

# Total Return - Growth Portfolio

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Fact Sheet as of 12/31/2017

## INVESTMENT OBJECTIVE

Our objective is to provide preservation and growth of capital by investing in equity and fixed income securities globally. Our equity focus is on high quality, large capitalization growth companies, and may include a modest allocation to select medium and smaller-sized growth companies.

Our equity strategy aims to balance risk and reward at both the stock and portfolio levels. To achieve this, we seek to invest in companies with attractive growth opportunities, sustainable competitive advantages, high and improving profitability, strong free cash flow, and solid balance sheets. We believe companies that exhibit all of the above characteristics are well positioned to compound value over the long term and should form the core of a client portfolio. We seek to purchase these companies at a significant discount to intrinsic value.

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, 2017	QTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE INCEPTION <sup>1</sup>
<b>CTC - Total Return Growth Composite</b>	5.8%	18.7%	8.9%	11.1%	6.8%	7.6%
<b>Growth Benchmark<sup>2</sup></b>	4.2%	15.7%	7.9%	10.0%	6.3%	7.1%

Performance shown is total return and gross of fees. Past performance is not an indicator of future results.

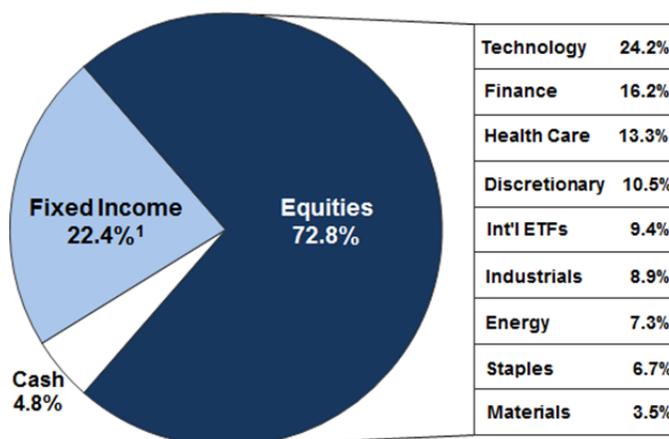
<sup>1</sup>Inception date is December 31, 2003. Periods greater than one year are annualized.

<sup>2</sup>Growth Benchmark: 54% S&P 500, 27.5% Barclays Intermediate Gov't/Credit Index, 13.5% MSCI ACW ex-US Index and 5.0% Lipper Money Market Index. Prior to 2015 the fixed income index used in the benchmark was the Barclays Gov't/Credit Index.

## TOP 10 EQUITY HOLDINGS

<b>PNC Financial Services Group</b>	<b>3.7%</b>
<b>Amazon.com</b>	<b>3.6%</b>
<b>Union Pacific</b>	<b>3.1%</b>
<b>US Bancorp</b>	<b>3.0%</b>
<b>Facebook</b>	<b>3.0%</b>
<b>Microsoft</b>	<b>2.9%</b>
<b>iShares MSCI Emerging Market</b>	<b>2.8%</b>
<b>Lowe's</b>	<b>2.8%</b>
<b>SVB Financial Group</b>	<b>2.8%</b>
<b>Honeywell International</b>	<b>2.7%</b>

## ASSET ALLOCATION



<sup>1</sup>Includes: Corporate Bonds (17.5%), US Gov't Agency/Mortgage Backed (2.6%), and Bond Funds (2.3%)

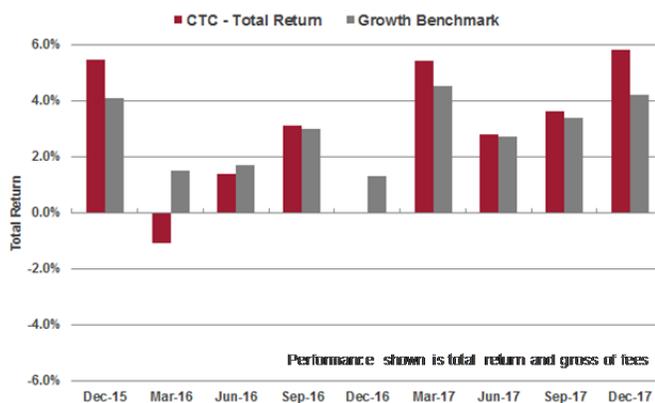
## QUARTERLY COMMENTARY

Across most global markets, stocks finished the year with another strong quarter of returns. Buoyed by the passage of new domestic tax legislation, full year equity returns were 21% in the US. The continued strong global economic environment propelled international stocks up 27% for the year. For the full year, the Total Return Growth Composite was up 18% which was 3% above the benchmark.

The Total Return Growth composite increased 5.8% in the fourth quarter, ahead of the benchmark's 4.2% return and the Lipper Balanced Fund Index's 3.6% return. The S&P 500 increased 6.6% and international stocks, as measured by the MSCI All-Country World ex-US Index, rose 5.0% in the fourth quarter. Outperformance was driven by asset allocation and security selection in both equities and fixed income. The composite's equities increased 8.0% in the quarter, above the Global Equity Benchmark (80% S&P 500 Index and 20% MSCI ACW ex-US Index) return of 6.3%. Growth stocks outperformed value stocks for the fourth consecutive quarter and the composite's focus on quality growth companies provided upside compared to the S&P 500. Energy, Consumer Discretionary and Financial stocks outperformed and each sector had a positive impact on relative performance, offset by weaker performance in Consumer Staples and Healthcare sectors. The largest individual contributors to equity performance in the quarter were SVB Financial, Estée Lauder, Diamondback Energy and Adobe Systems. The largest detractors were Celgene, Merck, and General Electric.

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 US 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 US Treasuries.

Our portfolios remain overweight equities and underweight fixed income which is consistent with recent positioning. We recognize the late cycle risks presented by an aging economic recovery, a tight labor market, a relatively flat yield curve and above-average asset price valuations. However, we view global GDP growth and healthy corporate earnings as reasonably durable, particularly at the current low rate of inflation.



### EQUITY CHARACTERISTICS

	TOTAL RETURN GROWTH	S&P 500
Number of Holdings	52	500
Dividend Yield <sup>1</sup>	1.4%	1.9%
Dividend Growth (5yr) <sup>1</sup>	8.6%	11.2%
ROE <sup>1</sup>	16.9%	13.8%
10 Year EPS Growth <sup>1</sup>	10.7%	3.2%
Beta <sup>1</sup>	0.99	1.00
Average Market Cap <sup>1</sup>	\$174.1	\$168.0
P/E Ratio (NTM) <sup>1</sup>	23.2x	18.3x
Median Price to Book	5.3x	3.4x

<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 allocation percentages exclude mutual funds.

### FIXED INCOME CHARACTERISTICS

	TOTAL RETURN GROWTH	BARCLAYS ITERM GOV'T/CREDIT INDEX
Current Yield	3.6%	2.4%
Yield to Worst	2.5%	2.1%
Duration	3.9	4.0
Credit Quality	A+	AA
Corporate	89%	33%
Agency	10%	10%
US Treasury	0%	57%
Mortgage-Backed	1%	0%
Municipal	0%	0%

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