Cambridge Trust Company

Equity Income - Balanced Portfolio

Portfolio Managers
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Fact Sheet as of 12/31/2017

INVESTMENT OBJECTIVE

Our objective is to provide above-average current income with lower volatility than the benchmark, while generating long-term capital appreciation.

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 are not solely focused on the highest yield. To achieve 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 any one asset class, sector, or individual position through rebalancing and a rigorous sell discipline.

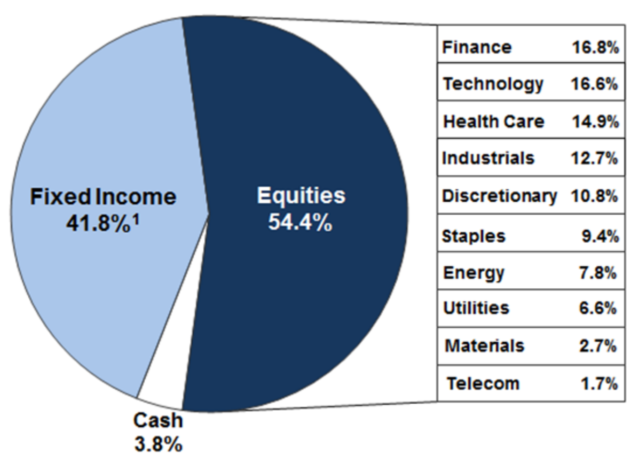
As of December 31, 2017	QTD	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION[1]
CTC - Equity Income Balanced	3.7%	12.5%	6.9%	8.5%	8.5%
Balanced Benchmark[2]	2.9%	11.5%	6.1%	7.4%	7.3%

Performance shown is total return and gross of fees. Past performance is not an indicator of future results.
[1]Inception date is September 30, 2010. Periods greater than one year are annualized.
[2]Balanced Benchmark: 47.5% Barclays Gov't/Credit Index, 38.0% S&P 500, 9.5% MSCI ACW ex-US Index, and 5.0% Lipper Money Market Index. Prior to 2015, the fixed income benchmark used in the index was the Barclays Gov't/Credit Index.

TOP 10 EQUITY HOLDINGS

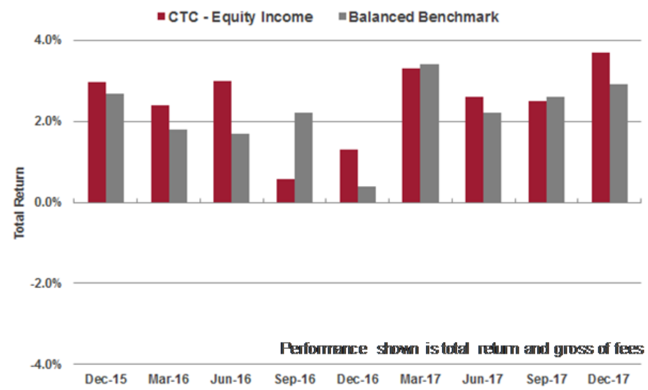
PNC Financial Services Group	4.9%
Microsoft	3.7%
M&T Bank	3.6%
Royal Dutch Shell	3.6%
Cisco Systems	3.4%
Apple	3.1%
Johnson & Johnson	3.0%
McDonald's	3.0%
Union Pacific	3.0%
Unilever	3.0%

ASSET ALLOCATION



[1]Includes: Corporate (34.0%), U.S. Gov't Agency/Mortgage Backed (5.1%), Bond Funds (2.5%) and Municipals (0.2%)

QUARTERLY COMMENTARY



The Equity Income Balanced composite returned 3.7% in the fourth quarter compared to the 2.9% return for the benchmark. The composite's equities returned 6.7%, compared to the Global Equity Benchmark (80% S&P 500 Index and 20% MSCI ACW ex-U.S. Index) return of 6.3%, and the Lipper Equity Income Index return of 5.5%. At quarter end, our international exposure was 18% of the equity allocation.

The strategy's Technology holdings performed well in the quarter but the sector underweight versus the benchmark weighed on performance. The overweight of Utilities was also a drag on performance; however, the strong performance of Aqua America more than offset this impact. From a selection perspective, positive contributors to stock performance included Union Pacific, Cisco Systems, Royal Dutch and 3M, and negative contributors included First Republic and Merck. In the quarter, we initiated new positions in Verizon and Accenture. Genuine Parts, Interpublic, and GE were sold.

Interest rates rose in the quarter on stronger economic growth and the continuation of the flattening trend as measured by the yield differential between the 2 and 10-Year U.S. Treasury. The FOMC raised short-term rates at its December meeting and indicated an additional 2 to 3 rate hikes in 2018. The composite's fixed income holdings returned 0.2% in the fourth quarter, while the Barclays Intermediate Government/Credit Index returned -0.2%. The portfolios benefitted from an overweight position in corporate bonds versus the benchmark as spreads on corporate bonds tightened in the quarter and outperformed the return on U.S. Treasuries.

We do not expect equity returns in 2018 to match the extremely strong returns of 2017, but continue to believe equities offer favorable value relative to bonds. We are maintaining a slight overweight in equities. Conversely, we remain slightly underweight bonds on a duration basis. Within corporate bonds, we are not particularly worried about defaults, but acknowledge reduced total return potential at these tight credit spreads.

EQUITY CHARACTERISTICS

	EQUITY INCOME BALANCED	S&P 500
Number of Holdings	45	500
Dividend Yield[1]	2.5%	1.9%
Dividend Growth (5 yr)[1]	9.4%	11.2%
Dividend Payout[1]	60.6%	37.2%
10 Year EPS Growth[1]	6.5%	3.2%
Beta[1]	0.95	1.00
Average Market Cap[1]	$163.9	$168.0
P/E Ratio (NTM)[1]	20.2x	18.3x
Median Price to Book	5.5x	3.4x

FIXED INCOME CHARACTERISTICS

	EQUITY INCOME BALANCED	BARCLAYS ITERM GOV'T/CREDIT INDEX
Current Yield	3.7%	2.4%
Yield to Worst	2.6%	2.1%
Duration	3.70	4.0
Credit Quality	A+	AA
Corporate	87%	33%
Agency	12%	10%
US Treasury	0%	57%
Mortgage-Backed	1%	0%
Municipal	0%	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.
Fixed income allocation percentages exclude mutual funds.

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