Cambridge Trust Company

Capital Appreciation – All Equity Portfolio

Portfolio Manager
Brian J. Sokolowski, CFA

Fact Sheet as of 9/30/2017

INVESTMENT OBJECTIVE

Our objective is to provide long-term capital appreciation by primarily investing in growth companies from around the world, with a focus on small and medium-sized companies. This portfolio, typically 95% – 100% invested in equity securities, also holds a small cash balance.

Our Capital Appreciation equity strategy aims for long-term capital growth by investing in equity securities that are trading for less than intrinsic value. We primarily invest in three types of companies: small or medium emerging growth companies with opportunities for rapid growth over a long timeframe, medium or large growth companies with sustainable competitive advantages and large addressable markets, and highly profitable growth companies with defensible market positions which compound value over time. We believe the most important risk control for a particular security, and for the portfolio as a whole, is to acquire shares in companies at attractive valuation levels and beneath intrinsic value.

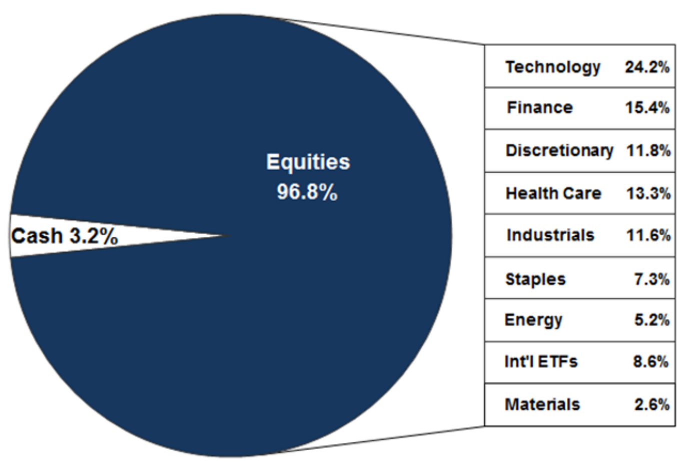
The portfolio focuses on innovative small and mid-cap growth companies, which have historically generated superior returns to large-cap companies over long time horizons. While the inclusion of a number of larger growth companies can help dampen the volatility inherent in small and medium companies, our Capital Appreciation portfolio is expected to exhibit more volatility than the market as a whole, and is therefore suitable for clients with longer timeframes and above average risk tolerance.

As of September 30, 2017	QTD	YTD	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION[1]
Capital Appreciation Composite	2.4%	12.6%	12.1%	8.7%	12.5%	13.2%
Capital Appreciation Benchmark[2]	5.7%	19.8%	20.4%	10.7%	13.0%	13.6%

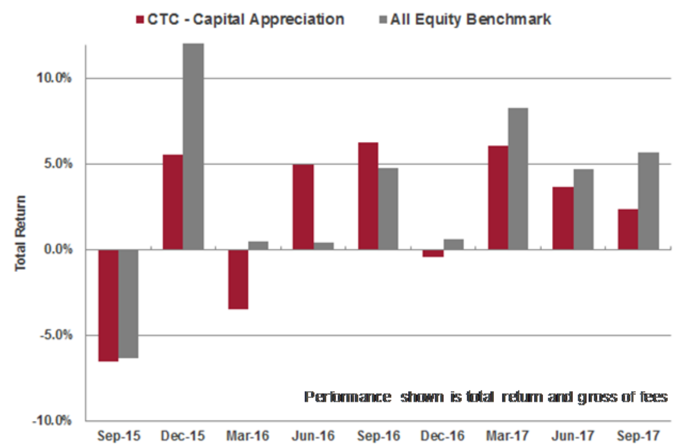
[1]Inception date is July 31, 2012. Periods greater than one year are annualized. Performance shown is total return and gross of fees.
[2]Capital Appreciation Benchmark is composed of 76% Russell 1000 Growth, 19% MSCI All Country World ex-U.S. Index and 5.0% Lipper Money Market Index.

TOP 10 HOLDINGS	
Hexcel Corp.	**3.7%**
SVB Financial Group	**3.6%**
Integra Lifesciences	**3.2%**
Adobe Systems Inc.	**3.0%**
Palo Alto Networks Inc.	**3.0%**
Callidus Software Inc.	**2.8%**
Union Pacific Corp.	**2.7%**
Alphabet Inc.	**2.7%**
PNC Financial Services Group	**2.5%**
iShares Nasdaq Biotechnology ETF	**2.4%**

ASSET ALLOCATION



QUARTERLY COMMENTARY



The Capital Appreciation composite returned 2.4% in the third quarter, versus the benchmark's 5.7% return.

Equity markets continued to rally in the third quarter of 2017 as investors chose to focus on positives such as strong earnings growth, nascent signs of an uptick in inflation, modestly increasing global GDP estimates and low interest rates, while taking political noise in stride. The U.S. stock market was once again led by large capitalization technology growth companies such as Apple, Alphabet (Google), Amazon, Facebook, and Microsoft. Small and medium sized companies lagged large companies for the third consecutive quarter. The third quarter also experienced a continuation of the recent trend of international stocks outperforming U.S. stocks.

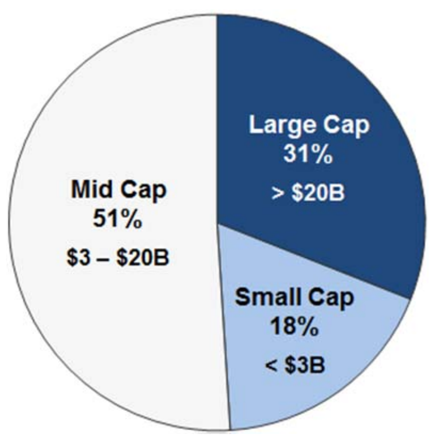
The Capital Appreciation portfolio lagged its benchmark in the third quarter and year-to-date primarily due to its greater focus on small and medium sized companies, which comprises almost 70% of the portfolio, as well as overweights in Value sectors such as Financials and Energy. While we remain positive on the Technology sector, we are concerned that its weighting in the benchmark's U.S. component (the Russell 1000 Growth Index) is too large at 37%, and we remain underweight. Top contributors to the composite's return for the quarter included Blue Buffalo, FMC Corp, Xylem, and Silicon Laboratories. Detractors included Integra Life Sciences, Pool Corporation, Imperva, and Callidus Software.

Looking into the remainder of 2017, we are in agreement with the consensus view that U.S. and global GDP growth will likely accelerate compared to 2016. Combined with modestly improving corporate earnings growth, a less than excessive market valuation and potential tax reform (for which the market is increasingly optimistic), we remain relatively positive on equities and are finding opportunities to invest while carefully monitoring potential political risks. We are currently finding attractive value in the cyclical portion of the market, as many of these companies have been left behind as investors' focus has returned to growth stocks.

EQUITY CHARACTERISTICS

	CAPITAL APPRECIATION	RUSSELL 1000 GROWTH INDEX
Number of Holdings	60	550
Average Market Cap[1]	$50.3	$204B
Beta[1]	1.12	1.00
Dividend Yield[1]	0.7%	1.4%
ROE[1]	14.6%	25.4%
P/E Ratio (2017)[1]	31.8x	22.6x
Price to Sales[1]	4.3x	2.7x
Median Price to Book	4.7x	5.3x

MARKET CAPITALIZATION BREAKDOWN



[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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