TRILLIUM

Small/Mid Cap Core

STRATEGY COMMENTARY
June 30, 2017 (2nd Quarter)

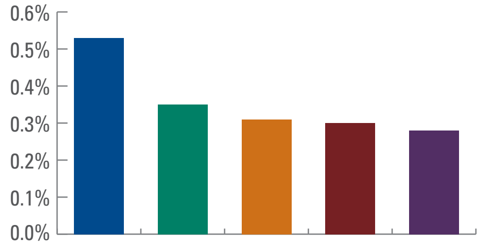
The Small/Mid Cap Core strategy outperformed its benchmark for the quarter and YTD, net of fees.

At quarter end, the portfolio contained 76 stocks, representing ten of the eleven economic sectors comprising the S&P 1000 index. The portfolio currently does not have a Telecommunications holding. During the quarter, relative to the sector weights in the S&P 1000, the portfolio was overweight the Information Technology, Financials, Healthcare, and Industrials sectors. The portfolio was underweight Energy, Real Estate, and Consumer (both Discretionary and Staples). We were essentially market weight in Materials and Utilities.

During the quarter we initiated a few new positions including iRhythm Technologies and Nevro, two small-cap medical devices growth companies. iRhythm Technologies was incorporated in 2006 and completed its IPO last October. The company's first product, ZIO XT patch, which detects symptomatic atrial fibrillation (AF), the most common type of cardiac arrest, came to market in 2014. The product is gradually taking market share from the decades old standard of care, the Holter monitor, which patients find uncomfortable to wear, inconvenient to use, and is less accurate in detecting AF, thereby resulting in increased patient risk and likely higher healthcare system/payer costs. In a partnership with the Mayo Clinic, Nevro has developed an innovative and market share taking spinal cord stimulation (SCS) product, branded Senza, with superior efficacy and a better safety profile than what is currently approved to treat individuals suffering from back and leg pain. Additionally, we believe the product can be extended into other therapeutic areas. Given the speculative nature of both names we initiated with smaller than usual position sizes. We exited our position in Panera (+19.7%), our largest and top performer for the quarter, as it was going to be taken private by JAB Holdings. The deal was not expected to close until some point in the third quarter and the price had such a narrow gap with the acquisition price, that it made sense to allocate the funds to other names where we felt there was more upside potential, such as lululemon and Tractor Supply.

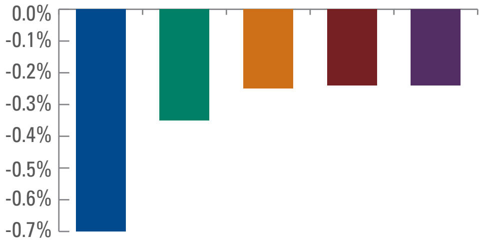
Top 5 Contributors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Panera Bread Company Class A	1.97	19.71	0.53
Rogers Corporation	1.37	26.49	0.35
Westinghouse Air Brake Technologies Corporation	2.42	17.45	0.31
Lululemon Athletica Inc	1.46	15.04	0.30
Palo Alto Networks, Inc.	1.77	18.75	0.28



Top 5 Detractors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
IMAX Corporation	1.55	-35.29	-0.70
United Natural Foods, Inc.	1.98	-15.11	-0.35
F5 Networks, Inc.	1.76	-10.88	-0.25
Middleby Corporation	1.84	-10.95	-0.24
Superior Energy Services, Inc.	0.71	-26.86	-0.24



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Relative to the S&P 1000, the contribution from sector weighting was positive. Our continued underweight to the Energy sector was once again a tailwind as that sector continued to significantly underperform the index (-20.6% versus the S&P 1000 +1.9%). We also benefited from our Healthcare overweight, given the strength in that sector.

Overall, we saw positive impact from stock selection, with Information Technology and Financials leading the performance. Top performers in the IT sector were Rogers Corporation (+26.5%) and Palo Alto Networks (+18.8%). Rogers continues to post strong sales and gross margins on cellular phone and telecommunication network upgrade cycles. Palo Alto rallied on strong quarterly results. The key in the quarter was that sales productivity increased significantly after the recent salesforce reorganization. There was a lot of concern and fear around this, given the recent earnings misses. In a reverse from last quarter, lululemon (+15.0%), recovered as it delivered strong sales as innovation and color recaptured the consumer's attention. Westinghouse Air Brake Technologies (+17.5%), a manufacturer of components and provider of aftermarket services to railcars and locomotives for freight and transit, was a top contributor in the quarter. The Company is benefiting from a record backlog in its transit business combined with improving rail freight volumes, which bodes well for future trends in that business.

Stock selection was weakest in Consumer Staples and Healthcare. Within Staples, United Natural Foods (-15.1%) took a leg down on concerns over the long term trajectory of its largest distribution client, Whole Foods, now that it is expected to be acquired by Amazon. While there is a contract in place through 2025, the fact that there are limited details (though lots of speculation) around Amazon's plans for Whole Foods, the uncertainty is currently an overhang. In tertiary fallout, restaurant equipment maker Middleby (-11.0%) experienced pressure from Amazon's entrance into the food market over fears that it could dampen restaurant sales and therefore cause Middleby's customers to pullback on capital expenditures. The biggest detractor in the quarter was IMAX (-35.3%) owing largely to sluggish box office numbers in H1 2017 and concerns that these trends will continue in the back half of the year. Given a strong backlog of theatre signings and continued traction in China, we remain constructive on the stock. F5 Networks (-10.9%) was also a drag on the portfolio, as it did not participate in the strength experienced across the Technology sector.

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. Therefore, we are maintaining a generally neutral positioning, with sector exposures generally close to our benchmark.

CONTACT INFORMATION

Paul Hilton, CFA
philton@trilliuminvest.com
617-532-6671