Cambridge Trust Company

Equity Income - Balanced Portfolio

Portfolio Managers
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Fact Sheet as of 6/30/2014

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 June 30, 2014, assets in the Equity Income – Balanced composite totaled $54.3 million.

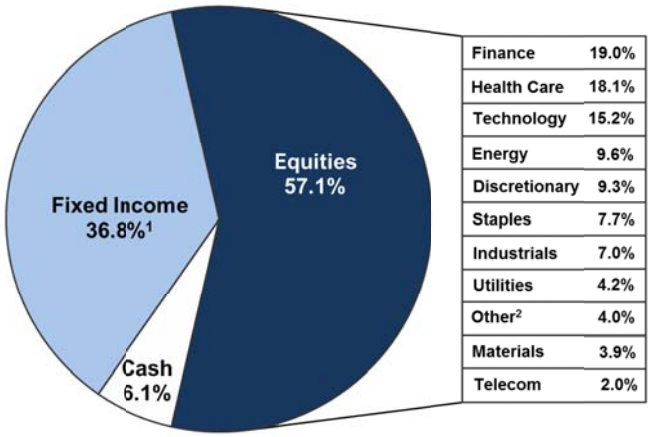
Through June 30, 2014	YTD	1 YEAR	2 YEARS	3 YEARS	5 YEARS	SINCE INCEPTION[1]
CTC - Equity Income Balanced	5.6%	13.9%	12.4%	10.1%	NA	10.6%
Balanced Benchmark[2]	5.2%	13.2%	10.8%	8.9%	10.8%	9.3%
Lipper Balanced Fund Index[3]	5.4%	16.2%	14.7%	9.7%	12.5%	10.8%

[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

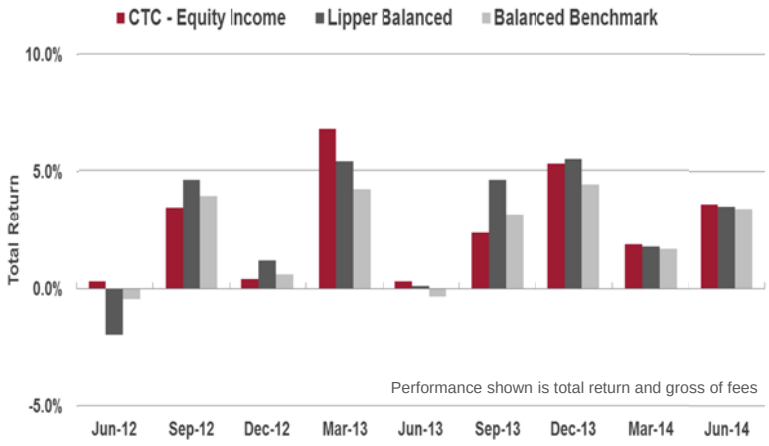
Unilever	3.9%
Roche Holdings	3.9%
Automatic Data Processing	3.7%
M&T Bank	3.6%
General Electric	3.4%
Wells Fargo	3.4%
PNC Financial	3.4%
Apple	3.4%
Johnson & Johnson	3.3%
Microsoft	3.2%

ASSET ALLOCATION



[1]Includes: Corporate (29.3%), US Gov't agency/mortgage backed (4.2%), Municipal (0.2%) and Bond Funds (3.0%)
[2]Includes: International funds and ETFs (4.0%)

QUARTERLY COMMENTARY



The Equity Income – Balanced composite gained 3.6% in the second quarter, while the benchmark returned 3.4% and the Lipper Balanced Fund Index was up 3.5%. The composite's stock and bond positions both posted positive returns in the quarter. We maintain an underweight position in bonds relative to the benchmark allocation, and an overweight in equities.

The composite's equities gained 5.3% in the second quarter, while the global equity benchmark (80% S&P 500 Index 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. At quarter end our international exposure was roughly 25% 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 Covidien, Apple, Schlumberger, and Intel, each of which gained more than 20% in the quarter.

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 2.7% 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

	EQUITY INCOME BALANCED	S&P 500
Number of Holdings	41	500
Dividend Yield[1]	2.6%	1.9%
Dividend Growth (5 yr)[1]	8.6%	4.8%
Dividend Payout[1]	45%	33%
10 Year EPS Growth[1]	8.7%	6.4%
Beta[1]	0.92	1.00
Market Cap ($Mil)[1]	$140.9	$124.4
P/E Ratio (2014)[1]	16.7x	16.4x
Price to Book[1]	3.4x	2.7x

FIXED INCOME CHARACTERISTICS

	EQUITY INCOME BALANCED	BARCLAY'S GOV'T/CREDIT INDEX
Current Yield	4.33%	—
Yield to Maturity	2.07%	2.00%
Duration	4.53	5.91
Credit Quality	A2/A+	AA2/AA3
Corporate	88%	40%
Agency	2%	8%
US Treasury	0%	52%
Municipal	1%	0%
Mortgage-Backed	9%	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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