotech and managed care companies detracted from performance. In Financials, property casualty insurance company **Travelers** (-7%) posted an earnings miss tied to increased legal claims connected with tort cases.

Individual companies also detracted beyond sector trends, including carbon fiber manufacturer **Hexcel**, which fell (-11%) in sympathy with Boeing, and Consumer Staples company **Unilever** (-4%), which issued a sales warning on its international business. On the other hand, semiconductor equipment company **ASML** rose (+20%) on continued progress from its laser produced Extreme Ultraviolet Lithography technology.

Our defensive positioning in the quarter was arguably at odds with short-term quarterly investor sentiment, however, we believe caution is prudent given the growing geopolitical tensions combined with the new historical highs in the equity markets both in the face of the ever growing existential risk of climate change. We are encouraged that two of our portfolio companies are spinning off non-core activities so that they can focus more fully on climate solutions, those being **Ecolab** in water and **Ingersoll Rand** in HVAC.

We believe our focused, long-term approach identifying quality sustainability winners will be rewarded in the New Year.

CONTACT INFORMATION

ESG Investment Strategy Specialist and Relationship Manager
Tom Simunovic | tsimunovic@trilliuminvest.com | 617-532-6673