TRILLIUM | Large Cap Core

STRATEGY COMMENTARY
June 30, 2017 (2nd Quarter)

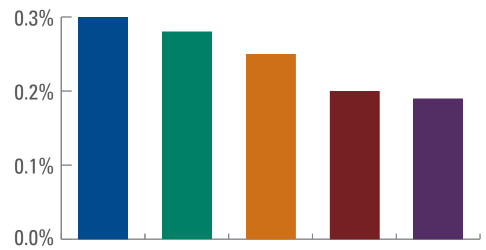
The Large Cap Core strategy performed above its benchmark, the S&P 500, for the second quarter of 2017, net of fees. At quarter-end, the portfolio contained 76 stocks representing all of the eleven of the economic sectors comprising the S&P 500 index. Relative to the sector weights in the benchmark, the portfolio was overweight Health Care and modestly overweight Technology and Consumer Staples. We were somewhat underweight Energy, Industrials, and Materials. The remaining sectors were invested at near benchmark weight exposures.

During the quarter, we continued to be somewhat cautious regarding the stock market as valuations remain high and we are positioned for late cycle deceleration of economic growth. As anticipated, economic data has continued on the softer side and legislative promises for tax and health care reform have yet to materialize. As a result, we continue to position the portfolio beta modestly below benchmark and sector exposures are mostly neutral to benchmark with a modest overweight of defensive sectors such as Healthcare and Consumer Staples and an underweight to the Energy sector. We continue to remain focused on high-quality, durable, and sustainable growth companies selling at reasonable prices that can demonstrate growth in earnings and dividends independent of a more challenging, slower growth environment.

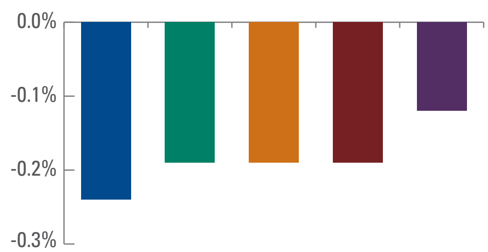
Trading in the quarter was modest, about half of our turnover was to replace Panera Bread, up sharply (+53.4%) this year on takeover news, and to pare back our overweight to the Information Technology sector on strength and largely full valuation levels. Our two overweighted sectors (Health Care and Information Technology) were the top two performing sectors in the period. We took partial profits in engineering and architectural software company, Autodesk, (up 36.2% this year), and on-line payment processor, PayPal, which also leapt 36.0% for the six months. To replace Panera, we increased our position in apparel retailer TJX. As retailers (department stores) continue to shut stores the opportunity for TJX to gain share widens. TJX remains a strong core holding, giving us anti-cyclical exposure and immunity from Amazon.

We also trimmed medical device maker Zimmer (up 24.9% this year) to make room in the Health Care sector

Top 5 Contributors (%)	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
PayPal Holdings Inc	1.76	24.76	0.30
Whole Foods Market, Inc.	0.89	42.95	0.28
Cigna Corporation	2.63	14.27	0.25
Unilever NV ADR	2.37	11.94	0.20
Alphabet Inc. Class A	4.39	9.66	0.19



Top 5 Detractors (%)	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
United Natural Foods, Inc.	1.24	-15.11	-0.24
Tractor Supply Company	0.72	-21.03	-0.19
EOG Resources, Inc.	1.98	-7.05	-0.19
F5 Networks, Inc.	1.25	-10.88	-0.19
Verizon Communications Inc.	2.09	-7.30	-0.12



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for healthcare contract research organization (CRO), Quintiles IMS Holdings. CROs and Quintiles in particular offer attractive secular growth as biopharma companies increasingly outsource R&D and clinical trials to focus on drug discovery. Quintiles, a mid teens EPS grower, is selling at an attractive 1.5x PEG ratio. In the usually unexciting Utilities sector, we added Avangrid, the second largest operator of renewable energy in the U.S. One-third of the company is in the dynamic renewable space, mostly wind, and growing in solar. Finally, in the Financial Services sector we sold Midwest regional bank Fifth Third to reduce our overweight to the interest rate sensitive bank group on sluggish loan growth trends and a flattening yield curve. We bought MSCI, a leading provider of financial decision support tools, including indices, analytics, and ESG investment tools. This high quality, mid teens grower is selling at a reasonable PEG of 1.7x, and its ROE is over 60%.

Sector selection was modestly favorable for the quarter. Our underweight to the weakest sector, Energy, added most of the sector relative performance, as the group fell along with oil prices. Our overweight to the top performing Health Care sector, as well as our overweight to Information Technology, helped results, but our slight overweight to Consumer Staples and market weight in Utilities detracted slightly.

Strong stock selection generated the bulk of the good performance in the period. Security selection in the portfolio was strongest in Information Technology, Energy and Consumer Staples while only two sectors provided negative impacts: REITs and Utilities. Our largest detractors were United Natural Foods, Tractor Supply, and EOG Resources. As a key supplier to Whole Foods, United Natural Foods fell 15.1% on the Amazon takeover news of the natural foods retailer. We are sticking with United Natural Foods for now as there is a contract through 2025 and many favorable synergies between the two companies. Tractor Supply fell 21.0% on weak sales partially hurt by poor weather. We believe the chain's rural footprint, innovative merchandising, and high customer service level approach should make it better positioned than many retail concepts. In addition, same store sales comparisons become meaningfully easier in the coming quarters, and there is still new store growth and expectations are clearly low. Valuation appears to be reflecting much more of the negatives. EOG Resources fell 7.1%, slightly underperforming the weak energy sector on the pullback in oil prices.

Our top contributors were Paypal (+24.8%), Whole Foods (+43.0%), and Cigna (+14.3%). Digital and mobile 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. Whole Foods Market rose sharply as it agreed to be acquired by Amazon. Managed care operator, Cigna, outperformed on solid first quarter earnings with both revenues and bottom lines beating expectations. We continue to favor managed care companies as they contribute to lowering U.S. healthcare expenditures through improving patient outcomes, by offering healthy living and wellness programs, as well as providing negotiations with healthcare product manufacturers and providers.

Going forward, we will continue to monitor economic data as hard economic data has been weaker than expectations. Optimism regarding tax reform is likely to continue to fade as well. We expect to continue to reduce exposures to those companies whose earnings will be pressured by higher interest rates and slowing economic growth. We anticipate continuing to pay more attention to dividend growth and to those companies with attractive relative valuations and sustainable growth independent of a softer economy while being mindful that defensive sectors in general have unappealing valuations at this point.

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