TRILLIUM

All Cap Core

STRATEGY COMMENTARY

June 30, 2017 (2nd Quarter)

The All Cap Core strategy performed above its benchmark for the quarter and YTD, net of fees.

At quarter end, the portfolio contained 80 stocks representing all of the 11 economic sectors comprising the benchmark S&P 1500 index. Relative to the sector weights in the S&P 1500, the portfolio was most overweight in the Materials, Financials, and Real Estate sectors. The portfolio was most underweight in Consumer Staples and Telecommunications.

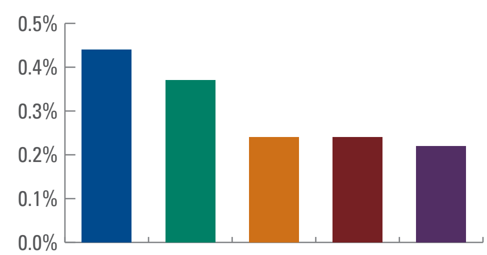
During the quarter, we remained watchful of both macroeconomic and political dimensions domestically and globally. We continue to be skeptical that the single-party government will be able to accomplish many of their priorities, as demonstrated by their failure (again) to strip health care from 20 million Americans late in the quarter. While the market continued to grind higher during the quarter and remains near record levels as of the end of the quarter, general optimism seems tinged with nervousness. Therefore, we are maintaining a generally neutral positioning, with sector exposures close to our benchmark.

As in recent quarters, we were pleased with our positioning this quarter; trading was fairly light and there was no major movement between the sectors. Almost half of our turnover this quarter was in anticipation of the announced acquisitions of Panera Bread and NXP Semiconductors, as we decided for both stocks that the current and announced takeover prices were close enough that we preferred to move on rather than wait for the arbitrage gap to close. To replace Panera, we increased our positon in fellow restaurant Starbucks, and bought a position in athletic apparel company Nike, where we believe brand strength and international growth will overcome a competitive threat that we think is overblown. In technology, we purchased a position in semiconductor Analog Devices to replace NXP, as we believe that the company is well positioned and is trading at a relative valuation gap to other semi companies. We also trimmed simulation software company Ansys after strong performance, and bought a small position in cloud-based software platform provider Blackbaud, which targets education and non-profit organizations, areas that we believe will continue to be successful niches for the small company.

There were two other trades where we swapped out entire positions intra-sector. In Health Care, we closed our position in electronic health record provider Cerner Corp. Cerner's stock had fallen last summer and immediately after the election, after weak operating results, tepid guidance, and fear about what health care changes would mean to the company. While we had concerns about the company's ability to find a next leg of growth, we had felt like the

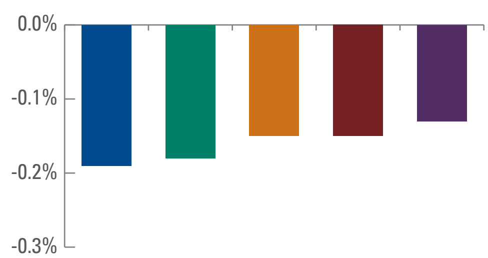
Top 5 Contributors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Whole Foods Market, Inc.	1.38	42.95	0.44
PayPal Holdings Inc	2.15	24.76	0.37
Panera Bread Company Class A	0.91	19.71	0.24
First Solar, Inc.	0.67	47.16	0.24
Westinghouse Air Brake Technologies Corporation	1.64	17.45	0.22



Top 5 Detractors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
United Natural Foods, Inc.	0.98	-15.11	-0.19
F5 Networks, Inc.	1.22	-10.88	-0.18
EOG Resources, Inc.	1.59	-7.05	-0.15
Stifel Financial Corp.	1.17	-8.39	-0.15
Quanta Services, Inc.	0.83	-11.29	-0.13



This information is not intended as investment advice or a recommendation to purchase or sell specific securities. Sector and stock performance included in portfolio commentary reflects a representative account as of 6/30/17 and excludes cash. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold any or all of the securities/sectors listed. Additional information regarding the calculation methodology, as well as each holding's contribution to the strategy's performance is available on request.

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stock's tumble had been overdone. With that fall mostly reversed, we decided to invest instead in pharmaceutical company Shire, as we believe the company will soon begin showing the benefits of integrating their acquisition of Baxalta. In Utilities, we switched from U.K. based grid operator and electric utility National Grid to domestic electric and gas utility Avangrid. As Avangrid management settles in to their second year as a public company, we are comfortable with their growth targets, including for the growth of their renewable energy generation portfolio, as Avangrid is the second largest domestic generator of wind power.

Relative to the S&P 1500, the contribution from sector weighting was slightly positive, due almost entirely to our underweight to Telecom, the worst performing sector in the benchmark. We were also underweight Energy, the only other negative performing sector in the benchmark. We had a slight overweight on the best performing sector in the 1500, Health Care.

The bulk of our outperformance during the quarter came from stock selection, particularly in Technology, in a reverse from last quarter. Our top contributing tech positions were PayPal (up 24.8% during the quarter) and First Solar (+47.2%). Electronic payment provider Paypal outperformed due to strong quarterly results, driven by continued market share gains and better than expected margins, which helped alleviate fears that pricing pressure would drag down profits longer term. Solar photovoltaic equipment manufacturer First Solar befitted from a combination of stronger than expected quarterly results, not as weak as expected market conditions, and the filing of an international trade case that would benefit First Solar by harming competitors, if successful. We were impacted to a lesser extent by weak stock selection in Health Care. In particular, our new positon in Shire (down 10.6% during the quarter) suffered as expectations increased for future competition for some of its higher revenue generation branded medications, particularly in the treatment of hemophilia.

Aside from the second top contributor PayPal, our other two largest contributors were acquisitions of consumer companies. Panera Bread (+19.7% during the quarter) benefitted in Q1 from rumors of acquisition and in Q2 from the news, after which we closed our position. Frequent top contributor and detractor Whole Foods Market was the top contributor this quarter, for the last time, as it agreed to be acquired by Amazon and was up 43.0% during the quarter. On the flip side, our top detractor was Whole Foods' primary distributor, United Natural Foods (-15.1%), which fell on fears of what the acquisition could mean to their relationship with their largest customer. Our second biggest detractor was F5 Networks(-10.9), which underperformed due to worse than expected new product sales in the quarter, partly due to the timing of the closing of some deals which will be booked next quarter.

Similar to our economic outlook last quarter, we continue to see mixed signals in the economy and stock market. The market remains at near record levels. We believe the tax reform the market is anticipating is very unlikely to be accomplished this year. Leading economic indicators remain positive, portending continued growth, but we are concerned that growth may not be strong enough to justify much of the optimism we feel is priced into stocks. At the same time, valuations for typically defensive sectors such as Staples and Utilities remain persistently elevated, which we believe demonstrates some of the uncertainty we feel. We will continue to be mindful of valuation while seeking companies with solid growth prospects. With the portfolio beta and sector exposure near the benchmark's, we intend to stay relatively close to benchmark exposure until we find less uncertainty or better value. We do not see an immediate catalyst for a market decline, but may see an extended period of uninspiring returns while earnings growth catches up to expectations.

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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.