TRILLIUM

Sustainable Opportunities

STRATEGY COMMENTARY
June 30, 2017 (2nd Quarter)

The SO strategy outperformed its primary benchmark, the S&P 1500, for the quarter and year-to-date, net of fees. In spite of the federal policy shift to eviscerate clean energy incentives, we are pleased that our approach to sustainable solutions is generating positive returns.

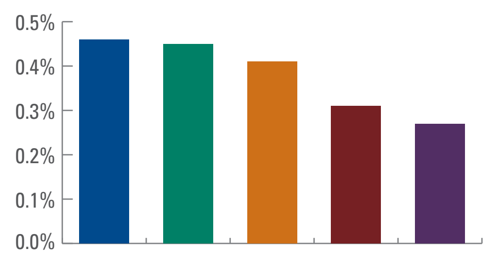
At quarter-end, the portfolio included 58 names. Our stocks represent all of the economic sectors comprising the S&P 1500 index except traditional Energy, which is consistent with our "fossil fuel free" approach and commitment to identifying companies leading the transition to a sustainability economy, with the three themes of Climate Solutions, Healthy Living, and Economic Empowerment. Relative to the sector weights in this benchmark, the portfolio was overweight the Health Care, Industrials, Real Estate, and Utilities sectors. We were underweight the Consumer Discretionary, Financials, and Telecommunication Services sectors. We were essentially market weight in Consumer Staples, Information Technology, and Materials.

During the second quarter, we sold our positions in Bioverative and White Wave Foods. Bioverative is a spin-off from Biogen that does not appear to have the same level of commitment to access to medicines as its parent. White Wave Foods was set to be acquired by Group Danone and had reached full value. With the proceeds from these sales, we added to a small position in LogMeIn we inherited when the company merged with Citrix's GoTo business. We believe the company is well positioned to benefit from the increasing focus on remote and cloud connectivity. We also reinitiated a position in Lululemon after the company dropped precipitously due to a poor earnings announcement tied to a misjudgment of shifting fashion demands from its core consumer base. We still believe the name is well positioned as a premium brand in the athletic apparel segment. Finally, we added to our position in McCormick, a spice company that will benefit as consumers shift to at home preparation of healthier foods.

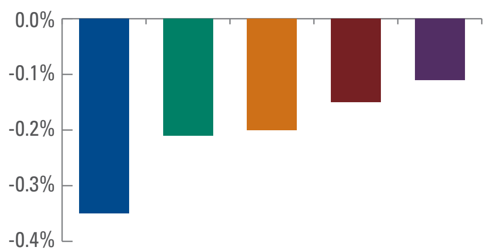
Sector selection helped performance for the quarter across all but two sectors. The greatest contribution came again from not owning Energy, providing 64 bps of relative outperformance, as energy names continued to fall along with oil prices. In addition, our over-weights in Health Care and Industrials helped performance, as did our underweight to Telecom.

Stock selection in Technology and Consumer Discretionary provided over half our relative performance for the quarter somewhat offset by our holdings in Financials and Health

Top 5 Contributors (%)	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Panera Bread Company Class A	3.01	20.15	0.46
PayPal Holdings Inc	2.54	24.76	0.45
Autodesk, Inc.	3.23	16.60	0.41
Tesla Inc	1.32	29.94	0.31
Unilever NV ADR	3.08	11.94	0.27



Top 5 Detractors (%)	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
United Natural Foods, Inc.	1.81	-15.11	-0.35
SVB Financial Group	2.41	-5.53	-0.21
Hercules Capital, Inc.	1.37	-10.37	-0.20
Middleby Corporation	1.03	-10.95	-0.15
Hexcel Corporation	1.63	-3.02	-0.11



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Care,. In Technology, Electronic payment provider Paypal (+24.8%) 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. Autodesk also had a strong quarter (up 16.6%), with top and bottom line beats by wide margins, as the company's transition to subscription based services continues to move faster and smoother than expected. In Consumer Dictionary, Tesla soared (up 30.0%) after the company met order and production targets for its new Model 3 launch. Its market cap now exceeds that of GM and Ford. Also in discretionary, Panera (up 20.2%) was our single largest contributor to relative performance, after private equity firm JAB agreed to acquire the restaurant chain for $7.5 billion.

In Healthcare, Biogen was down (-0.8%) in part on news that its CFO left to join one of its primary competitors, Alexion. Alkermes (-0.9%) faced headwinds after a poor quarter attributed to lumpiness in sales of its flagship Vivitrol franchise. In Financials, Silicon Valley Bank was down (-5.5%) as investors took gains in the name and Hercules Capital down (-10.4%) after the company pursued a restructuring towards external management, which it subsequently scuttled after shareholder unrest.

One of our single largest detractors was Whole Foods' primary distributor, United Natural Foods (-15.1%), which fell on fears of what the Amazon acquisition could mean to its relationship with its largest customer. Restaurant equipment company Middleby was also down (-10.4%) after reporting sluggish international sales and after news of Amazon buying Whole Foods, as investors feared restaurants could come under pressure and reduce capex spending. Unilever was up (11.9%) after a very favorable quarterly earnings release driven by its fast growing sales in emerging markets.

Many of our climate solutions focused holdings performed well in the quarter, including Hannon Armstrong (+15.1%)—renewable energy financing, Wabtec (+17.5%)—train safety, and Xylem (+10.8%)—water. Looking forward, we are optimistic that solutions oriented names such as these will continue to grow in this period of uncertainty for both environmental policy and economic growth.

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