

The Portfolio 21 Global Equity Fund is designed to address the risks and opportunities created by the increasing constraints on natural capital. Since 1999, we have searched the globe for companies that meet a dual mandate: environmental leadership and financial quality. Our rigorous selection criteria is fossil fuel free and integrates financial and environmental, social, and governance (ESG) research to seek high quality growth companies at a reasonable price, resulting in an equity portfolio that seeks positive risk-adjusted return.

## TOP TEN HOLDINGS

COMPANY	% OF FUND	COUNTRY	SECTOR
Alphabet Inc Class A	2.1	U.S.	Information Technology
Apple Inc	1.9	U.S.	Information Technology
Samsung Electronics Co Ltd	1.5	South Korea	Information Technology
TJX Companies Inc	1.5	U.S.	Consumer Discretionary
Ecolab Inc	1.3	U.S.	Materials
Taiwan Semiconductor Manufac	1.3	Taiwan	Information Technology
SVB Financial Group	1.2	U.S.	Financials
Cisco Systems Inc	1.2	U.S.	Information Technology
PNC Financial Services Group	1.2	U.S.	Financials
Visa Inc Class A	1.2	U.S.	Information Technology

## PERFORMANCE (as of 12/31/2017)

		RETAIL (PORTX)	INSTITUTIONAL (PORIX)	MSCI ACWI
Quarter	Return (%)	5.53	5.60	5.73
1 Year	Return (%)	27.86	28.22	23.97
3 Year	Return (%)	10.56	10.85	9.30
5 Year	Return (%)	10.45	10.75	10.80
10 Year	Return (%)	4.87	5.17	4.65
Since Inception	Return (%)	5.99	6.30	5.09
	Standard Deviation	15.83	15.84	
	Alpha	1.09	1.38	
	Information Ratio	0.15	0.21	
Gross Expense Ratio (%)		1.33%	1.08%	

Performance data quoted represents past performance; past performance does not guarantee future results. 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. Performance data current to the most recent month end may be obtained by calling 800-853-1311.

PORIX performance reflects a blend of retail class shares (PORTX) and institutional class shares (PORIX) adjusted to reflect institutional class (PORIX) fees. PORTX performance is used from fund inception date, 9/30/99, until the launch of PORIX on 3/30/07. PORIX performance is used from 3/30/07 to date.

Style ..... Global Equity  
 Index ..... MSCI ACWI  
 Number of Holdings ..... 70-150

## RETAIL

Symbol ..... PORTX  
 Cusip ..... 742935588  
 Inception Date ..... 09.30.99  
 Minimum Investment  
 Standard Account ..... \$5,000  
 Retirement Account ..... \$1,000

## INSTITUTIONAL

Symbol ..... PORIX  
 Cusip ..... 742935356  
 Inception Date ..... 03.30.07  
 Minimum Investment ..... \$100,000  
 (Registered Investment Advisors may aggregate client accounts to meet the minimum)

## INVESTMENT MANAGEMENT TEAM

**James Madden, CFA** **Anthony Tursich, CFA**  
 Portfolio Manager Portfolio Manager

## INVESTMENT ADVISOR

Trillium Asset Management  
 Two Financial Center  
 60 South Street  
 Suite 1100  
 Boston, MA 02111

800.853.1311

[www.portfolio21.com](http://www.portfolio21.com)

[www.trilliuminvest.com](http://www.trilliuminvest.com)

## SECTOR WEIGHTINGS

SECTOR	PORTFOLIO %	MSCI ACWI %
Consumer Disc.	10.1	12.0
Consumer Staples	9.0	8.7
Energy	0.0	6.4
Financials	18.3	18.8
Health Care	12.6	10.7
Industrials	16.0	10.9
Information Tech.	19.4	18.1
Materials	5.9	5.5
Real Estate	3.7	3.1
Telecom. Svcs.	3.4	3.0
Utilities	1.6	2.9

## TOP TEN COUNTRIES

COUNTRY	PORTFOLIO %	MSCI ACWI %
United States	46.3	51.1
Japan	7.2	7.9
United Kingdom	5.2	5.4
France	3.3	3.4
Switzerland	3.3	3.1
Denmark	3.1	0.6
Canada	3.0	3.2
Australia	3.0	2.3
Hong Kong	2.9	1.5
Spain	2.8	1.1

## CHARACTERISTICS

<b>Fund Assets:</b> .....	\$501m
<b>Number of holdings:</b> .....	119
<b>Asset Allocation:</b>	
Equities:.....	99.8%
Cash:.....	0.19%
<b>One year turnover:</b> .....	14%
<b>Average three year turnover</b> .....	20%
<b>Average five year turnover</b> .....	27%
<b>Weighted Avg Market Cap (\$ bil):</b>	
Portfolio:.....	96.7
MSCI ACWI:.....	132.9
<b>Weighted Harmonic Avg fwd P/E (x)</b>	
Portfolio:.....	16.4
MSCI ACWI:.....	15.7
<b>Weighted Avg P/B (x):</b>	
Portfolio:.....	3.1
MSCI ACWI:.....	2.3

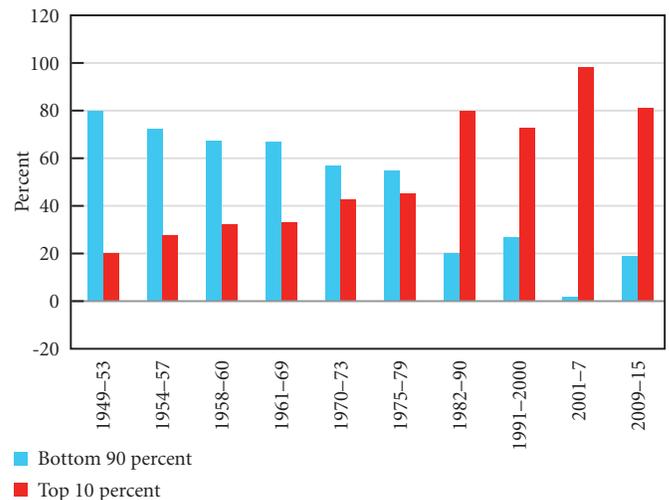
## PORTFOLIO COMMENTARY

2017 was a very good year for equity markets across the globe; record setting in fact. The MSCI ACWI rose in each of the twelve months of the year for the first time in its existence. The upward ride was exceedingly smooth as well, with stock market volatility declining throughout the year, ending near its historical low.

There are many charts that will purport to show you how over/undervalued the markets now are and delineate all sorts of reasons for what will occur in 2018 and beyond. Some will end up being right, some wrong, but we believe few are as indisputably important as the one below. Asset owners have enjoyed the fruits of this long bull market but the same bull market has exacerbated income inequality to historic proportions in the U.S. No one can say for sure how this gap will ultimately manifest but, unless addressed, we have trouble seeing a happy ending.

The Portfolio 21 Global Equity Fund (P21) performed in line with the MSCI ACWI NTR (ACWI) in Q4 2017 on a net-of-fees basis. Fund NAV increased 5.61% for the quarter compared with a

**Figure 1. Households' Share of Average Income Growth: 1949-2015 Expansions (including capital gains)**



Source: "Inequality Update: Who Gains When Income Grows," by P.Tcherneva, 2017, Levy Economics Institute of Bard College

Top 5 Contributors (%)	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
SVB FINANCIAL GROUP	24.95	0.28
BLACKMORES LTD	42.92	0.25
NEW RESOURCE BANCORP	48.18	0.25
ADOBE SYSTEMS INC	17.47	0.24
IPG PHOTONICS CORP	15.71	0.21

Top 5 Detractors (%)	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
CELGENE CORP	-30.30	-0.19
MERCK & CO. INC	-11.37	-0.12
GILEAD SCIENCES INC	-10.96	-0.11
CVS HEALTH CORP	-10.26	-0.10
HENRY SCHEIN INC	-14.77	-0.10

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 12/31/2017 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.

5.73% return for the ACWI. Longer-term, P21 has generated positive alpha over the past 1, 3, 5, and 10-year periods. Since fund inception in 1999, P21 has delivered returns in excess of 100 bps, annual average, against the ACWI.

Allocation and currency were a drag on relative returns during the past quarter, while security selection was additive. Lack of representation in the energy sector and weaker krone and real currencies inhibited performance to a degree. Geographically, security selection provided a boost to performance returns in the Americas, Europe and Asia. From a sector perspective, positive contribution was realized within eight of the eleven economic sectors. The Technology and Real Estate sectors delivered the biggest bang, followed by Utilities and Financials. Fund Health Care and Materials sector performance lagged.

Asia was among the best performing regions during the fourth quarter, outshining the Americas and Europe, on an upswing in earning growth and low relative valuations. The good times could continue as Asian stocks are trading at 14 times next year's estimated earnings, with 12% earnings growth forecast for 2018. Australian stocks provided the largest contribution to performance returns, thanks to a 43% rise in shares of Blackmores. The stock gained on strong demand for health and wellness products in China thanks to a growing middle class and aging population. Company direct sales to China jumped 28% in the fiscal first quarter. The company's biggest market opportunity remains in China where its trusted reputation for effective natural vitamins, minerals, herbal, and nutritional supplements is highly valued.

Other Asian strong performers include Sysmex and Bank Rakyat Indonesia. Japanese hematology company, Sysmex, climbed 23% during the period thanks to solid fiscal first half results and an upgraded full-year view due to gains from its immunology business in China and inroads into personalized medicine. The company announced further investment in developing its liquid biopsy diagnostics to detect and analyze genetic mutations to treat cancer and other diseases. Bank Rakyat Indonesia gained 18% in the fourth quarter on a pickup in loan demand and lower credit costs, which should result in resilient net interest margins going forward. Microfinance, the bank's highest yielding segment and about a third of its loan book, should continue to drive profits higher. On the flip side, shares of BYD Company gave back 6%, after spiking 50% during the third quarter.

San Francisco based New Resource Bank announced a merger with Amalgamated Bank during the fourth quarter, lifting its stock price 48%. New Resource Bank is a triple-bottom-line bank serving values-driven businesses and nonprofits that are building a more sustainable world. The combination with Amalgamated will create the largest values-based bank in the U.S. In Europe, shares of Kering gained

18% on strong demand the Gucci branded product. Gucci comparable sales spiked 49% in the third quarter, thanks to consumer buzz around Alessandro Michele's designs.

Health Care stocks underperformed the broader market during the fourth quarter. Henry Schein (HSIC) had a tough quarter, down 15% as investors worried about a possible threat from Amazon and a slowdown in dental consumables. HSIC distributes consumable products and small equipment to dental, animal health and medical practitioners. But, maybe more importantly, it also provides value-added service such as software and technology to these customers making Amazon less of a threat than perhaps thought. U.S. pharmaceutical giant Merck saw its stock drop 11% in the quarter. After good news early in the year from its immunotherapy drug Keytruda, the rest of the year was without catalysts and results were a bit lackluster. That being said we see the company's pipeline being in good shape which should bode well for 2018. CVS stock was down 10% in the fourth quarter as investors first worried about Amazon's possible entry into the health care industry and then about CVS' response: it announced a merger with Aetna. Though there are many moving parts to the deal, we like the initiative CVS has taken to broaden its scope and look forward to the results of the combination.

New additions to the fund this quarter included Orkla, a leading supplier of branded goods to grocery, specialized retail, and bakery sectors mainly in the Nordic and Baltic regions. The company is committed to improving the nutritional profile of its food products, having established nutrition and health objectives across its portfolio. It has also established a goal to sustainably source key raw materials by 2020.

Another addition was Bright Horizons Family Solutions. The company provides childcare, early education, and other services both domestically and abroad. Bright Horizons has a reputation for high quality and dependability, key in the childcare area. All its daycare centers meet or exceed voluntary accreditation standards and the company generally utilizes above average adult-to-child ratios.

One of the founding principles of the fund has been to invest in firms which generate high returns on invested capital (ROIC). These companies take the incremental returns and reinvest them back into their businesses, potentially creating further high returns and ultimately a virtuous circle.

Looking forward, the impacts of the Trump tax package are still unclear and will play out over the year. Given our ROIC focus, we would look for fund companies to possibly benefit by being predisposed to invest tax savings and/or repatriated funds into their businesses, increasing their competitive advantages.

Thank you for your continued support of Portfolio 21.

## CONTACT INFORMATION

### Regional Sales Consultant Eastern United States

**Tom Simunovic**

tsimunovic@trilliuminvest.com  
617-532-6673

### Regional Sales Consultant Western United States

**Emily Lee**

elee@trilliuminvest.com  
415-925-1498

**Alpha** is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha. **Information Ratio** is a ratio of portfolio returns above the returns of a benchmark (usually an index) to the volatility of those returns. The information ratio measures a portfolio manager's ability to generate excess returns relative to a benchmark. 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. **Basis point (BPS)** refer to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%. **Standard deviation** is a measure of the dispersion of a set of data from its mean. The **MSCI AC Asia Pacific Index** captures large and mid cap representation across 5 Developed Markets countries and 8 Emerging Markets countries in the Asia Pacific region. The **MSCI ACWI Net total return indexes** reinvest dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. **MSCI ACWI Quality Index** is based on the MSCI ACWI Index, which includes large and mid cap stocks across 23 Developed Market (DM) and 23 Emerging Markets (EM) countries. The **MSCI Europe Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. **Price-to-Earnings Ratio** is the ratio for valuing a company that measures its current share price relative to its per-share earnings. **MSCI ACWI North American Index** is designed to measure the performance of the large and mid cap segments of the US and Canada markets. **Standard & Poor's 500 Index**, often abbreviated as the S&P 500, is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

*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 800-853-1311, or visiting [www.trilliummutualfunds.com](http://www.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.

**Portfolio 21 Global Equity Fund may invest in foreign securities, which are subject to the risks of currency fluctuations, political and economic instability and differences in accounting methods. These risks are greater for investments in emerging markets. Investing in foreign securities is riskier than investing in domestic securities. The fund invests in smaller companies, which involve additional risks such as limited liquidity and greater volatility. Portfolio 21 Global Equity Fund's 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.**

The MSCI ACWI (All Country World Index) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. The MSCI ACWI Quality Index is based on the MSCI ACWI Index and aims to capture the performance of quality growth stocks. An investment cannot be made directly in an index. 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.

Portfolio 21 Global Equity Fund is distributed by Quasar Distributors, LLC.

No other products mentioned are distributed by Quasar Distributors, LLC.



Delivering Sustainable Investments Since 1982<sup>SM</sup>