CAMBRIDGE MONTHLY INCOME FUND – Q4 2017

ACTIVE INSIGHT

Our investment process focuses on identifying value-creating businesses with durable competitive advantages. These advantages allow the companies to generate excess returns within their industries, in turn allowing them to reinvest in their business or distribute capital to shareholders above and beyond their peers. After identifying a value-creating business, the weight we hold in the fund is driven by the risk/reward that we see, because a great company can be a bad stock if purchased at the wrong price.

Over the last year, seven new companies have entered the top 10 equity holdings within the portfolio. These equity holdings have made it into the top 10 through our disciplined fundamental investment process and by rebalancing the portfolio into the most attractive risk/reward opportunities.

FUND COMMENTARY

Global financial markets extended their rally during the fourth quarter, capping a strong year. The synchronized global economic expansion gained momentum as the economic outlook improved throughout the year. In this healthy economic environment, the portfolio was up about 3% during the quarter. The cash position within the portfolio was a drag on performance in a strong market environment.

The equity component within the portfolio was a significant driver of overall returns. Holdings in the industrials and energy sectors in particular, contributed positively to results. Within industrials, engineering and construction firm Fluor performed well and its shares rose about 23% in the quarter. After a challenging first half of 2017, the company announced improved execution on challenging contracts that beat low expectations. Within the energy sector, Viper Energy performed well as shares advanced 27% during the quarter. The energy complex has been supported by resurgent oil prices that advanced nearly 16%, as measured by the West Texas Intermediate oil price.

Within information technology, Symantec was a detractor as the shares declined about 14% during the quarter. Symantec was weaker following its quarterly earnings announcement where it announced weaker-than-expected revenues and margins within its enterprise segment. This weakness was driven by a shift to subscription billing – a short-term disruption, but a long-term positive. Despite the weak short-term results, Symantec remains a holding within the portfolio as the longer-term thesis of stabilization in its core businesses and the potential for additional capital allocation through mergers and acquisitions remain intact.

During the quarter we made some adjustments to the fund's asset mix. The cash and equivalents exposure remained relatively stable at about 14%. The portfolio's exposure to equities increased from 43% to 48%, while the allocation to fixed income declined from about 43% to 38% at the end of December. The asset mix positioning and cash level are an outcome of changes to the risk/reward ratios of the underlying investments that we consider given the mandate of the portfolio.

FUND COMMENTARY (CONTINUED)

As we look forward, we remain focused on identifying attractive risk/reward opportunities in value-creating businesses. Market sentiment has improved significantly over the last year and valuations have expanded accordingly. We are comfortable taking on less risk than the market when risk appetite is high and opportunities are harder to find – a description that fits today's environment.

PERFORMANCE

Returns as of December 31, 2017 (in %)	YTD	1 Year	3 Year	5 Year	Since Inception (1/9/2012)
Cambridge Monthly Income Fund (Class F)	4.8	4.8	4.2	7.4	7.2