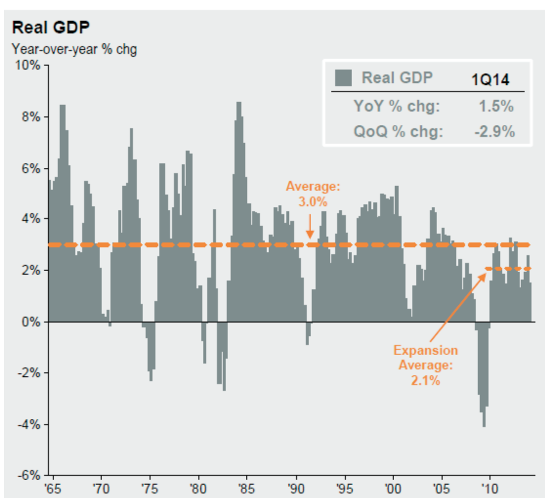
Hemenway Trust Company LLC

Second Quarter 2014 Report

Dear Valued Client,

Following a significant dip in GDP in the first quarter and geo-political tensions throughout the world, the United States economy seemed to shrug off the news headlines and resumed its moderate pace of progress in the second quarter. The Conference Board's leading economic indicators increased each month in the quarter and, at quarter end, the Institute for Supply Management's Manufacturing and Non-manufacturing Indexes stood at 55.3 and 56.0 respectively, indicating continued growth in both economic segments. Housing prices continued to increase, with the Case-Schiller 20 city index up 10.8% for the year through April, the latest available information. And while the Federal Open Market Committee announced that it would continue reducing bond purchases by $10 billion per month, monetary policy should remain accommodative as the Fed is expected to maintain the current federal funds rate for a considerable time after bond purchases end. The quarter ended on a positive note when the Labor Department announced that the June jobs increase was 288,000 and the rate of unemployment decreased to 6.1%.

Index	Qtr	YTD
S&P 500	5.23	7.14
Russell 2000	2.05	3.19
MSCI EAFE	4.34	5.14
MSCI Emerging Mkt	6.71	6.32
Barclays Treas Interm	0.92	1.57
Barclays Agg Bond	2.04	3.93
DJ Commodity	0.08	7.08
HFRI Global Hedge	0.65	1.77
10 Yr Treasury Yield	2.53	3.04



Source: BEA, FactSet, J.P. Morgan Asset Management.

In the United States, the S&P 500 index advanced for the sixth straight quarter and returned 5.2% for the period, up 7.1% year to date. U.S. equities have been the main beneficiary of the current Goldilocks conditions ("not too hot, not too cold") in which most economic indicators are showing positive growth but not to the level that would push up inflation and interest rates. Large capitalization stocks out-performed small capitalization stocks with the Russell 2000 up 2.0% in Q2 and 3.2% year-to- date. Outside the U.S., emerging market stocks outperformed developed market stocks, returning 6.7% in second-quarter versus 4.3% for the EAFE Index. Other positives for the market were an exceptionally low level of market volatility (as measured by the VIX Index) and an increase in M&A activity. According to Dealogic, there have been

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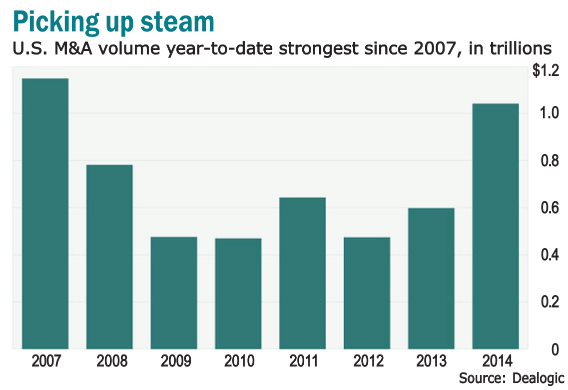
5,844 targeted U.S. M&A transactions year-to-date valued at $1.04 trillion. This marks the first year deal volume has topped $1 trillion over that period since 2007.



The performance of fixed income investments surprised nearly everyone. The Barclays Aggregate Index, which measures the fixed income universe, increased 2.0% in second quarter and is up 3.9% year-to-date, driven by a decrease in the 10-Year Treasury Note yield from 2.72% on March 31 to 2.53% on June 30. Declining yields and increasing prices were seen across the fixed-income market and seemed to reflect concerns about the pace of economic growth, leading investors to seek the safety of bonds.

According to Factset, the earnings of the S&P 500 are expected to increase 6.7% in second-quarter after having increased 2.2% in Q1. At current levels, the S&P 500 is selling at 15.6 times earnings for the next 12 months, versus a 10 year average of 13.8 times. As we have stated for a couple of quarters now, valuations in the equity markets counsels caution. In accounts where equity allocations are at the high end of their targeted range, we are prudently taking profits. On the fixed income side, we remain cautious in this low interest rate environment and have let cash weightings drift above normal allocations.

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