

# Total Return - Growth Portfolio

## 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 December 31, 2013, assets in the Total Return – Growth composite totaled \$90.1 million.

Through December 31, 2013	2013	3 YEARS	5 YEARS	10 YEARS	SINCE INCEPTION
<b>Total Return – Growth Composite<sup>1</sup></b>	23.2%	11.2%	12.1%	7.4%	7.4%
<b>Growth Benchmark<sup>2</sup></b>	18.1%	10.6%	12.9%	6.7%	6.7%
<b>Lipper Balanced Fund Index<sup>3</sup></b>	16.4%	9.5%	12.6%	6.2%	6.2%

<sup>1</sup>Inception date is January 1, 2004. Periods greater than one year are annualized. Performance shown is total return and gross of fees.

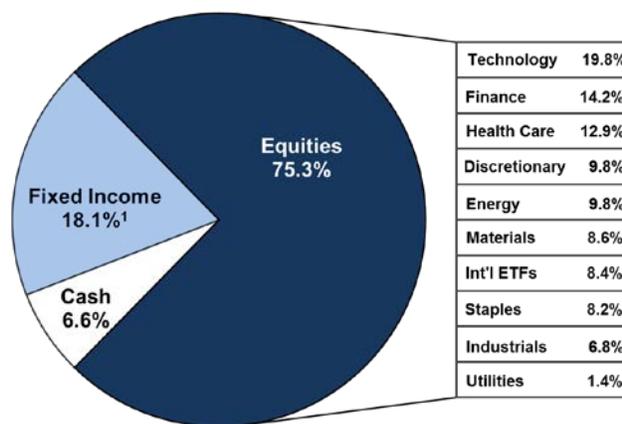
<sup>2</sup>Growth Benchmark: 54.0% S&P 500, 27.5% Barclays Gov't/Credit Index, 13.5% MSCI All-Country World ex-U.S. Index and 5.0% Lipper Money Market Index.

<sup>3</sup>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	4.4%
Schlumberger	3.8%
Walt Disney Co	3.1%
PNC Financial	3.0%
Checkpoint Software	2.9%
AIG	2.8%
Google	2.8%
Johnson & Johnson	2.8%
US Bancorp	2.7%
General Electric	2.6%

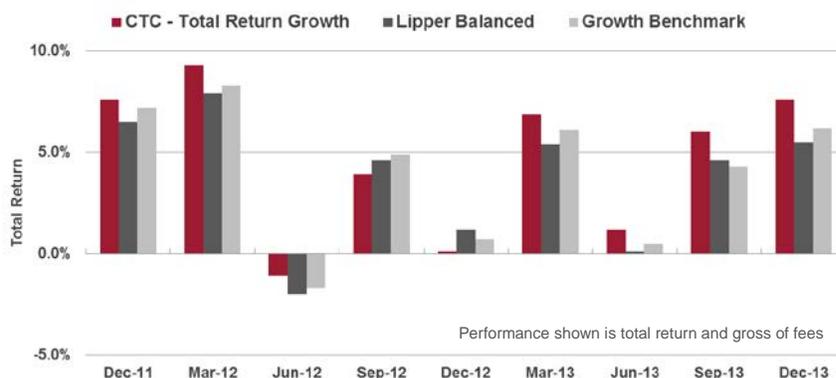
## ASSET ALLOCATION



<sup>1</sup>Includes: Corporate Bonds (11.3%), US Gov't Agency (0.4%), Bond Funds (4.4%) and Mortgage-backed securities (2.0%)

## QUARTERLY COMMENTARY

The Total Return – Growth composite gained 7.6% in the fourth quarter, ahead of the benchmark’s 6.2% and the Lipper Balanced Fund Index’s 5.5% returns. Both the stock and bond positions posted positive returns in the quarter. The portfolio’s outperformance versus the benchmark was the result of our overweight in stocks, underweight in bonds, and favorable relative performance in both asset classes.



The composite’s equities gained 10.0% in the quarter, while the global equity benchmark (80% S&P 500 and 20% MSCI All Country World ex-US Index) returned 9.3%. Equity markets continued to climb as overall global economic growth steadied during the quarter. Foreign equity markets lagged the U.S. market—the MSCI All World ex-US Index returned 4.8% versus 10.5% for the S&P 500. International equities now represent over 20% of the portfolio, as we have taken advantage of attractive valuations to add to positions over the last several quarters. We reduced our equity overweight as valuations became less attractive when prices advanced. On an individual stock basis, the portfolio’s strongest holdings were Phillips 66, Google, CVS Caremark and McKesson.

The composite’s fixed income holdings were up 0.8% in the quarter, outperforming the benchmark’s 0.0% return. The portfolio continues to benefit from being underweight duration during a period of rising interest rates and overweight corporate bonds which were strong performers in 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	51	500
Dividend Yield <sup>1</sup>	1.5%	1.9%
Dividend Growth (5yr) <sup>1</sup>	6.5%	4.8%
Dividend Payout <sup>1</sup>	24%	32%
10 Year EPS Growth <sup>1</sup>	11.5%	6.9%
Beta <sup>1</sup>	1.01	1.00
Market Cap (\$Mil) <sup>1</sup>	\$102.7	\$120.1
P/E Ratio (2013) <sup>1</sup>	18.2	16.8x
Price to Book <sup>1</sup>	3.3x	2.7x

<sup>1</sup>Portfolio weighted average Source: Bloomberg

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

### FIXED INCOME CHARACTERISTICS

	TOTAL RETURN GROWTH	BARCLAYS GOV'T/CREDIT INDEX
Current Yield	4.52%	—
Yield to Maturity	2.02%	2.16%
Duration	4.07	5.60
Credit Quality	A2/A	AA2/AA3
Corporate	87%	42%
Agency	2%	6%
US Treasury	0%	52%
Mortgage-Backed	11%	0%

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