Cambridge Trust Company

Equity Income - Balanced Portfolio

Portfolio Managers
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Fact Sheet as of 12/31/2013

INVESTMENT OBJECTIVE

Our objective is to provide above-average current income with lower volatility than the benchmark, while generating long-term capital appreciation. Asset allocation will reflect our outlook on the relative attractiveness of the appropriate asset classes.

Our equity strategy prioritizes dividend sustainability, growth potential, and yield, driven by proprietary bottom-up fundamental analysis. We focus on high-quality companies that offer a mix of current income and capital appreciation opportunity, and not the highest yield per se. For inclusion in the portfolio, companies must pay a dividend, have a market capitalization of at least $1 billion, and demonstrate a high level of dividend sustainability and growth potential.

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 Equity Income – Balanced composite totaled $40.9 million.

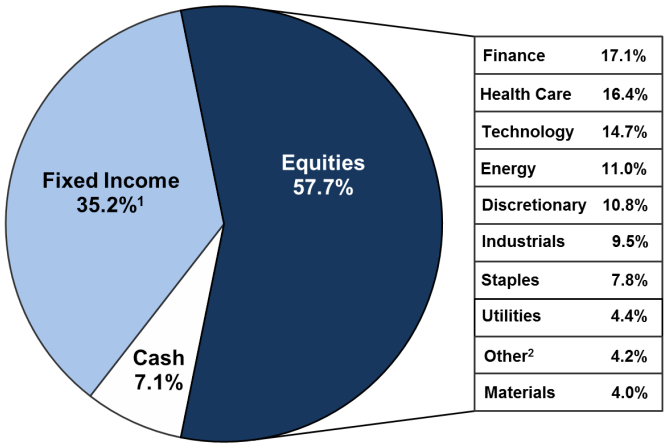
Through December 31, 2013	2013	2 YEARS	3 YEARS	5 YEARS	SINCE INCEPTION
CTC - Equity Income Balanced[1]	15.2%	12.3%	10.0%	NA	10.5%
Balanced Benchmark[2]	11.7%	10.9%	8.5%	10.4%	9.0%
Lipper Balanced Fund Index[3]	16.4%	14.1%	9.5%	12.6%	10.7%

[1]Inception date is October 1, 2010. Periods greater than one year are annualized. Performance shown is total return and gross of fees.
[2]Balanced Benchmark: 47.5% Barclays Gov't/Credit Index, 38.0% S&P 500, 9.5% 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

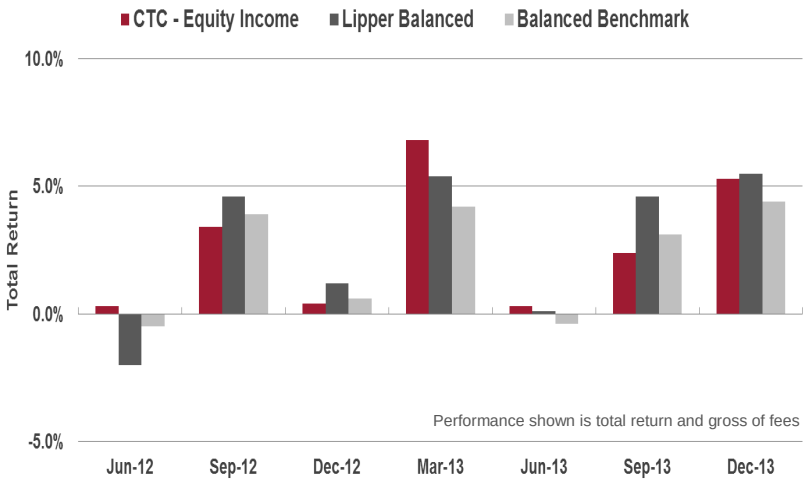
Automated Data Processing	3.9%
General Electric	3.9%
M&T Bank	3.6%
VF Corp.	3.4%
Sanofi	3.2%
Merck & Co	3.2%
Wells Fargo	3.2%
PNC Financial Services	3.1%
Unilever	3.1%
Johnson & Johnson	3.1%

ASSET ALLOCATION



[1]Includes: Corporate (26.7%), US Gov't agency/mortgage backed (3.6%), Municipal (2.7%) and Bond Funds (2.2%)
[2]Includes: International funds and ETFs (4.2%) and domestic equity funds (1.4%)

QUARTERLY COMMENTARY



The Equity Income – Balanced composite gained 5.3% in the fourth quarter, while the benchmark returned 4.4% and the Lipper Balanced Fund Index was up 5.5%. The composite's stock and bond positions both posted positive returns in the quarter. Relative to the benchmark, the portfolio is overweight in stocks.

The composite's equities gained 9.0% in the quarter, while the global equity benchmark (80% S&P 500 Index 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, as the MSCI All World ex-US Index returned 4.8% versus 10.5% for the S&P 500. International equities now represent over 18% 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 attrative when prices advanced. On an individual stock basis, the portfolio's strongest holdings were Phillips 66, VF Corp, 3M and Exxon Mobil.

The composite's fixed income holdings were up 0.6% 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

	EQUITY INCOME BALANCED	S&P 500
Number of Holdings	44	500
Dividend Yield[1]	2.6%	1.9%
Dividend Growth (5 yr)[1]	9.5%	4.8%
Dividend Payout[1]	41%	32%
10 Year EPS Growth[1]	8.3%	6.9%
Beta[1]	0.91	1.00
Market Cap ($Mil)[1]	$121.3	$120.1
P/E Ratio (2013)[1]	16.6x	16.8x
Price to Book[1]	3.4x	2.7x

FIXED INCOME CHARACTERISTICS

	EQUITY INCOME BALANCED	BARCLAY'S GOV'T/CREDIT INDEX
Current Yield	4.24%	—
Yield to Maturity	2.12%	2.16%
Duration	4.70	5.60
Credit Quality	A2/A	AA2/AA3
Corporate	75%	42%
Agency	3%	6%
US Treasury	0%	52%
Municipal	4%	0%
Mortgage-Backed	10%	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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