



Invests in small and mid cap stocks that are well-diversified across economic sectors and meet Trillium's sustainability criteria.

## PORTFOLIO COMMENTARY

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

At quarter end, the portfolio contained 74 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, Materials, Healthcare, and Industrial sectors. The portfolio was underweight Energy, Real Estate, and Consumer (both Discretionary and Staples). We were essentially market weight in Utilities.

During the quarter we exited/trimmed some of our larger cap names and reallocated the funds to SMID caps. We exited ONEOK, our pipeline play, as its market cap was no longer appropriate for our product. We reallocated to other sectors, maintaining our Energy underweight. We trimmed our positions in large cap names First Republic Bank and Ansys, given their strong stock moves, and increased positions of Webster Financial, a regional bank, and Trimble, a technology solutions company.

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## PERFORMANCE (as of 9/30/2017)

		FUND	S&P 1000	RUSSELL 2500
Quarter	Return (%)	4.80%	4.06%	4.74%
YTD	Return (%)	11.20%	9.27%	11.00%
1 Year	Return (%)	16.93%	18.60%	17.79%
Since Inception (8/31/15)	Return (%)	10.00%	14.77%	12.91%
Gross Expense Ratio (%)		11.10%*		

*Performance data quoted represents past performance; past performance does not guarantee future results. The Russell 2500 is provided as supplemental information. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. The fund imposes a redemption fee of 2.00% on shares held for 90 days or less. Performance data does not reflect the redemption fee. If it had, returns would be reduced. Performance data current to the most recent month end may be obtained by calling 800-853-1311.*

\*Total Annual Fund Operating Expenses Ratio after Fee Waiver and/or Expense Reimbursement for TSMDX is 1.00%. This is what the investor has paid. Trillium Asset Management, as advisor to TSMDX, has contractually agreed to reduce our fees to 0.98% through July 30, 2017.

## INVESTMENT ADVISOR OVERVIEW

- Trillium Asset Management is a Boston based firm started in 1982
- Over \$2.5 billion in assets under management
- Over \$300 million in model-driven platform assets
- Employee owned, with broad distribution of shares
- Deep expertise in domestic equities with a focus on full Environmental, Social, and Governance (ESG) integration

## INSTITUTIONAL

Symbol.....	TSMDX
Inception Date .....	08.31.15
Minimum Investment .....	\$100,000
Gross Expense Ratio .....	11.10%*

*(Registered Investment Advisors may aggregate client accounts to meet the minimum)*

## INVESTMENT ADVISOR

Trillium Asset Management  
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Boston, MA 02111  
800.853.1311

## SECTOR WEIGHTINGS

SECTOR	PORTFOLIO %	S&P 1000 %
Consumer Disc.	11.7%	12.6%
Consumer Staples	2.8%	3.5%
Energy	1.5%	3.9%
Financial Services	17.4%	16.8%
Health Care	10.1%	9.6%
Industrial Goods	17.5%	16.5%
Materials	7.0%	6.6%
Real Estate	8.0%	8.5%
Technology	18.0%	16.7%
Telecommunications	0.0%	0.5%
Utilities	5.0%	4.7%

## CHARACTERISTICS

<b>Benchmark</b>	S&P 1000
<b>Inception Date</b>	August 31, 2015
<b>Fund Assets</b>	\$12.5 million
<b>Holdings</b>	70-80
<b>Max Position Sizes</b>	5%
<b>Target tracking Error</b>	4-5%
<b>Sector Deviation +/-</b>	3%
<b>Asset Allocation:</b>	
Equities:	98.8%
Cash:	1.2%
<b>Weighted Avg Market Cap (\$ bil):</b>	
Portfolio:	\$6.4m
S&P 1000:	\$4.2m
<b>Weighted Harmonic Avg fwd P/E (x)</b>	
Portfolio:	20.7
S&P 1000:	19.7
<b>Weighted Avg P/B (x):</b>	
Portfolio:	2.9
S&P 1000:	2.2

## TOP TEN HOLDINGS

COMPANY	% OF FUND	SECTOR
Cambrex Corp	2.3	Health Care
Hunt J B Trans Svcs Inc	2.3	Industrial Goods
East West Bancorp Inc	2.2	Financial Services
Logmein Inc	2.2	Technology
Reinsurance Group Amer Inc	2.1	Financial Services
Hexcel Corp New	2.1	Industrial Goods
Lululemon Athletica Inc	2.1	Consumer Discretionary
Owens III Inc	2.0	Financial Services
Wabtec Corp	2.0	Industrial Goods
Palo Alto Networks Inc	1.9	Industrial Goods

Relative to the S&P 1000, the contribution from sector weighting was neutral. While our underweight to the Energy sector was a drag this quarter given a rebound in energy prices, it was offset by positioning in other sectors. We benefited from not owning Telecommunications (-3% versus the S&P 1000 at +4%), being underweight Real Estate (flat), and having an overweight in Industrials (+7% versus the benchmark at +4%).

Overall, we saw positive impact from stock selection, with Consumer Discretionary and Information Technology driving the performance. Within Discretionary, Tractor Supply (+17%) and Borg Warner (+21%) were the strongest contributors. Borg Warner, an automotive engine and drive train play, benefited from lessening concerns that its growth would be impacted by slowing North American auto sales and increased electrification of vehicles, as well as more

consistent execution from management. Tractor Supply rallied from washed out levels on a solid quarter and decreasing concerns that all retail store formats are obsolete. The top performer in the IT sector was IPG Photonics (+28%), a manufacturer of industrial fiber lasers, which has been strongly beating expectations as fiber lasers gain share from traditional CO2 lasers given greater energy efficiency and productivity. Rounding out the top five was JB Hunt (+22%), an intermodal company, and Avista (+23%), an electric and natural gas utility. Growing optimism on the health of the freight market helped JB Hunt while Avista rose on the announcement that it would be acquired by Hydro One, the largest electric utility in Ontario.

Stock selection was weakest in Industrials and Healthcare. Within Industrials, last quarter's strong performance by Wabtec (-17%) was reversed as the company stumbled

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Top 5 Contributors (%)	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
J.B. Hunt Transport Services, Inc.	21.87	0.35
IPG Photonics Corporation	27.54	0.29
BorgWarner Inc.	21.32	0.28
Tractor Supply Company	17.32	0.23
Avista Corporation	22.78	0.23

Top 5 Detractors (%)	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Hologic, Inc.	-19.15	-0.50
Westinghouse Air Brake Technologies Corporation	-17.08	-0.48
Cambrex Corporation	-7.95	-0.31
Acuity Brands, Inc.	-15.69	-0.26
LTC Properties, Inc.	-7.51	-0.18

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 9/30/2017 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.

## PORTFOLIO COMMENTARY *Continued*

on its quarterly forecasting, anticipating a rebound in train aftermarket services that did not come to fruition. Acuity Brands, a provider of LED lighting solutions, took another leg down as order patterns remain volatile, though we feel the long term outlook for the LED space remains solid. In Healthcare, Hologic (-19%), a medical device company focused on women's health, and Cambrex (-7%), a manufacturer of active pharmaceutical ingredients used in the manufacturing of branded and generic drugs, were the biggest drags on performance. Hologic gapped down on execution missteps on the integration of its Cynosure acquisition, but management assigned a new business head which we think will make these missteps temporary.

Cambrex was hit by a gross margin guide down for next year, as new capacity comes on line. Our healthcare REIT, LTC Properties (-8%), also was a drag in the quarter as its more defensive sub-industry was not in favor as the market rallied.

With the market continuing its upward trend, we remain cautiously optimistic. Action in recent weeks would suggest the breadth of strength in the market is broadening, but we believe some of this optimism is based on false assumptions (large tax reform). We continue to remain fairly neutral in our positioning from a sector perspective, looking to populate our portfolio with a balanced mix of names.

## PORTFOLIO MANAGERS



### **Laura L. McGonagle, CFA**

- Former Equity Research Analyst at Adams, Harkness, and Hill as sell-side analyst in "Healthy Living" group, covering specialty consumer stocks addressing the consumers' growing awareness of the impact of nutrition, environment, and lifestyle choices on their well-being
- B.A., Quantitative Economics, Tufts University



### **Matthew W. Patsky, CFA**

- Former Director of Research, Chairman of the Investment Committee, and PM at Winslow Management Company
- First sell-side analyst in U.S. to publish on the topic of socially responsible investing in 1994
- Serves on the Boards of Environmental League of Massachusetts (ELM), Shared Interest, and Pro Mujer
- Member of the Social Venture Network (SVN)
- B.S., Economics, Rensselaer Polytechnic Institute

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**The Weighted Average Market Capitalization** is a stock market index weighted by the market capitalization of each stock in the index. **The Weighted Harmonic Avg fwd P/E** is the ratio of the portfolio's total market value to the total earnings of the portfolio. **The Weighted Avg P/B** is the weighted average of the price/book ratios of all the stocks in a portfolio.

*The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contain this and other important information about the investment company, and it may be obtained by calling 866-209-1962, or visiting [trilliummutualfunds.com](http://trilliummutualfunds.com). Read it carefully before investing.*

Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. **Earnings growth is not a measure of the Fund's future performance.**

References to other mutual funds should not to be considered an offer to buy or sell these securities.

**Trillium's Small / Mid Cap Fund may invest in foreign securities, which are subject to the risks of currency fluctuations, political and economic instability and differences in accounting methods. Investing in foreign securities is riskier than investing in domestic securities. The Fund invests in smaller and medium companies, which involve additional risks such as limited liquidity and greater volatility. Trillium's Small / Mid Cap Fund environmental policy could cause it to make or avoid investments that could result in the portfolio underperforming similar funds that do not have an environmental policy. There are no assurances that the fund will achieve its objective and/or strategy. Short term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns. Diversification does not assure a profit or protect against a loss in a declining market.**

The S&P Indices are widely recognized, unmanaged indices of common stock. The S&P 1000 combines the S&P MidCap 400 and the S&P SmallCap 600, to form a benchmark for the small-mid cap universe of the U.S. equity market. Returns reported reflect the net total return index, which reinvests dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

The S&P 400 Index serves as a barometer for the U.S. mid-cap equities sector. The S&P 600 Index covers a broad range of small cap stocks in the United States.

The Russell 2500 is a market cap weighted index that includes the smallest 2,500 companies covered in the Russell 3000 universe of United States-based listed equities.

An investment cannot be made directly in an index.

Trillium Asset Management is the advisor to the Trillium Small/Mid Cap Fund and the Portfolio 21 Global Equity Fund which are distributed by Quasar Distributors, LLC.



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