Cambridge Trust Company

# Capital Appreciation – All Equity Portfolio

**Portfolio Manager**
**Brian J. Sokolowski, CFA**

Fact Sheet as of 6/30/2014

## INVESTMENT OBJECTIVE

Our objective is to provide long-term capital appreciation by investing in a concentrated number of global equity securities across investment style and market capitalization. This portfolio is 95% – 100% invested in equity securities with a small cash balance.

Our Capital Appreciation equity strategy aims for long-term capital growth by investing in equity securities that are trading for less than intrinsic value. In return for accepting the risk inherent in equity investing, we believe investors should require the potential for meaningful upside returns. Therefore, we aim to find and purchase securities that offer significant return potential, in excess of market averages, over a medium timeframe. To achieve our return forecast, catalysts such as margin expansion or growth acceleration often need to be achieved. As the timing of these events is inherently uncertain, it is our aim to identify securities where the catalysts are achievable and yet, if they do not occur, the cost realized is less than the reward gained if they are met. This results in an attractive risk versus reward balance, and one in which we see an identifiable pathway to the upside scenario.

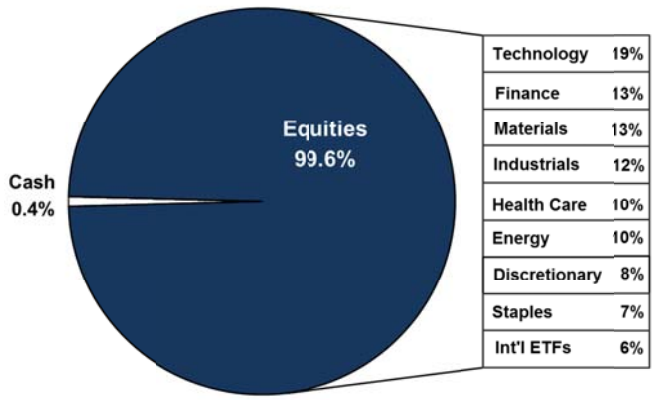
We primarily invest in three types of companies: emerging or sustainable growth companies with large potential markets; high-return companies with defensible market positions which compound value over time; and value companies with very attractive risk/reward dynamics. We believe the most important risk control for a particular security, and for the portfolio as a whole, is to acquire shares in companies at attractive valuation levels and beneath intrinsic value. As of June 30, 2014, assets in the Capital Appreciation All Equity composite totaled $11.7 million.

| *Through June 30, 2014* | YTD | 1 YEAR | 3 YEARS | 5 YEARS | SINCE INCEPTION[1] |
|---|---|---|---|---|---|
| **Capital Appreciation Composite** | 7.6% | 30.7% | NA | NA | 24.8% |
| **Capital Appreciation Benchmark[2]** | 5.9% | 24.6% | NA | NA | 20.2% |
| **Russell 1000 Growth Index** | 6.3% | 26.9% | 16.3% | 19.2% | 22.1% |
| **S&P 500 Index** | 7.1% | 24.6% | 16.6% | 18.8% | 22.8% |

[1]Inception date is August 1, 2012. Periods greater than one year are annualized. Performance shown is total return and gross of fees.
[2]Capital Appreciation Benchmark is composed of 76% Russell 1000 Growth, 19% MSCI All Country World ex-U.S. Index and 5.0% Lipper Money Market Index.

| TOP 10 HOLDINGS = 39% | |
|---|---|
| **Adobe Systems** | 5.7% |
| **American International Group** | 5.0% |
| **Cytec Industries** | 4.3% |
| **iShares Nasdaq Biotechnology** | 3.8% |
| **PNC Financial** | 3.6% |
| **Google Inc.** | 3.5% |
| **Burberry Group** | 3.2% |
| **iShares MSCI Germany ETF** | 3.2% |
| **Parker Hannifin** | 3.2% |
| **Anadarko Petroleum** | 3.1% |

**ASSET ALLOCATION**

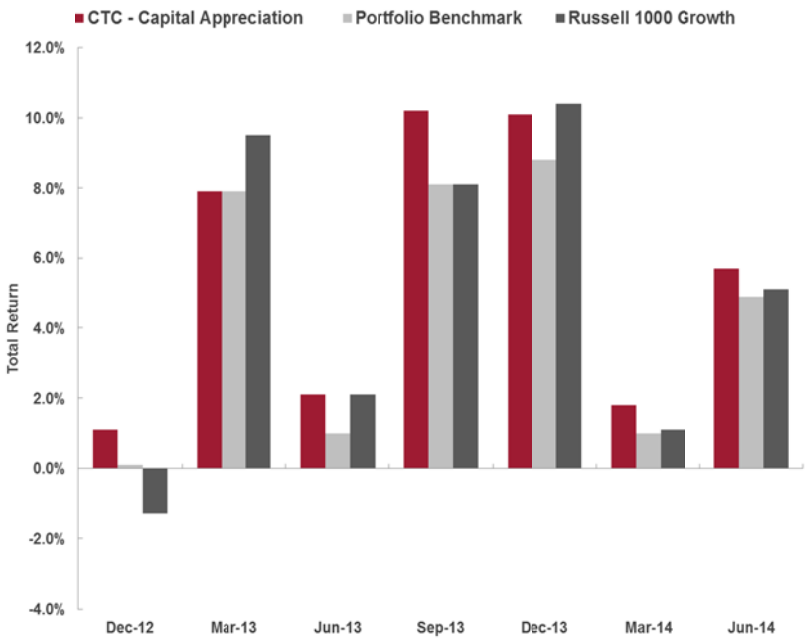


## QUARTERLY COMMENTARY

The Capital Appreciation composite gained 5.7% in the second quarter, outperforming the benchmark's 4.9% return.

International equity markets matched the U.S. market, as the MSCI All Country World ex-U.S. Index and the S&P 500 both returned 5.2%. At quarter end our international exposure was roughly 21%. In general, we are finding better values in international markets, reflecting delayed economic and earnings momentum as compared to the U.S.

Large cap stocks had a 3.0 percentage-point advantage over small cap during the quarter, as the Russell 1000 gained 5.1% and the Russell 2000 was up only 2.1%. Since approximately 40% of the portfolio is in small and medium sized companies, the weakness in small cap stocks has been a headwind for the portfolio. However, we have been able to overcome this headwind through favorable stock selection. On an individual stock basis, the portfolio's strongest holdings for the quarter were Anadarko Petroleum (+29.5%), Kuka AG (+21.9%), Schlumberger (+21.4%), EOG Resources (+19.3%), and Market Vectors Junior Gold Miners ETF (+16.7%).




Performance shown is total return and gross of fees

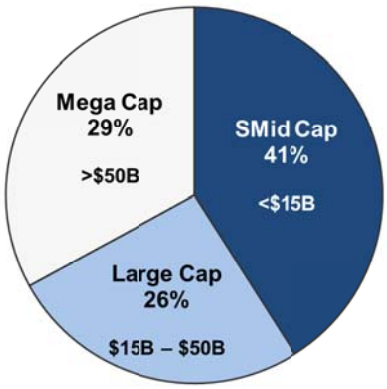
### EQUITY CHARACTERISTICS

| | CTC Capital Appreciation | Russell 1000 Growth Index |
|---|---|---|
| **Number of Holdings** | 40 | 672 |
| **Dividend Yield[1]** | 1.1% | 1.4% |
| **ROE** | 14.7% | 22.7% |
| **International weight** | 21% | - |
| **Beta[1]** | 1.05 | 1.02 |
| **Market Cap[1]** | $54B | $126B |
| **P/E Ratio (2014)[1]** | 21.6x | 19.5x |
| **Price to Book[1]** | 3.2x | 5.3x |

[1]Portfolio weighted average Source: Bloomberg

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

### MARKET CAPITALIZATION BREAKDOWN

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