



PRIVATE BANKING WEALTH MANAGEMENT

# Q1 2024 Market Overview & Update On Merger With Eastern Bank

March 27, 2024

**Moderator:**

Jeffrey Smith, CFP®

Executive Vice President | Head of Wealth Management

**Presenters:**

Ryan Hanna

Senior Vice President | Deputy Chief Investment Officer and Director of Equities

Kelly Broderick

Senior Vice President | Chief Fiduciary Officer

Susan Martore-Baker

President, Cambridge Trust WM New Hampshire

Danielle Remis

Chief Marketing Officer | Merger Executive Sponsor



# Market Update

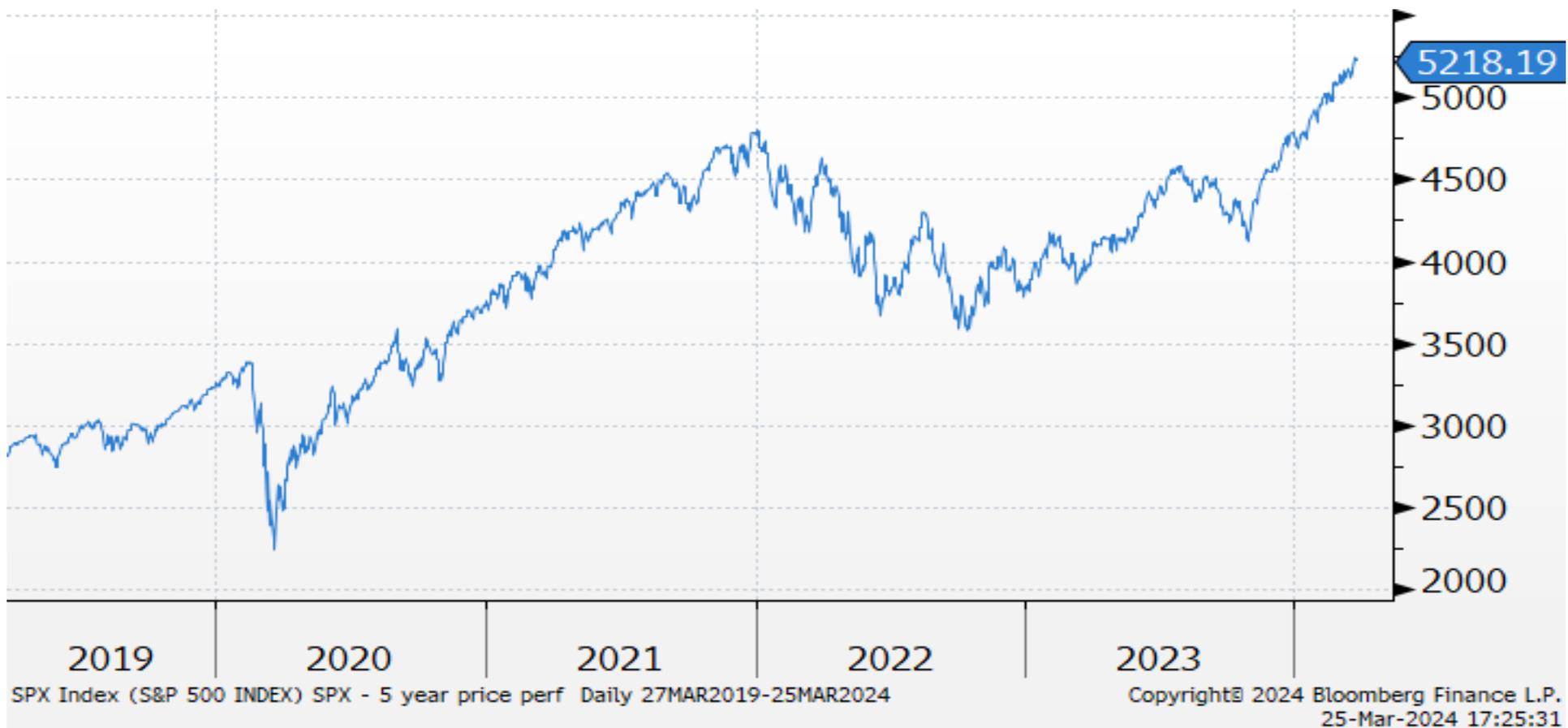
March 2024

**CAMBRIDGE**  
— TRUST —

PRIVATE BANKING WEALTH MANAGEMENT

# S&P 500: 5-Year Price Performance

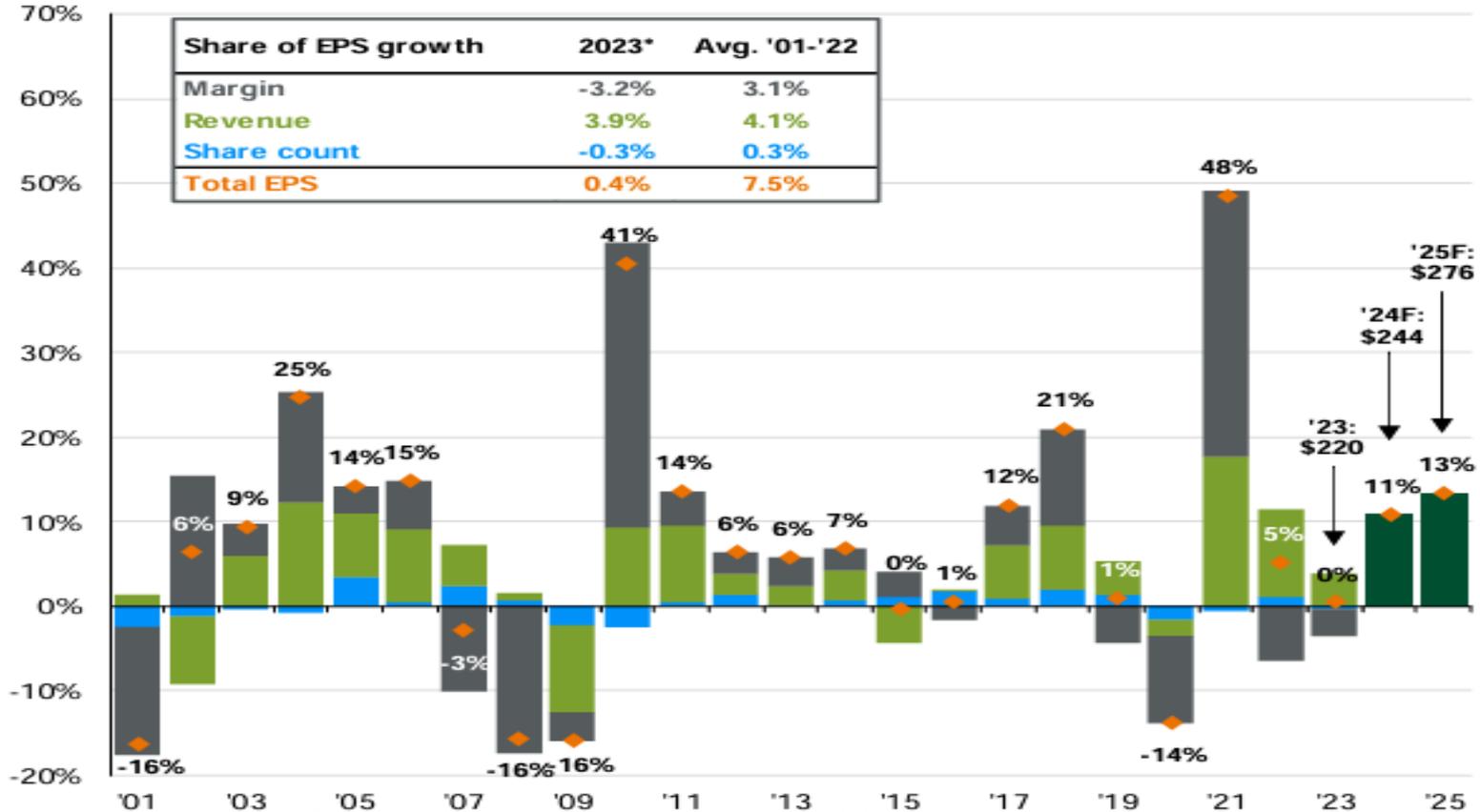
The current “risk-on” trade began in November 2023, coincident with the Fed commentary supporting the soft-landing narrative and the potential for several rate cuts in 2024.



# Earnings Drive Stock Prices

## S&P 500 year-over-year pro-forma EPS growth

Annual growth broken into changes in revenue, profit margin and share count



S&P 500 corporate earnings are forecasted to grow by double-digits in 2024 and 2025.

# Magnificent 7 Performance

In 2023, 86% of gains in the S&P 500 were concentrated in the 10 largest stocks! The Magnificent 7 stocks significantly outperformed the broader market by a factor of 2x (Apple + 54%) to 10x (Nvidia +246%).

This year, gains are less concentrated and market participation (breadth) has expanded to include sectors outside of technology. Through March 22, 2024, nearly 25% of the S&P is trading at 52-week highs.



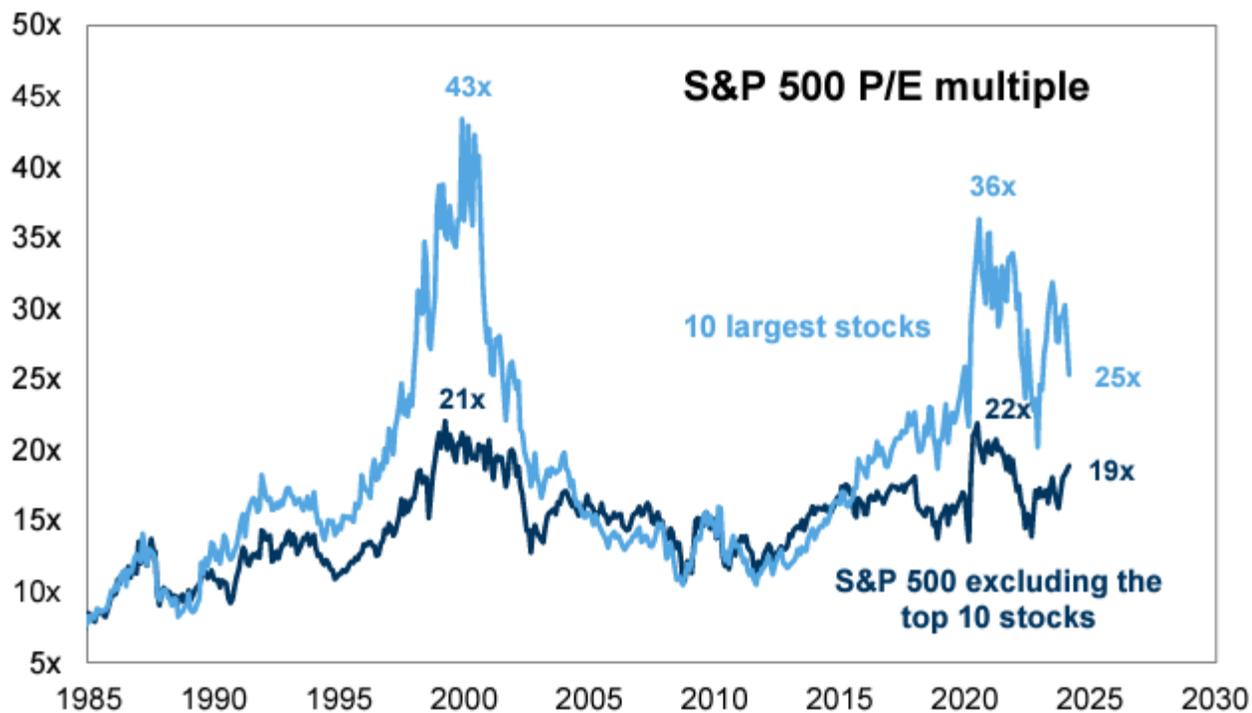
# 2024 Year-to-Date Sector Performance Thru 3/25

Gains are better distributed and spread across the 11 economic sectors



# Some Concerns Around Concentration Risk In The Largest Names.....Valuations Are Elevated.....

Exhibit 3: Today's largest stocks trade at elevated - but not record - valuations

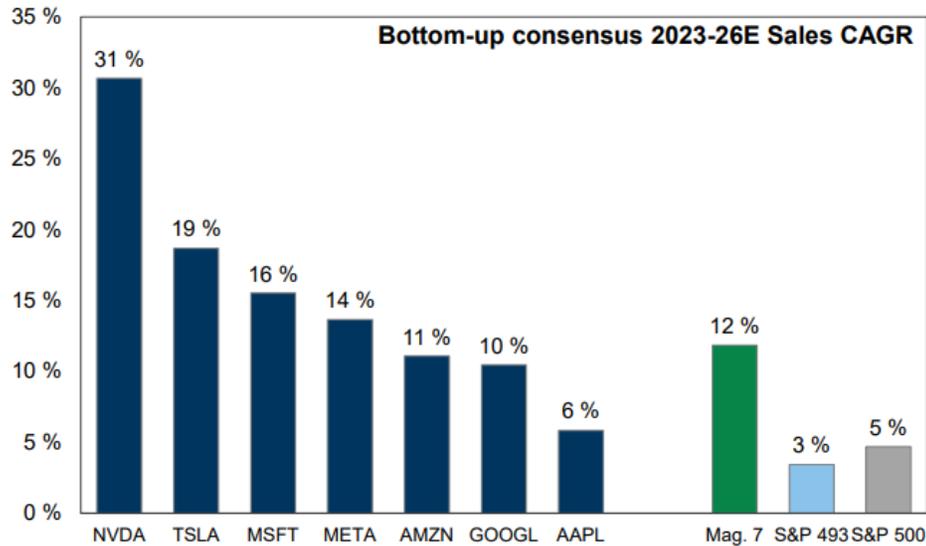


Source: Compustat, IBES, FactSet, Goldman Sachs Global Investment Research

Source: Goldman Sachs, US Equity Views The Next Phases of the AI Trade, 3/14/24

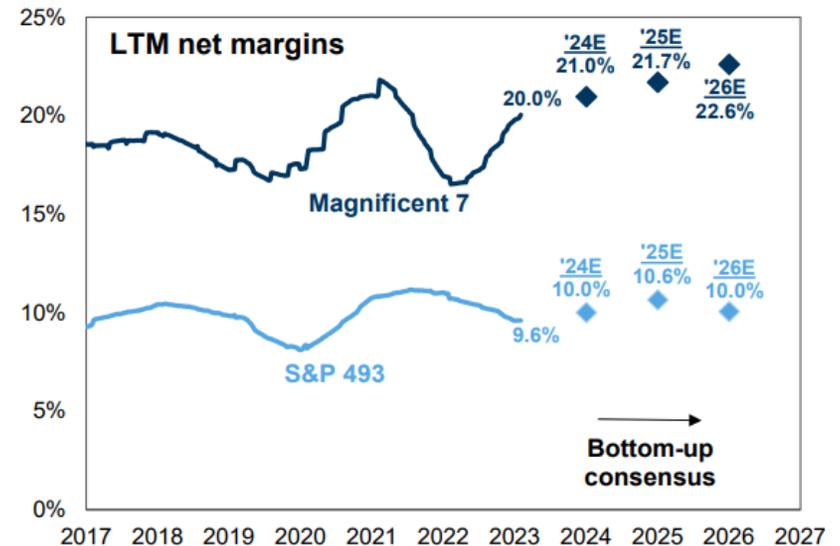
# ....But Are Those Valuations Justified By Better Growth And Profitability?

**Exhibit 5: Consensus expects the 7 to grow sales at 4x the rate of S&P 493**  
as of February 1, 2024



Source: Factset, Goldman Sachs Global Investment Research

**Exhibit 6: The Magnificent 7 are expected to expand margins by >2 pp by 2026**  
as of February 1, 2024



Source: Factset, Goldman Sachs Global Investment Research

# Largest stocks in 2000 vs. 2024

Largest stocks in 2000							
Company	Sector	Market cap		P/E ratio		Trailing 12m profits	
		\$bn	% of S&P 500	Last 12m	Next 12m	ROE	Net margin
Microsoft	Information Technology	\$557	4%	65x	60x	29%	39%
Cisco Systems	Information Technology	533	4	181	133	22	20
General Electric	Industrials	513	4	50	43	26	9
Intel	Information Technology	442	3	57	45	27	26
Exxon Mobil	Energy	271	2	31	22	18	5
Walmart	Consumer Staples	252	2	45	39	23	3
Oracle	Information Technology	222	2	150	108	41	15
Int'l Business Machines	Information Technology	212	2	36	27	30	7
Citigroup	Financials	202	2	18	19	24	13
Lucent Technologies	Information Technology	196	2	77	41	20	9
<b>Top 10 total / median</b>		<b>\$3,398</b>	<b>27%</b>	<b>53x</b>	<b>42x</b>	<b>25%</b>	<b>11%</b>

Largest stocks in 2024							
Company	Sector	Market cap		P/E ratio		Trailing 12m profits	
		\$bn	% of S&P 500	Last 12m	Next 12m	ROE	Net margin
Microsoft	Information Technology	\$2,988	7%	36x	31x	32%	35%
Apple	Information Technology	2,472	6	27	25	148	26
NVIDIA	Information Technology	2,191	5	63	35	75	49
Amazon.com	Consumer Discretionary	1,578	4	55	40	15	6
Alphabet	Communication Services	1,438	3	22	19	25	24
Meta Platforms	Communication Services	1,101	3	31	24	25	30
Berkshire Hathaway	Financials	735	2	23	20	7	24
Eli Lilly	Health Care	622	1	105	58	54	19
Broadcom	Information Technology	593	1	31	27	75	49
JPMorgan Chase	Financials	548	1	12	12	15	31
<b>Top 10 total / median</b>		<b>\$14,266</b>	<b>33%</b>	<b>31x</b>	<b>26x</b>	<b>29%</b>	<b>28%</b>

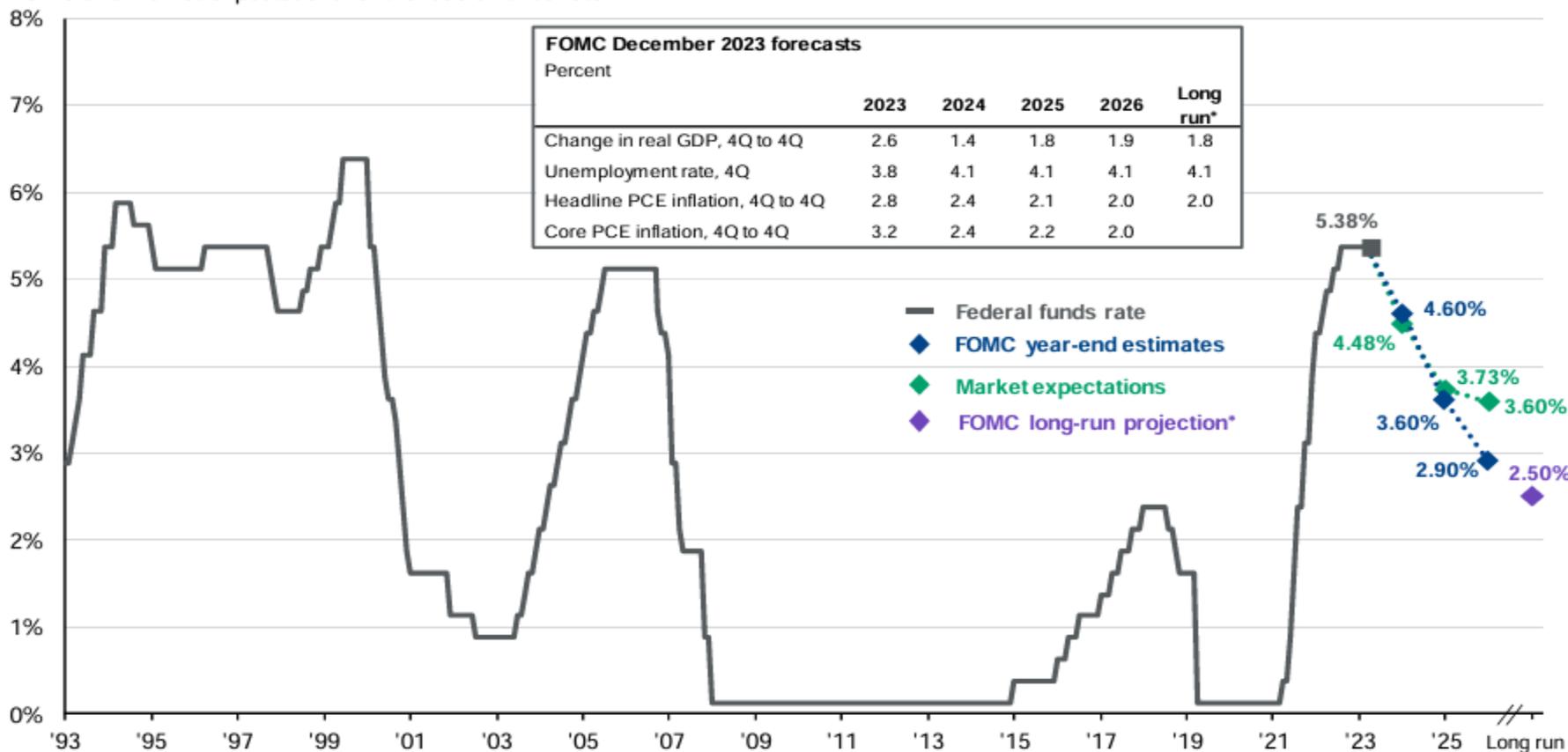
Source: Compustat, FactSet, Goldman Sachs Global Investment Research

Source: Goldman Sachs, 100 Years of US equity market concentration and momentum, 3/7/24

# The Fed And Interest Rates

## Federal funds rate expectations

FOMC and market expectations for the federal funds rate

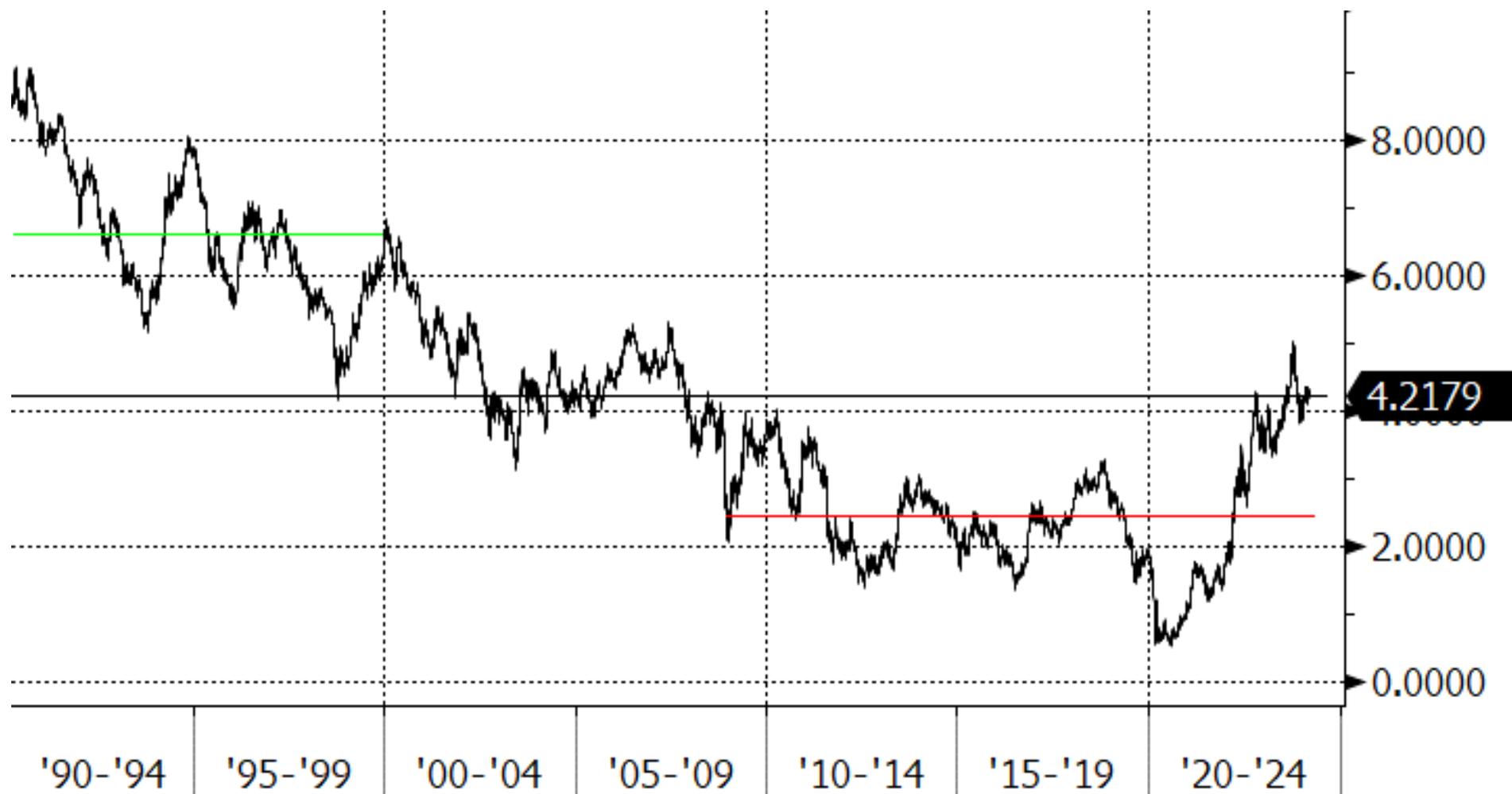


Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Market expectations are based off of USD Overnight Index Swaps. \*Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. *Guide to the Markets – U.S.* Data are as of February 29, 2024.

**J.P.Morgan**  
ASSET MANAGEMENT

# 10-Year U.S. Treasury Yields



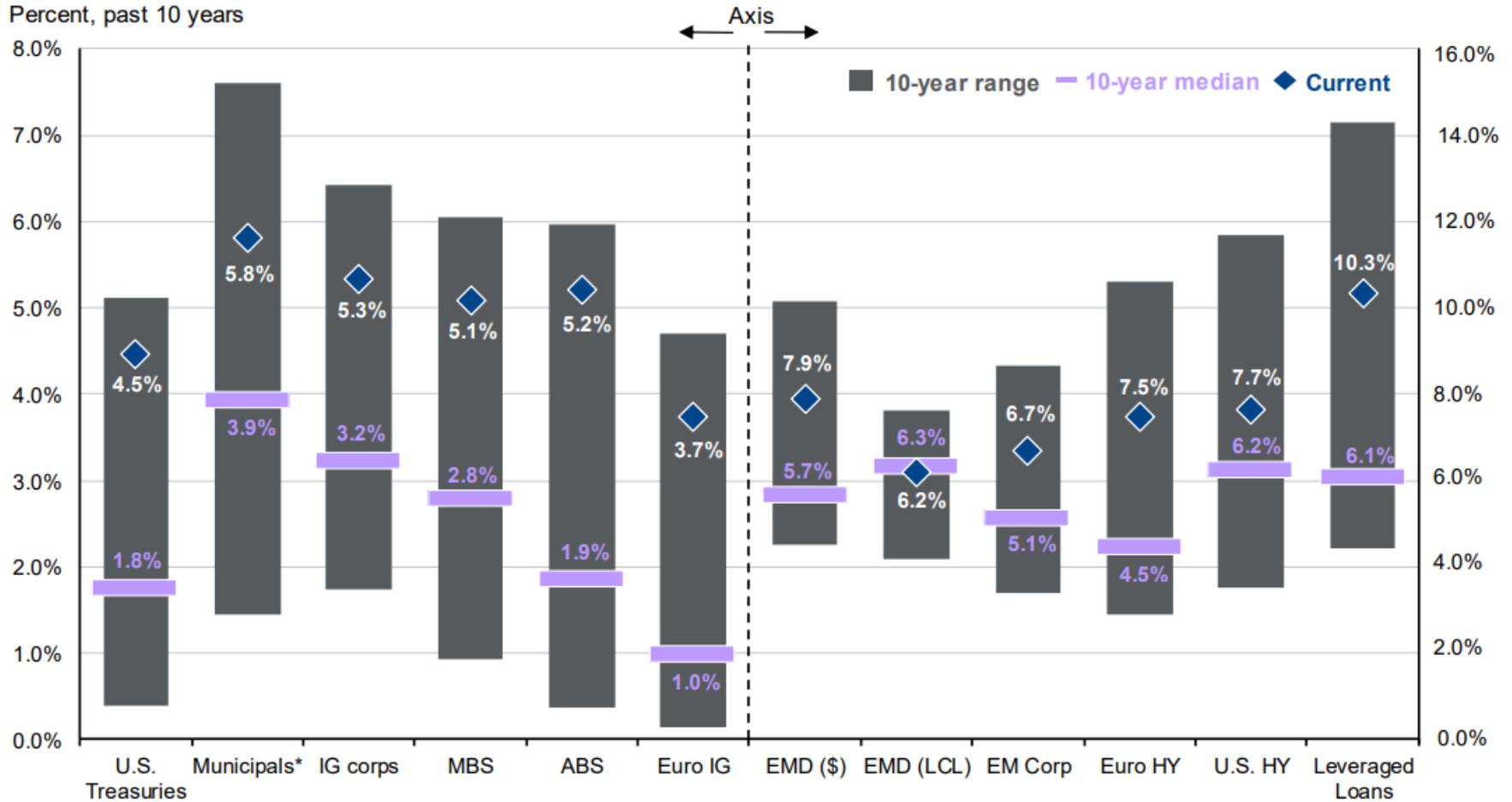
USGG10YR Index (US Generic Govt 10 Yr) 10-yr yield Daily 27MAR1990-27MAR2024

Copyright© 2024 Bloomberg Finance L.P.  
27-Mar-2024 08:15:14

# Fixed Income Valuation

## Yield-to-worst across fixed income sectors

Percent, past 10 years



Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management.

Indices used are Bloomberg except for emerging market debt and leveraged loans: EMD (USD): J.P. Morgan EMIGLOBAL Diversified Index; EMD (LCL): J.P. Morgan GBI-EM Global Diversified Index; EM Corp.: J.P. Morgan CEMBI Broad Diversified; Leveraged Loans: JPM Leveraged Loan Index; Euro IG: Bloomberg Euro Aggregate Corporate Index; Euro HY: Bloomberg Pan-European High Yield Index. Yield-to-worst is the lowest possible yield that can be received on a bond apart from the company defaulting and considers factors like call provisions, prepayments and other features that may affect the bonds cash flows. \*All sectors shown are yield-to-worst except for Municipals, which is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%.

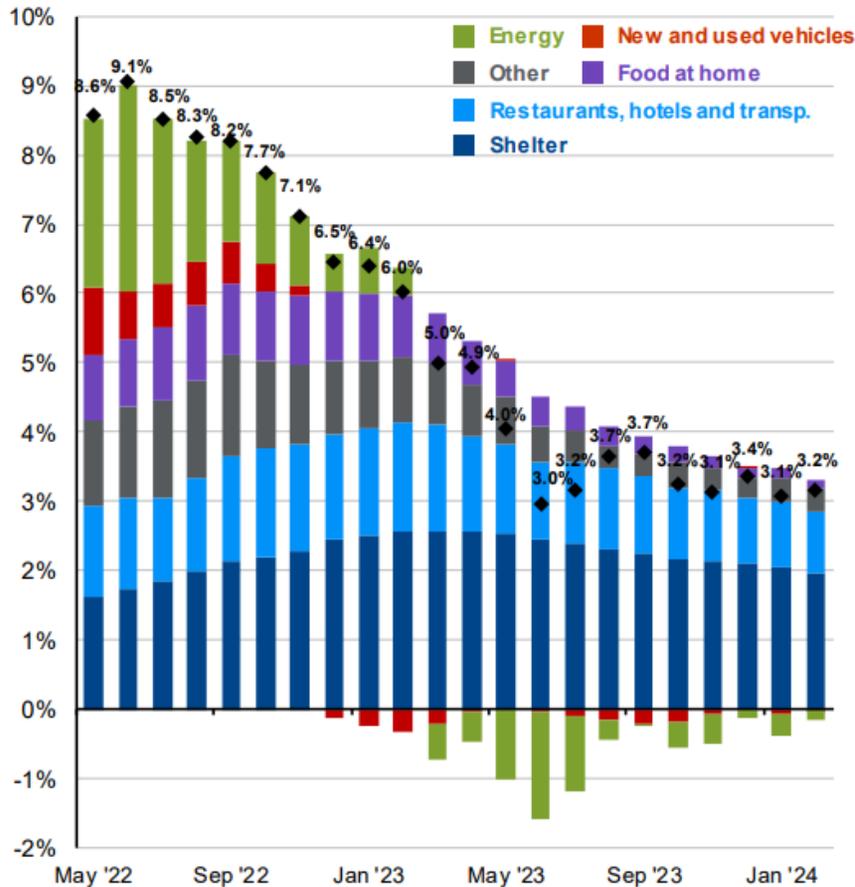
Guide to the Markets – U.S. Data are as of March 21, 2024.

**J.P.Morgan**  
ASSET MANAGEMENT

# Inflation Remains Sticky

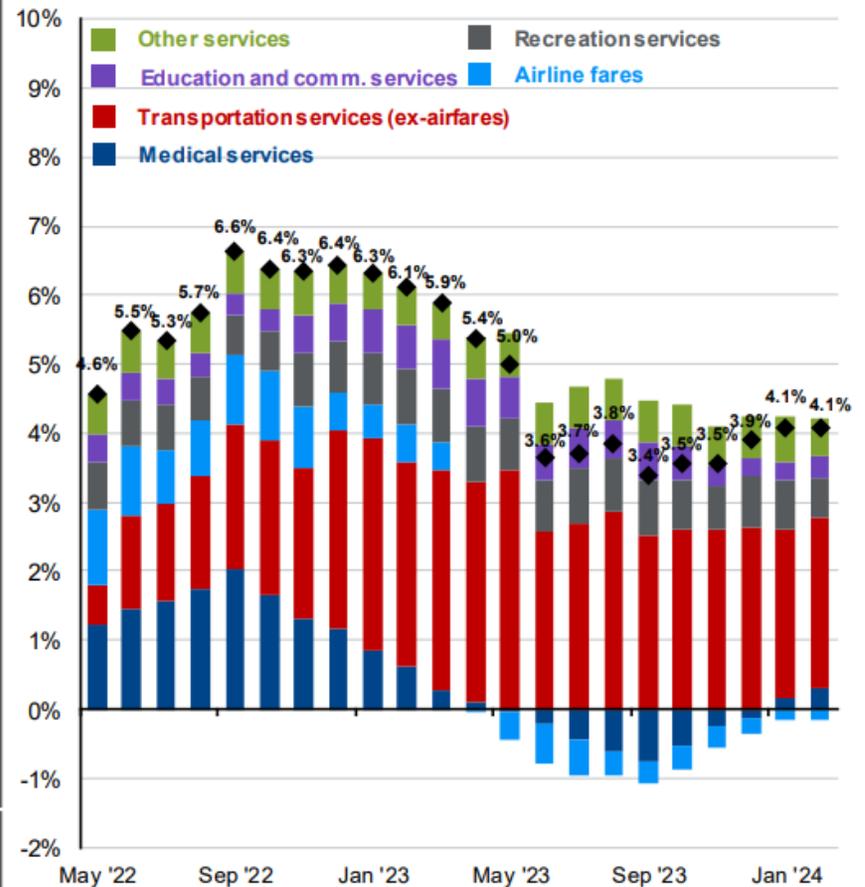
## Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted



## Contributors to core services ex-shelter CPI inflation\*

Contribution to y/y % change in custom CPI index, non-seasonally adj.



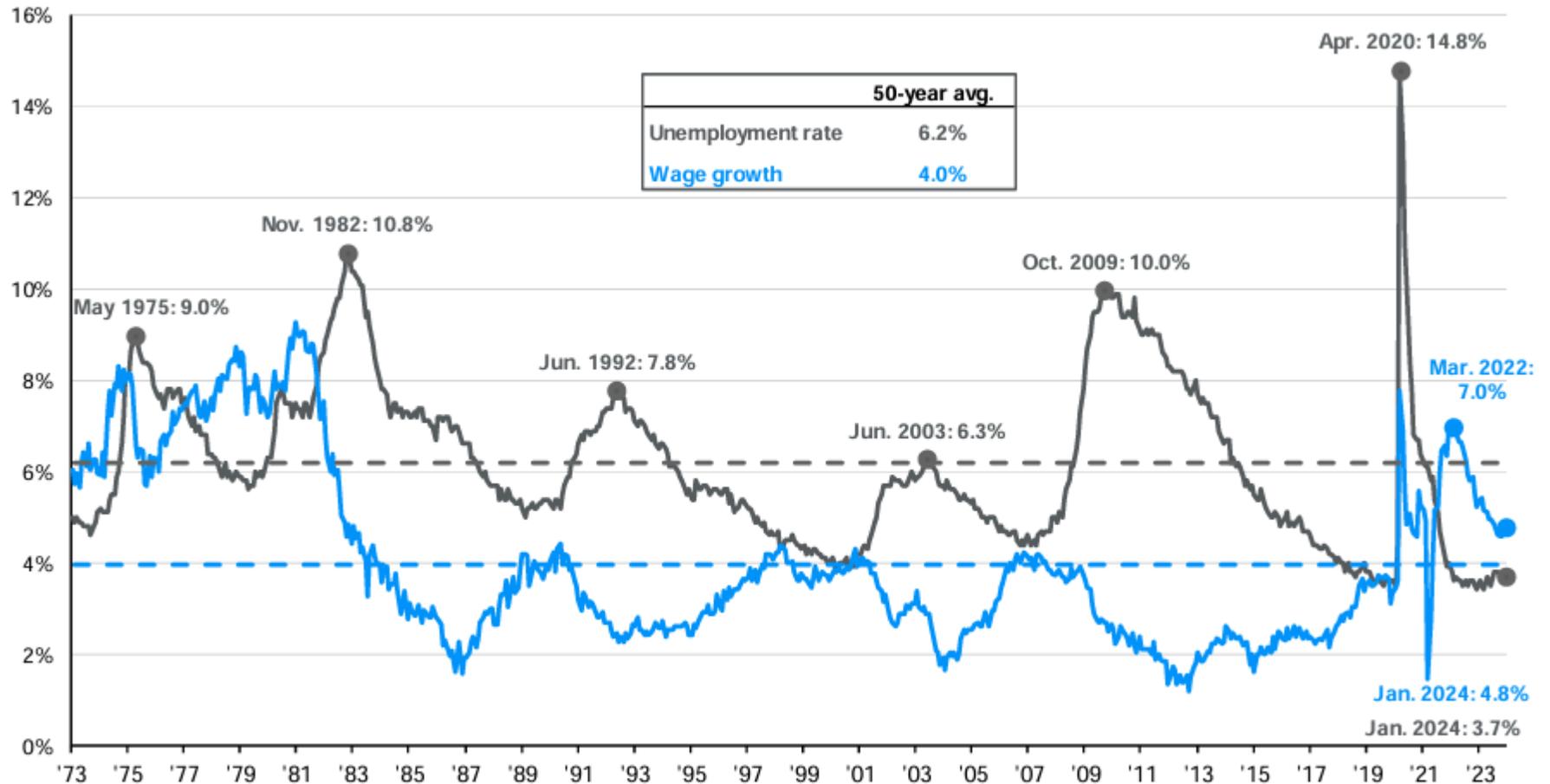
Source: BLS, FactSet, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. \*Core services ex-shelter CPI is a custom index using CPI components created by J.P. Morgan Asset Management. (Left) "Shelter" includes owners' equivalent rent and rent of primary residence; "Other" primarily reflects household furnishings, apparel, education and communication services, medical care services and other personal services. (Right) "Transportation services" primarily includes leased cars and trucks, motor vehicle insurance and motor vehicle maintenance and repair. Airline fares are broken out from transportation services. *Guide to the Markets* – U.S. Data are as of March 21, 2024.

**J.P.Morgan**  
ASSET MANAGEMENT

# Unemployment And Wages

## Civilian unemployment rate and year-over-year wage growth

Private production and non-supervisory workers, seasonally adjusted, percent



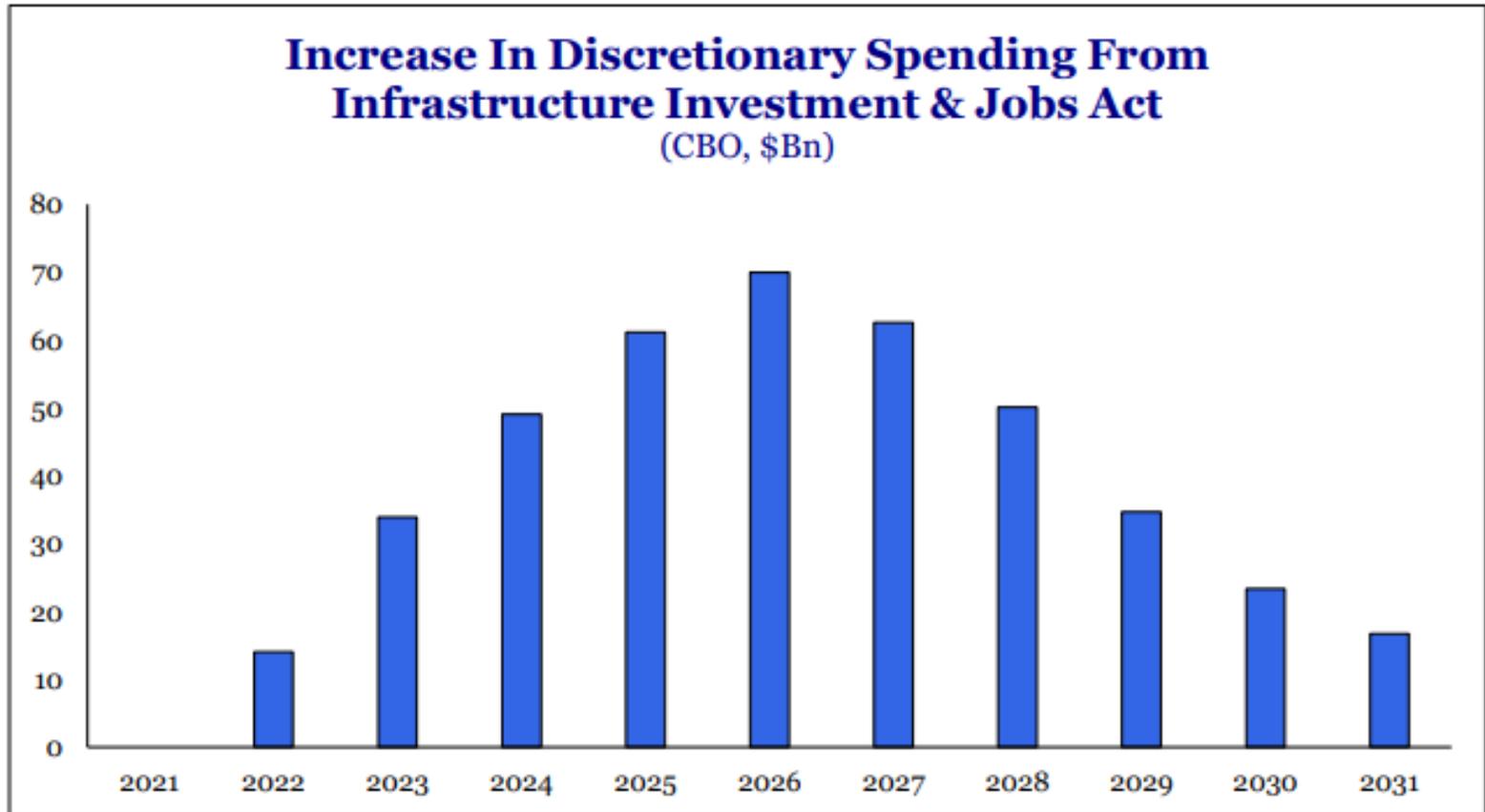
Source: BLS, FactSet, J.P. Morgan Asset Management. Private production and non-supervisory jobs represent just over 80% of total private nonfarm jobs.

Guide to the Markets – U.S. Data are as of February 29, 2024.

**J.P.Morgan**  
ASSET MANAGEMENT

**CAMBRIDGE TRUST**  
PRIVATE BANKING WEALTH MANAGEMENT

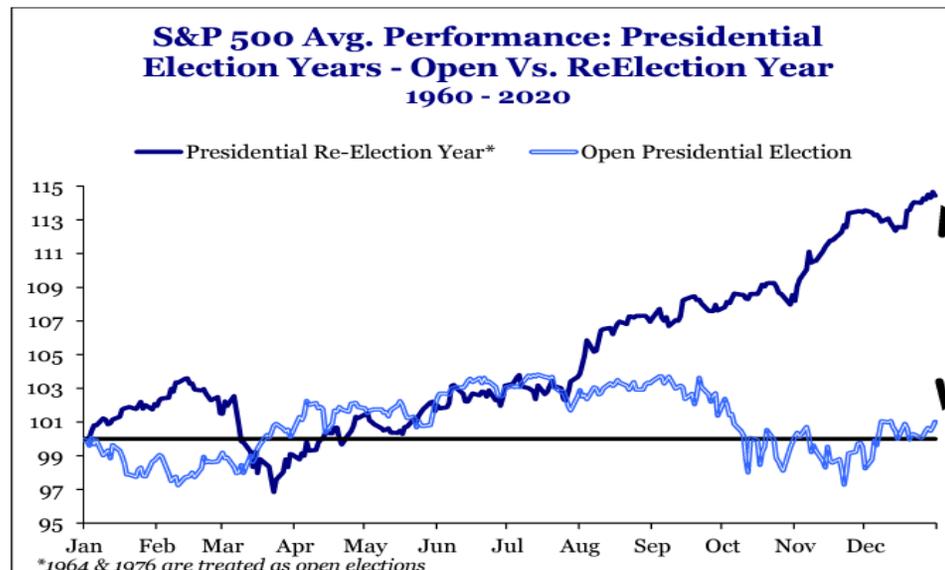
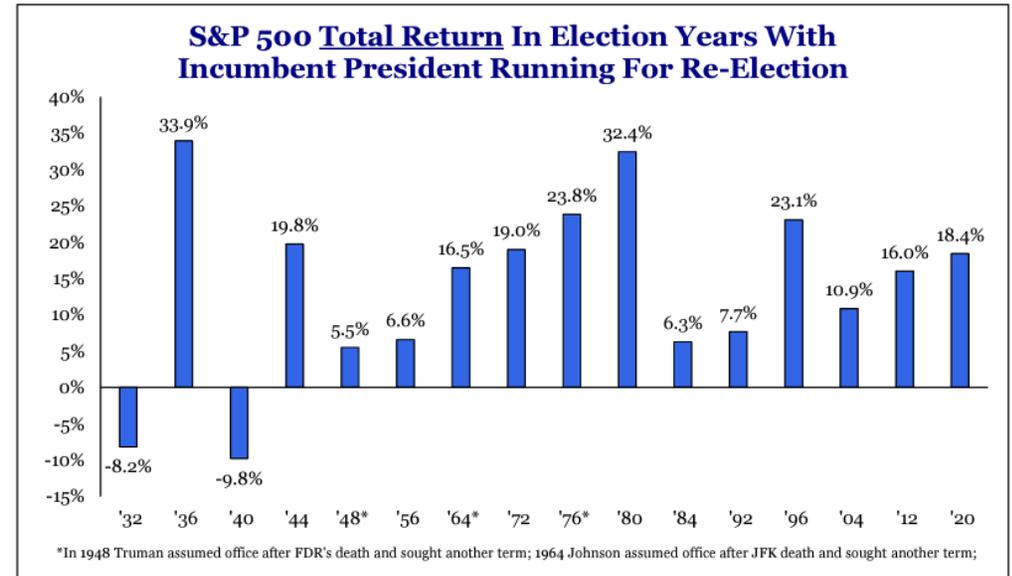
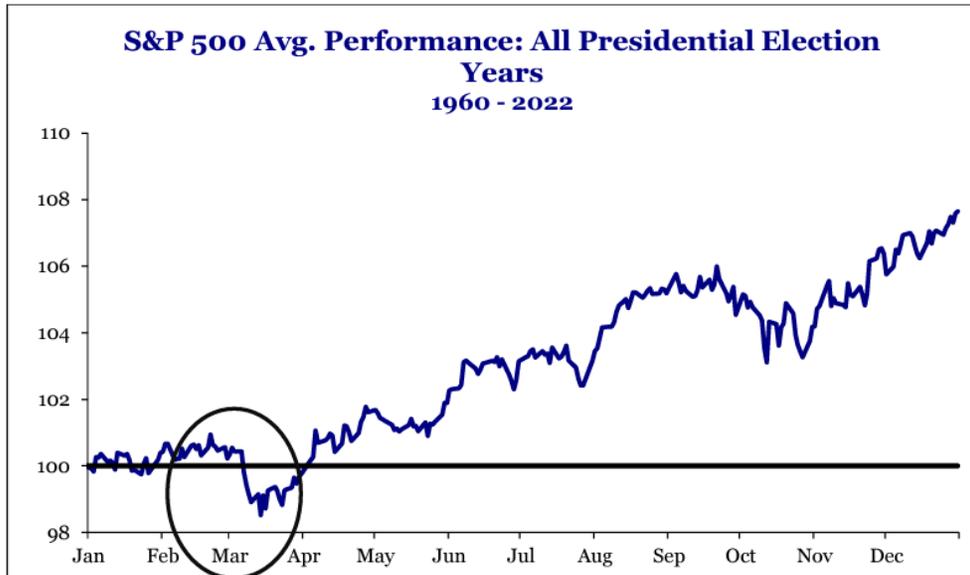
# Infrastructure Spending Ramping Up



Source: Strategas

Infrastructure spending will continue to increase in the years ahead as projects get off the ground as a byproduct of the Infrastructure Investment and Jobs Act, Chips Act and Inflation Reduction Act.

# Election Years Tend To Be Good For Stock Markets..... Especially Years With An Incumbent Running For Re-Election



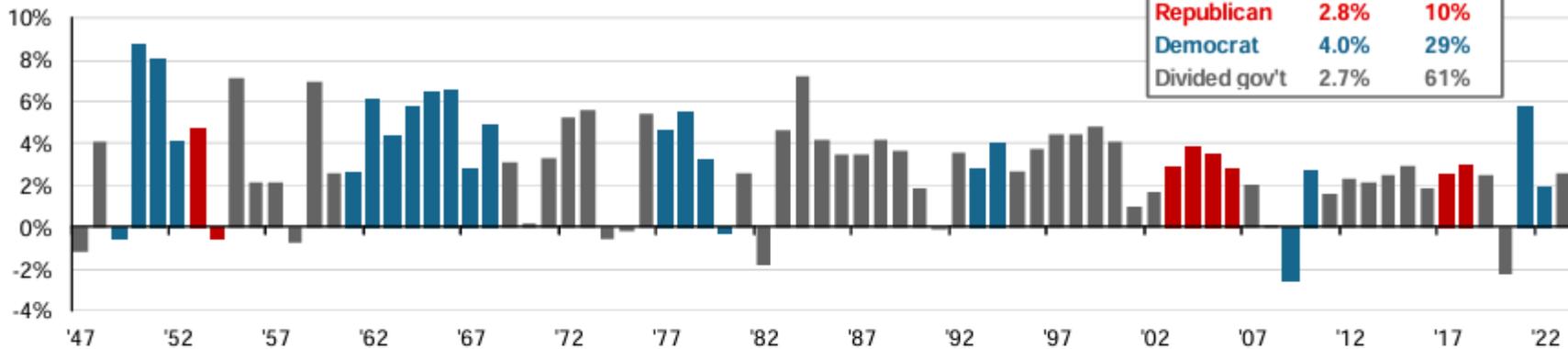
**1300 Basis Point Difference Return In Re-Election Years Compared To Open Election Years**

Source: Strategas, 2024 Policy Themes: The Likely & The Black Swans, Dan Clifton

# Government Control, The Economy And Stock Market

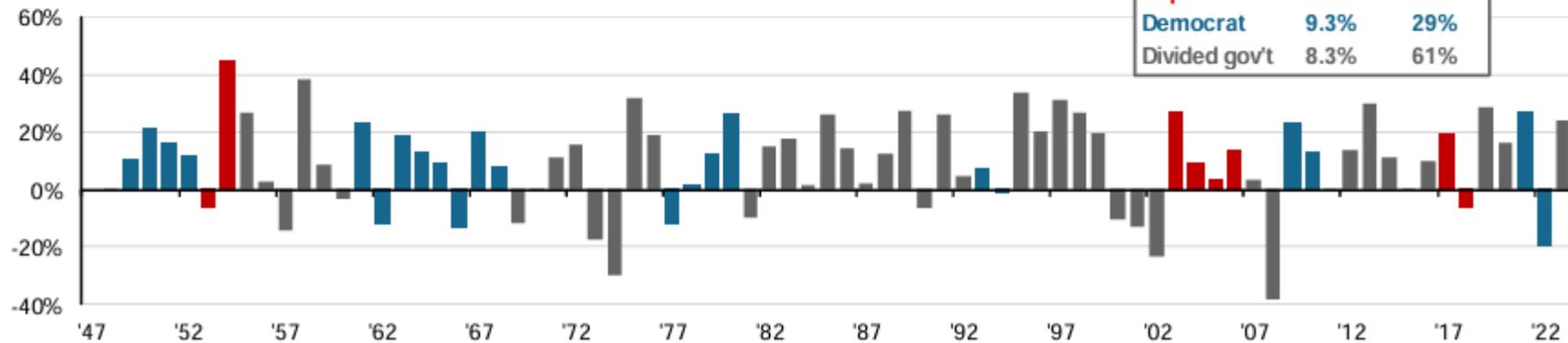
## Real GDP

Year-over-year % change, annual



## S&P 500 Price Index

Calendar year returns



Source: BEA, Standard & Poor's, FactSet, J.P. Morgan Asset Management. Guide to the Markets, 2/29/24

# AI Infrastructure Ecosystem – Phase 2

Category	Description	Companies (ranked by market cap)	Average correlation with NVDA
<b>Semiconductors</b>			
Design	Firms that own the IP and Electronic Design Automation software used to design and analyze integrated circuits and printed circuit boards.	ARM, SNPS, CDNS	0.49
Fabless Designer (ex-NVDA)	The design, but not the manufacturing, of semiconductor chips.	AVGO, AMD, QCOM, MRVL, 2454 (TW), MPWR, LSCC, CRDO	0.48
Foundry & Integrated Device Manufacturer (IDM)	The manufacturing of semiconductor chips.	2330 (TW), INTC, GFS	0.27
Memory	Companies that manufacture memory units that are critical components of processors.	005930 (KR), MU, 000660 (KR), WDC	0.29
Manufacturing Equipment	Companies that provide equipment needed to manufacture semiconductor chips.	ASML-NL, AMAT, LRCX, 8035 (JP), KLAC, TER, ONTO, MKSI, AEIS, ACLS, FORM, KLIC, UCTT, VECO	0.45
Data Centers (Real Estate)	Companies that own and operate physical data centers that are required to house servers needed to train and run AI models.	AMT, EQIX, DLR, DBRG	0.19
Servers and Networking	To build and operate data centers and fit companies to use AI, various hardware and equipment will be required.	CSCO, ANET, APH, SMCI, GLW, VRT, KEYS, HPE, NTAP, JBL, PSTG, NVT, COHR, SNX, FN, LFUS, SANM, BDC, LITE, VIAV, PLUS	0.32
Utilities	Demand from data centers will require increased electricity.	NEE, SO, DUK, CEG, SRE, AEP, D, EXC, PCG, PEG, XEL, WEC, ETR, FE, VST, PPL, AEE, CMS, AGR, NRG, EVRG, AES, BEPC, PNW, OGE, IDA, POR, BKH	-0.05
Cloud Provider	Cloud companies are required to train, run, and maintain AI models through their computing and data storage solutions.	MSFT, AMZN, GOOGL, ORCL	0.50
Security	Companies will need to rely on software companies for endpoint security.	PANW, CRWD, PLTR, S	0.33

Universe based on Russell 3000 stocks with >\$2 bn market cap and MSCI World stocks with >\$50 bn market cap. ARM is a large US-listed semiconductor stock but is not in the Russell 3000. Stock classifications based on a combination of company business descriptions, company website, GICS classifications, and company earnings transcripts. Correlation with NVDA based on daily returns during the past 6 months.

Source: Company data, FactSet, Goldman Sachs Global Investment Research

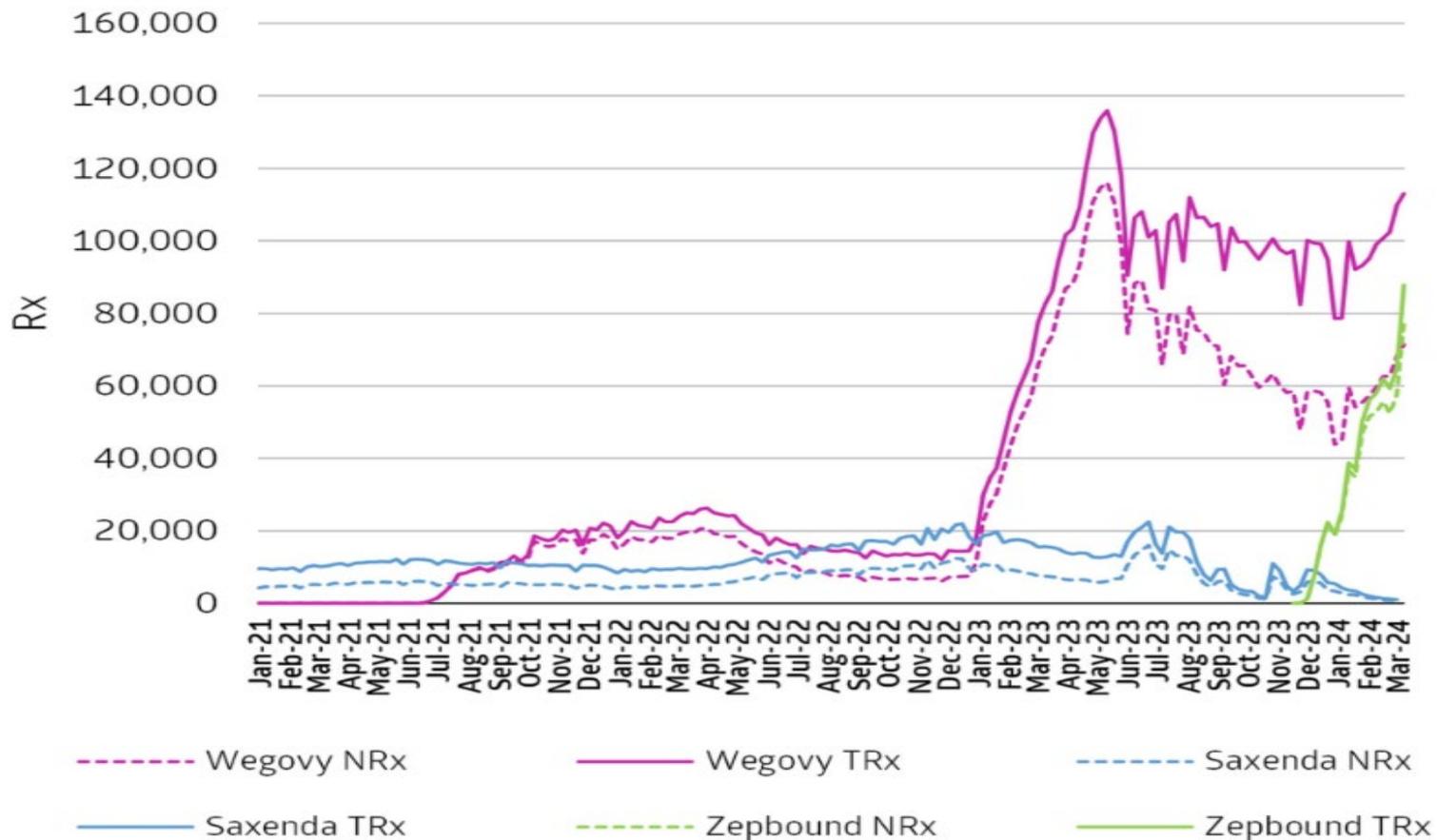
Source: Goldman Sachs, US Equity Views The Next Phases of the AI Trade, 3/14/24

# GLP-1 Drug Sales Update

## Zepbound Closing In On Wegovy Despite Wegovy's 2-Year Head Start

*For Eli Lilly, the GLP-1 platform for Diabetes and Obesity – revenues are poised to grow 4x over the next 5 years, adding an incremental \$36b in revenue.*

### Anti-Obesity Medication Market



# The GLP-1 market opportunity is immense

- GLP-1 market is only the early stages of adoption
  - Global market for GLP-1 is projected to reach \$100B by the end of the decade
  - Current adoption of the drugs is constrained by manufacturing/supply limitations ... demand far outstrips supply (and will continue for multiple years ahead)
  - GLP-1 drugs are currently delivered by injection, but potential oral formulations will greatly improve supply and access
- Competition is currently limited to just two companies: Eli Lilly and Novo Nordisk ... but new competitive GLP-1 drugs will slowly come to market over the next 5 years
- Insurance coverage will broaden out over time as GLP-1 efficacy beyond Diabetes and Obesity is proven
- Treatment for additional indications linked to obesity represent significant incremental opportunities of future GLP-1 demand
  - Obesity-related disease is a huge economic cost in the US (estimated to be >\$1.4T or ~6-7% of GDP per National Institutes of Health, 2018) for illnesses like hypertension, chronic back pain, osteoarthritis, Alzheimer's, various cancers, etc.
  - Early data on GLP-1 trials indicate strong efficacy in decreasing the burden of:
    - Cardiovascular disease (reducing MACE—Major Adverse Cardiovascular Events)
    - Sleep Apnea
    - NASH (Fatty Liver Disease)



# Trust and Estate Planning

March 2024

**CAMBRIDGE**  
— TRUST —

PRIVATE BANKING WEALTH MANAGEMENT

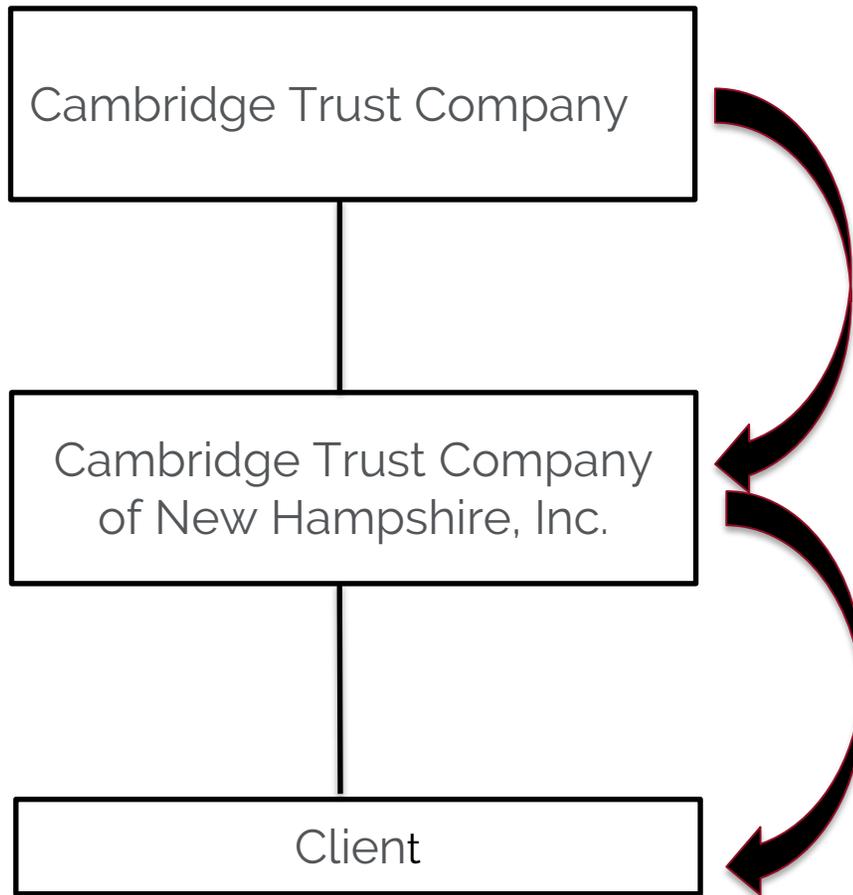
# Trust and Estate Planning - 2024

## Trust and Estate Planning – 2024

- Federal estate tax exemption change on January 1, 2026
  - 2024 Federal Estate Tax Exemption: \$13.61M for an individual and \$27.22M for a married couple
  - 2025 Federal Estate Tax Exemption: similar levels
  - 2026 Federal Estate Tax Exemption: will be reduced to 2017 levels with adjustments for inflation: approx. \$7M for an individual and approx. \$14M for a married couple
  
- Estate Planning Opportunity:
  - Recommend review of estate plans every 5-7 years or upon life event
  - Review on your own and with your estate planner
  - Life event may be marriage, divorce, birth, death, illness, purchase of large asset such as a second home, etc.
  - Estate plans often include will, revocable trust, durable power of attorney, and health care proxy
  - Recommend review of estate plans in 2024 due to Federal Estate Tax changes
  - Opportunity to make gifts and update estate plans prior to January 1, 2026

# Cambridge Trust as Administrative Trustee

## Organizational Structure



Administrative Services Agreement

Client Team:

NH-based Trust Officer

NH-based Trust Administrator

Working collaboratively with:

- Outside advisors such as investment management and accounting professionals
- In-house experts in trust administration

# New Hampshire Trust Law Advantages

New Hampshire laws offer a variety of benefits to trust planning including:

- **Directed Trusts**
  - Under NH law, administration of a trust can be divided among two or more trustees, overturning the traditional concept of a unitary trusteeship.
- **Spendthrift Trusts**
  - A spendthrift provision can prohibit a settlor or beneficiary from transferring, pledging, or assigning his or her interest in a trust. It may not protect the trust property from the settlor's creditors, however.
- **Wealth Protection Trusts**
  - New Hampshire allows settlors to create asset protection trusts, which must meet specific requirements.
- **Dynasty Trusts**
  - In New Hampshire, the trust can last in perpetuity.
- **Purpose Trusts**
  - Under traditional trust law, a non-charitable trust must have beneficiaries.
  - In a Purpose Trust, the trust must have a stated purpose (e.g., preserve a lakefront estate) but does not have any ascertainable beneficiaries.
- **Modifiable and Waivable Duties**
  - Under NH law, almost any duty can be modified or waived
- **Trust Protectors and Trust Advisors**
  - Unlike most states, New Hampshire's statutes expressly recognize trust protectors and trust advisors and describe their roles, duties and relationship to trustees.
- **Administrative Efficiencies**
  - Nonjudicial Settlement Agreements resolve administrative matters without court intervention
  - Decanting: transferring assets from one trust to another to improve administration



# Merger Update

March 2024

**CAMBRIDGE**  
— TRUST —

PRIVATE BANKING WEALTH MANAGEMENT

# Cambridge Trust Logo In Two Phases

2024

**CAMBRIDGE TRUST**  
— WEALTH MANAGEMENT PRIVATE BANKING —  
*Now Part of* EASTERN BANK

2025

**CAMBRIDGE TRUST**  
— WEALTH MANAGEMENT PRIVATE BANKING —  
**A DIVISION OF EASTERN BANK**

# Stacked Logos - Combined Branding



**CAMBRIDGE TRUST**  
— WEALTH MANAGEMENT PRIVATE BANKING —  
A DIVISION OF EASTERN BANK

CAMBRIDGE  
— TRUST —

PRIVATE BANKING WEALTH MANAGEMENT

[CambridgeTrust.com](http://CambridgeTrust.com)

Investments are not FDIC insured • May lose value • Not bank guaranteed • Not insured by any government agency

