Cambridge Trust Company

Total Return - Growth Portfolio

Portfolio Managers
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Fact Sheet as of 6/30/2014

INVESTMENT OBJECTIVE

Our objective is to provide long-term capital appreciation by investing in equity and fixed income securities globally across investment style and market capitalization. Asset allocation will reflect our outlook on the relative attractiveness of the appropriate asset classes.

Our equity strategy balances risk and reward through the inclusion of three primary types of companies: stable, dividend paying firms, typically large in size; high-return companies trading at reasonable growth-adjusted valuation levels, typically medium in size; and emerging growth companies, typically small to medium in size. We believe that our multi-cap core style enables us to take advantage of attractive valuations as opportunities arise in different areas of equity markets. Based on our proprietary bottom-up fundamental research process, analysts seek to identify undervalued companies with attractive growth prospects, where the net present value of future free cash flow exceeds the current value of the shares.

Bonds are selected that meet our fundamental credit criteria with the goal of providing attractive risk-adjusted returns. We actively manage the fixed income holdings to control risk, while seeking opportunities along the yield curve to incrementally improve returns.

Overall portfolio risk is managed by limiting exposure to an asset class, sector, and individual position through rebalancing and a rigorous sell discipline. As of June 30, 2014, assets in the Total Return – Growth composite totaled $83.0 million.

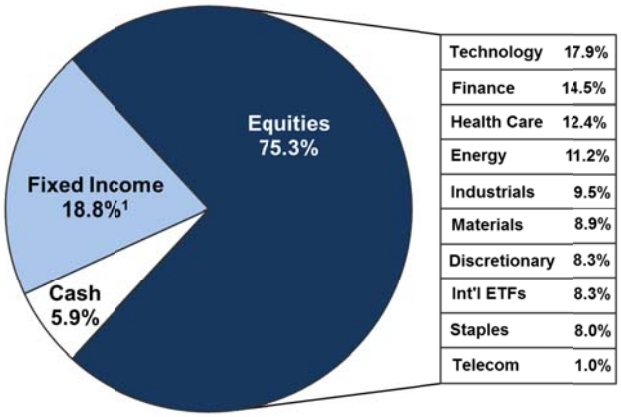
Through June 30, 2014	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE INCEPTION[1]
Total Return Growth Portfolio	7.1%	22.1%	12.6%	12.9%	7.9%	7.7%
Growth Benchmark[2]	5.8%	17.2%	11.0%	13.2%	7.1%	7.0%
Lipper Balanced Fund Index[3]	5.4%	16.2%	9.7%	12.5%	6.5%	6.4%

[1]Inception date is January 1, 2004. Periods greater than one year are annualized. Performance shown is total return and gross of fees.
[2]Growth Benchmark: 54% S&P 500, 27.5% Barclays Gov't/Credit Index, 13.5% MSCI All Country World ex-U.S. Index and 5.0% Lipper Money Market Index.
[3]Lipper Balanced Fund Index is based on the 30 largest funds by asset size within the balanced objective, returns are net of fees. Typically, the stock/bond ratio ranges around 60%/40%.

TOP 10 EQUITY HOLDINGS

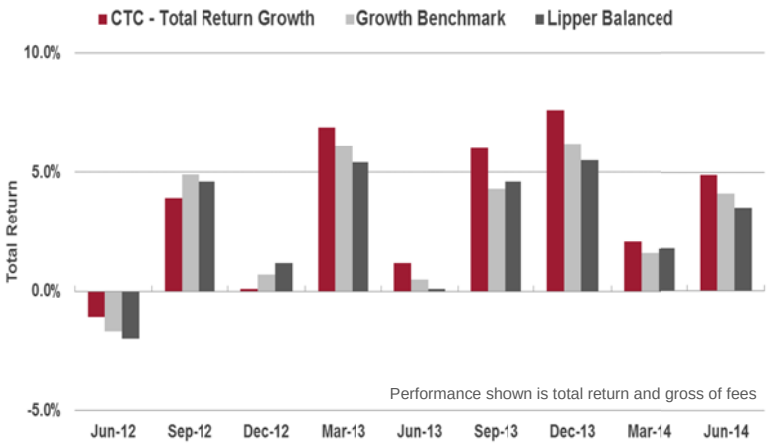
Apple	4.5%
Schlumberger	3.6%
PNC Financial	3.3%
Walt Disney Co	3.0%
Johnson & Johnson	3.0%
AIG	2.9%
Google	2.9%
US Bancorp	2.8%
Adobe	2.7%
Microsoft	2.6%

ASSET ALLOCATION



[1]Includes: Corporate Bonds (13.4%), US Gov't Agency (1.5%), Bond Funds (2.7%), Mortgage-backed securities (0.6%) and Municipals (0.6%)

QUARTERLY COMMENTARY



The Total Return Growth composite gained 4.9% in the second quarter, outperforming the benchmark's 4.1% return and the Lipper Balanced Fund Index's 3.5% return. While both stocks and bonds posted positive returns in the quarter, the portfolio's outperformance versus the benchmark was largely the result of stock selection. We maintain an underweight position in bonds relative to the benchmark allocation, and an overweight in equities.

The composite's equities gained 6.1% in the quarter, while the global equity benchmark (80% S&P 500 and 20% MSCI All Country World ex-U.S. Index) returned 5.2%. Foreign equity markets were in line with the U.S. market, as both the MSCI All Country World ex-U.S. Index and the S&P 500 returned 5.2% in the quarter. The U.S. economy managed a moderate recovery from the slow, weather-impacted growth rate of the first quarter. At quarter end our international exposure was roughly 24% of the equity allocation. In general, we are finding better values in international markets. On an individual stock basis, the portfolio's strongest holdings were Anadarko Petroleum, Kuka AG, Apple, and Schlumberger.

The composite's fixed income holdings gained 1.7% in the quarter, while the benchmark returned 1.9%. Interest rates declined, as measured by the 10-year U.S. treasury yield, which fell to approximately 2.6% from 2.8%. Corporate bonds continue to perform well, as the Barclays Credit Index returned 2.6% during the quarter. We continue to position the portfolio with a shorter duration than the benchmark as our long-term concern remains the impact of a rise in interest rates on principal.

EQUITY CHARACTERISTICS

	TOTAL RETURN GROWTH	S&P 500
Number of Holdings	50	500
Dividend Yield[1]	1.6%	1.9%
Dividend Growth (5yr)[1]	7.2%	4.8%
Dividend Payout[1]	24%	33%
10 Year EPS Growth[1]	10.1%	6.4%
Beta[1]	1.01	1.00
Market Cap ($Mil)[1]	$113.4	$124.4
P/E Ratio (2014)[1]	18.6	16.4x
Price to Book[1]	3.3x	2.7x

FIXED INCOME CHARACTERISTICS

	TOTAL RETURN GROWTH	BARCLAYS GOV'T/CREDIT INDEX
Current Yield	4.37%	—
Yield to Maturity	2.00%	2.00%
Duration	4.45	5.91
Credit Quality	A2/A+	AA2/AA3
Corporate	86%	40%
Agency	8%	8%
US Treasury	0%	52%
Mortgage-Backed	6%	0%

[1]Portfolio weighted average Source: Bloomberg

Portfolio characteristics represent a typical account invested according to this investment style. Actual account holdings may vary slightly.

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Not a Deposit • Not Insured By Any Government Agency