

# GOLDMAN SHELBY CAPITAL MANAGEMENT

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## 2017 ANNUAL REPORT

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## ABOUT OUR REPORT

Bridges are designed to help individuals overcome obstacles to reach their destination.

According to History of Bridges , the first structures were made of natural resources and could only be used for short distances. Over time, rain dissolved these pathways made of wood, rock and soil. It wasn't until the Romans created mortar that bridges had more permanence and could cross broader swaths of obstruction that travelers needed to pass.

Bridges are an engineering feat. With new materials and technology, bridges can span longer distances, such as the 100-mile-long Grand Bridge in China. The capabilities for constructing bridges continue to grow. Our ability to maintain and repair these structures over time is just as important as the initial construction.

Inspired by photography from Jerome Hart, this year's annual report shows bridges from different perspectives, highlighting the foundations and structures that provide a stable path for vehicles, trains and pedestrians. On the following pages, we share these photos along with our people, expertise, resources and technology that help guide and support clients on their journey.

### Mission

Investment Excellence • Lifelong Relationships

### Core Values

Exceed expectations

Act with uncompromising ethics and reliability

Advocate innovation and manage change

Foster a collegial environment

Enjoy the journey

### Investment Principles

Know the environment

Seek opportunities

Manage risk

Focus on the long term

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## TO OUR CLIENTS

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At our firm, we assemble the appropriate resources; leverage our expertise, research and technology; and continue to enhance and improve our strategy over time for clients. For those readers who are learning about Goldman Shelby and Goldman Group, we hope this report gives you a sense of who we are and what we do.

In tandem with portfolio construction and wealth planning, we create structure at our company that fosters continuity and stability for clients. There are a number of developments in 2017 that reinforced those endeavors. First, we began another phase of internal ownership transition. This is the fourth in the history of our firm, which includes both Goldman Shelby and Goldman Group employees serving in a variety of leadership roles. Our commitment is to remain private and employee-owned, which enables us to keep our priorities focused on our clients, employees and our firm.

All employees have an opportunity to earn shareholder status within five years of their employment. As a result, 68 percent of our firm are owners who are committed to the long-term goals of our company. In 2017, we welcomed Beth Brown and Mary Lago as new

shareholders. We believe this structure benefits our clients because, as we often say, you treat something you own better than a rental. Ownership also reinforces our entrepreneurial culture. We are a flat organization that empowers everyone to bring ideas forward that will enhance our client offerings.

Also in 2017, we continued to grow our breadth and depth of experience, with the hiring of Charissa Anderson, Melanie Franck, Alex Harding, Kirstin Havnae and Tara Kinadeh in the short time they have been with us, they have elevated our investment, wealth management and client service offerings. Our firm employs 47 individuals, which include three focused on West Bearing clients. We are delighted that West Bearing continues to grow at a healthy pace, now managing \$212 million for 135 clients

As in past years, we celebrated work anniversaries, promotions and retirements. In December, we said farewell to Lori Flexer, whose impact on our firm has been historic in nature. She was our first female portfolio manager and instrumental in the creation of our wealth management offerings. Today, we have five women portfolio managers on our team. Flexer was also the first woman in our firm to earn her CFA designation and has been a tireless advocate for many nonprofits she served through her leadership roles.

Beyond our company milestones, 2017 was a record-breaking year for markets due to strong fundamentals and global synchronization. As we concluded the ninth year of a bull market, we will continue to seek opportunities to create diversified portfolios through the use of investment securities created by our team of analysts, as well as funds we have vetted that enhance the scope of offerings for clients. We recently added Real Assets as one of our external alternative strategies, creating investment opportunities in timberland, agriculture and infrastructure. We are also rolling out our Environmental, Social and Governance (ESG) solution, created in-house, that helps align clients' values with their investment goals.

We closed 2017 with more clients and assets under management than the previous year, while maintaining a 97-percent client retention rate. Our ability to grow is not only a reflection of our consistent investment style but also the people who trust us and recommend our firm to others. For that, we are grateful and will continue to make every effort to exceed expectations in everything that we do.



# OUR TEAM

Everything we do to support clients is developed and managed by the people on this page. With 27 graduate degrees and designations, our team builds on their expertise and experience through research, conferences and trainings throughout the year.

Charissa Anderson, CFP®  
Senior Vice President  
Portfolio and Wealth Management

Nathan Ayotte, CFP®  
Executive Vice President  
Portfolio and Wealth Management

Joe Brooks\*  
Vice President  
Fixed Income Trading

Beth Brown\*  
Client Relationship Associate

Tim Carkin, CAIA, CMT®  
Senior Vice President  
Equity Trading and Alternative Assets

Scott Christianson, CFP®  
Senior Vice President  
Portfolio and Wealth Management

James Coats\*  
Executive Vice President  
Relationship Management

Ralph Cole, CFA®  
Executive Vice President  
Equity Research and Portfolio Management

Dean Dordevic\*  
Principal  
Portfolio Management and Alternative Assets

Mary Faulkner\*  
Senior Vice President  
Branding and Communications

Sandy Fendall\*  
Client Relationship Associate

Lori Ferraro\*  
Administrative Associate

Lyndsi Fink  
Investment Associate

Warren Foltz\*  
Operations Associate

Marc Fovinci, CFA®  
Principal  
Fixed Income Strategy and  
Portfolio Management

Melanie Franck  
Front Office Coordinator

Josh Frankel, CFP®  
Executive Vice President  
Portfolio and Wealth Management

Robin Freeman\*  
Vice President  
Administrative Services

Luz Garcia\*  
Client Relationship Associate

Michael Garcia  
Senior Vice President  
Chief Technology Officer

Heidi Goertzen, IACCP  
Chief Compliance Officer

Alex Harding  
Trading Associate

Beth Harding  
Client Relationship Associate

Kirstin Havnaer  
Client Relationship Associate

Steve Holwerda, CFA®  
Principal and Chief Operating Officer

Becky Horvat, CPA®  
Senior Vice President and Controller

George Hosfield, CFA®  
Principal and Chief Investment Officer

Brad Houle, CFA®  
Executive Vice President  
Fixed Income Research and  
Portfolio Management

Breanna Jaspersen  
Client Relationship Associate

Peter Jones, CFA  
Vice President of Research

Kathi Kimes\*  
Administrative Associate

Tara Kinateder  
Executive Vice President  
Portfolio and Wealth Management

Mark Kralj\*  
Principal  
Portfolio and Wealth Management

Deidra Krys-Rusoff\*  
Senior Vice President  
Tax-Exempt Trading and Portfolio Management

Mary Lago, CTFA®  
Executive Vice President  
Portfolio and Wealth Management

Helena Lankton\*  
Executive Vice President  
Portfolio and Wealth Management

Julie Mark\*  
Client Relationship Associate

Shawn Narancich, CFA®  
Executive Vice President  
Equity Research and Portfolio Management

Jason Norris, CFA®  
Executive Vice President  
Equity Research and Portfolio Management

Elizabeth Olsen  
Vice President  
Marketing and Communications

Don Rainer\*  
Executive Vice President  
Relationship Management

Erin Rosenblatt  
Vice President  
Client Solutions and Information Systems

James Rudd\*  
Principal and Chief Executive Officer

Patricia Van Dyke\*  
Operations Associate

Danielle White  
Sales and Marketing Associate

Jeanene Wine\*  
Operations Associate

Patrick Yazhari  
Trading Associate

\* Shareholder of the firm

Anniversaries in 2017

Sandy Fendall, 10 years

Patricia Van Dyke, 25 years

# 2017 BY THE NUMBERS

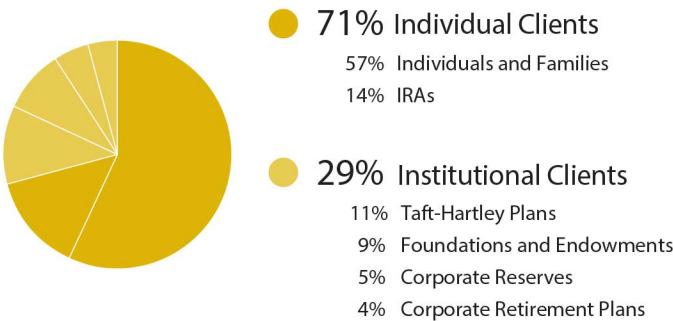
Data as of December 31, 2017

Our client retention rate is **97%**

We welcomed **51** new clients

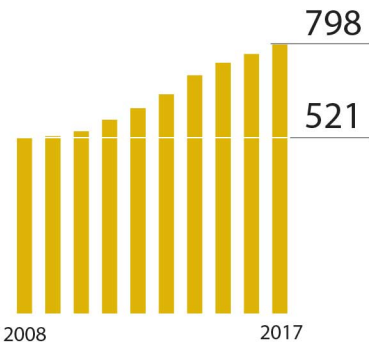
## Broad Client Base

By assets under management

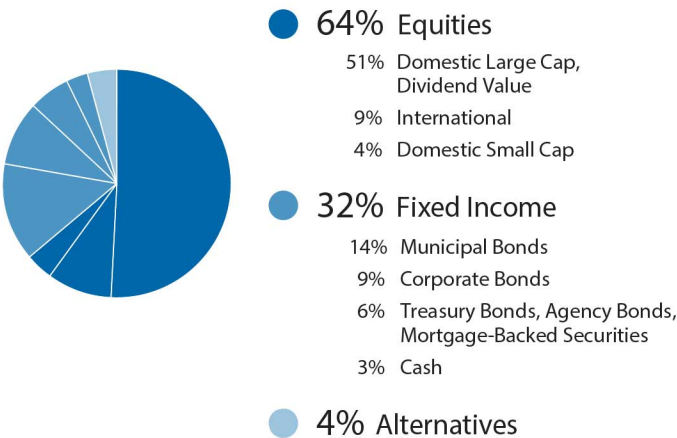


## Consistent Client Growth

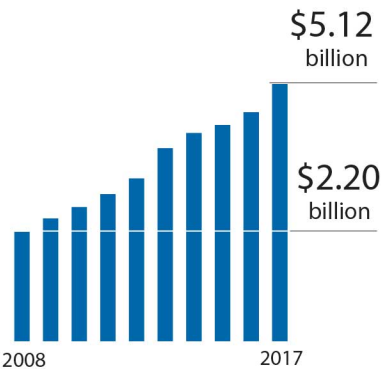
By number



## Diversified Asset Allocation



## Asset Growth over 10 years





# DATA GOVERNANCE AND SECURITY

- Technical and physical security
- Organizational compliance and education
- Data protection and recovery protocols
- Regulatory compliance
- Third-party vetting

For all of us, technology has both expanded our opportunities and threatened our well-being. Data governance and security are at the forefront of transitioning new clients to our firm and a top priority in protecting our long-term relationships. Our information security governance and data privacy governance align to provide a common goal around the protection of our information assets, personal data and client information. We protect personal data within our network using appropriate physical, technical and organizational security measures. We have a disaster recovery response that encompasses our most critical business processes, applications and data assets. Our third-party vendors are carefully vetted to ensure appropriate safeguards and policies that align with our own vision of data security and governance. Conversely, we are diligent in adhering to compliance practices with regulatory bodies of government and Global Investment Performance Standards (GIPS).



The “threat landscape” changes rapidly. Technology is only part of the solution. Educated employees are our first and best line of best defense.

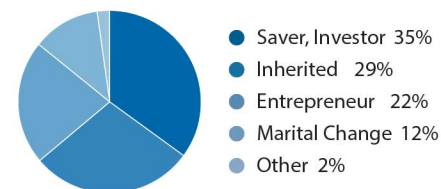
— Michael Garcia

Our culture of compliance is a fundamental part of our firm. Every employee makes protecting our clients and their data a priority.

— Heidi Goertzen

## Source of Wealth

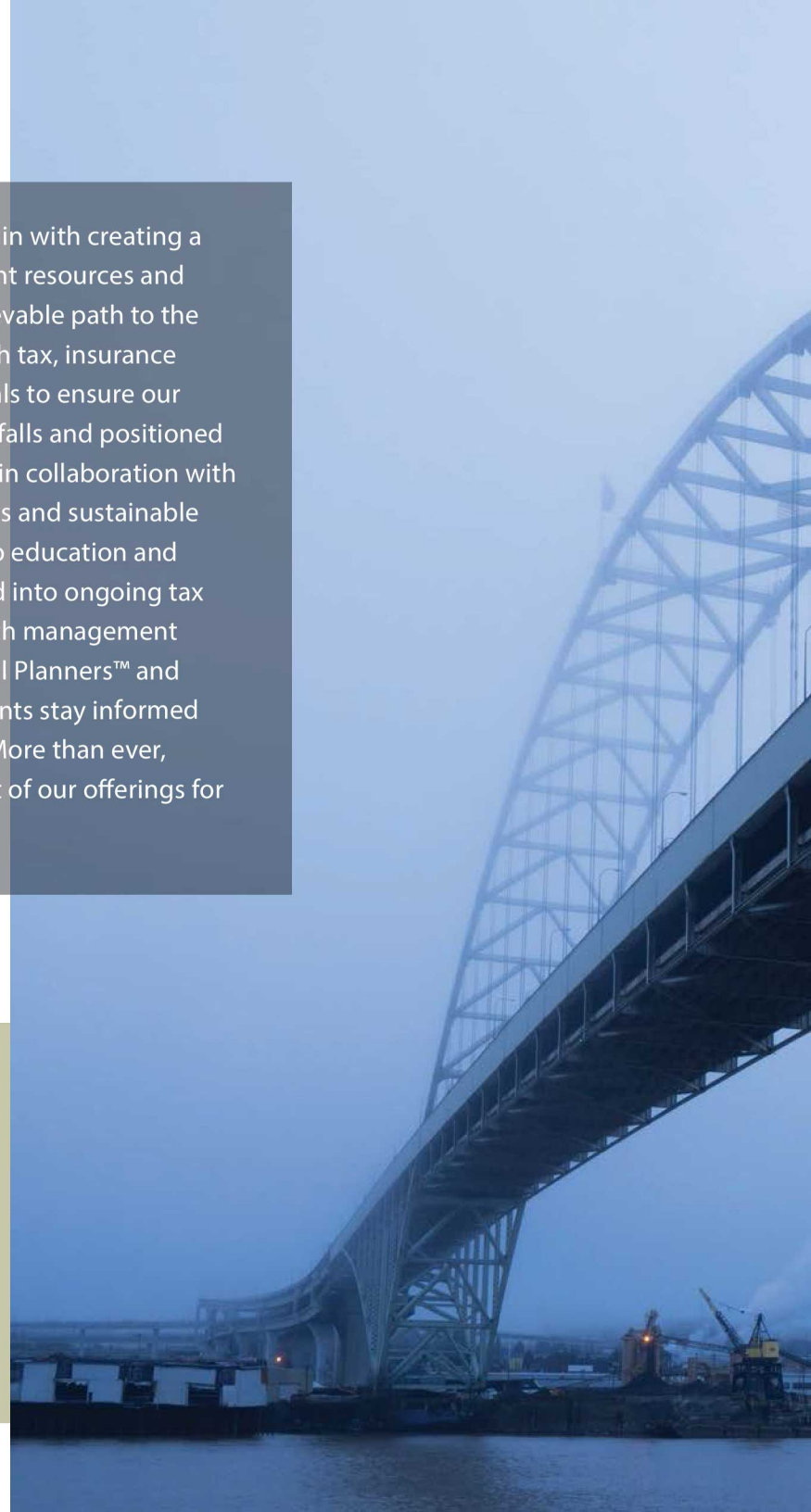
Individual clients



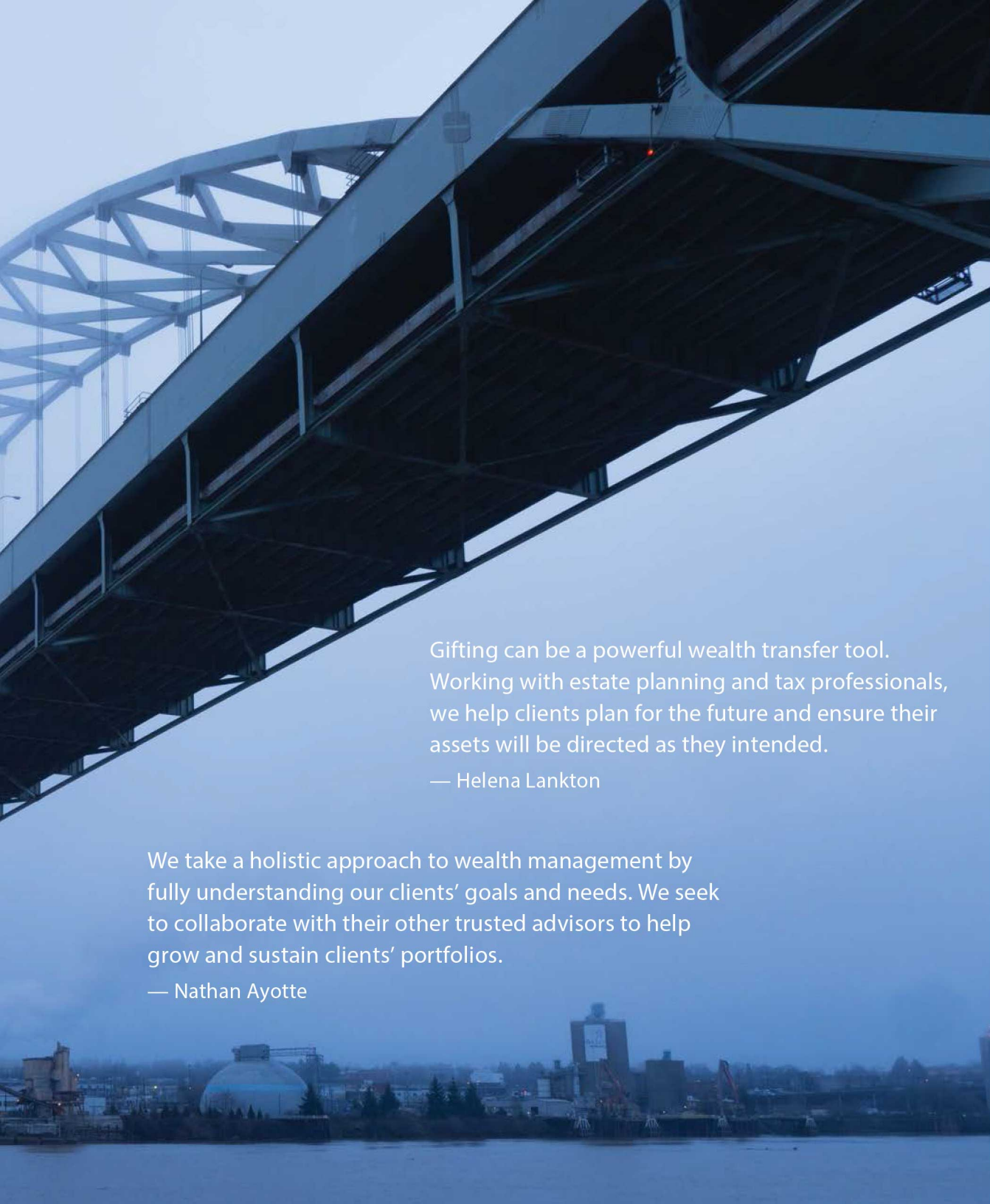
# WEALTH MANAGEMENT

- Retirement and tax planning
- Trust and estate analysis
- Philanthropic strategies
- Education planning
- Risk management

Lifelong client relationships begin with creating a plan based on our clients' current resources and establishing a sustainable, achievable path to the future. [n](#) Our firm partners with tax, insurance and estate planning professionals to ensure our clients are protected against pitfalls and positioned for long-term success. We work in collaboration with clients to navigate income needs and sustainable spending rates. Contributions to education and charitable causes are also folded into ongoing tax and estate planning. [g](#) Our wealth management team includes Certified Financial Planners™ and industry experts to help our clients stay informed and make educated decisions. More than ever, planning is a critical component of our offerings for individuals and families.







Gift-giving can be a powerful wealth transfer tool. Working with estate planning and tax professionals, we help clients plan for the future and ensure their assets will be directed as they intended.

— Helena Lankton

We take a holistic approach to wealth management by fully understanding our clients’ goals and needs. We seek to collaborate with their other trusted advisors to help grow and sustain clients’ portfolios.

— Nathan Ayotte

Sectors Where Wealth Was Created

Individual clients



# INVESTMENT STRATEGIES

## Equities

- Large-cap core
- Large-cap dividend value
- International
- Small cap

## Fixed Income

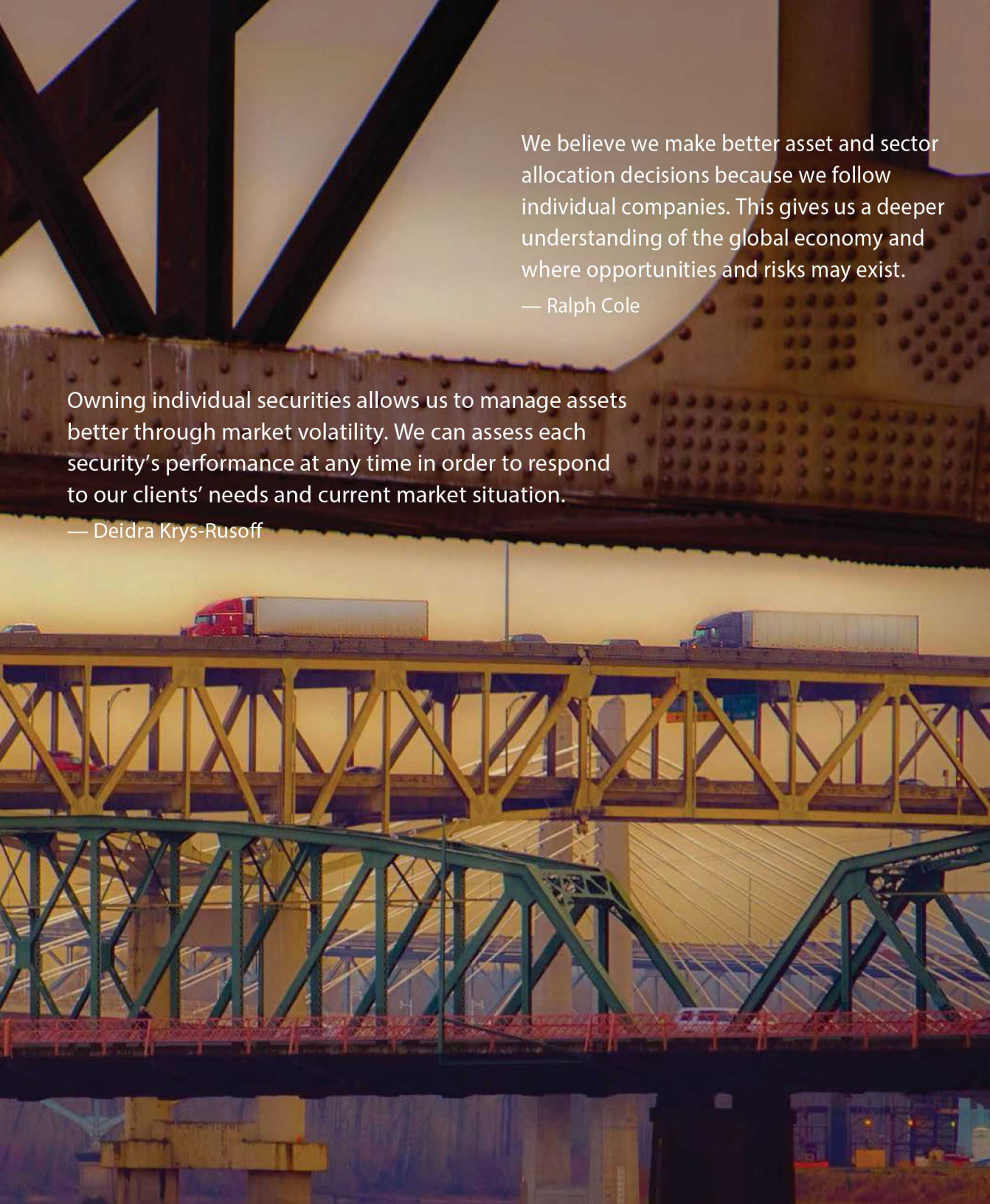
- Core fixed
- Core-plus fixed
- Short intermediate
- Municipal bonds
- Treasury and agency bonds
- Mortgage-backed securities
- Cash management

## Alternatives

- Real estate
- Private equity
- Hedge funds
- Real assets

The use of individual securities provides many advantages for clients. With 85 percent of our investment strategies created in-house, individuals and institutions benefit from fewer layers of fees and the ability to have more transparency regarding their holdings. The selection of individual securities enables our strategies to be in unison with our overall investment strategy. The outside managers we select for our Small-Cap and Alternative offerings are vetted for their proven track record, stability and alignment with our investment philosophy. Our investment policy committee creates the framework for our asset allocation, which is the most important aspect of seeking alpha and mitigating risk. Once sector weightings are determined, our team of analysts identify securities that may be undervalued and therefore have upside for growth. Global diversification is the best way to manage risk and our asset allocation moves tend to be incremental shifts.





We believe we make better asset and sector allocation decisions because we follow individual companies. This gives us a deeper understanding of the global economy and where opportunities and risks may exist.

— Ralph Cole

Owning individual securities allows us to manage assets better through market volatility. We can assess each security's performance at any time in order to respond to our clients' needs and current market situation.

— Deidra Kryz-Rusoff

## Client Geography

By assets under management



Goldman Shelby and Goldman Group manage assets for clients in 26 states and Puerto Rico.



# INVESTMENT SOLUTIONS

- Investment policies
- Asset allocation modeling
- Risk-tolerance assessment
- Portfolio stress-testing
- Acquisition and disposition analysis
- Tax-efficient, income generation and ESG strategies

Individual and institutional clients benefit from periodic review of their investment policies, as circumstances can change over time. With new boards of trustees, this process is particularly useful as they become acquainted with the portfolio's goals and past performance. Our portfolio managers put clients' assets through various models and tests that foster communication and decision making. Clients may have a certain risk tolerance under favorable market conditions, but when the assets undergo "stress tests," the desire to take risk may diminish. Walking through these scenarios before the inevitable downward swing in the capital markets enables clients and their portfolio managers to be on the same page and stay invested. Clients often overlay other goals around the performance of their assets, such as tax-efficiency, income generation, environmental, social and governance (ESG) or divesting as defined by their personal values. All of these solutions are created in-house, creating cohesion with the entire portfolio.

For many years, clients have asked us to divest stocks from their portfolio that weren't aligned with their mission. The movement toward ESG strategies has enabled clients to proactively leverage their investments for a greater impact than portfolio returns.

— Tara Kinader

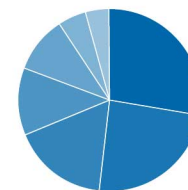




The most important investment decision an investor can make is regarding asset allocation. More than 90 percent of total return is attributed to how much is invested in stocks versus bonds.  
— James Coats

## Mission and Focus Areas

Nonprofit clients



- Community, Private 28%
- Faith-Based 24%
- Education 17%
- Medical, Healthcare 12%
- Perpetual Care 10%
- Human Services 5%
- Arts, Culture, Preservation 4%

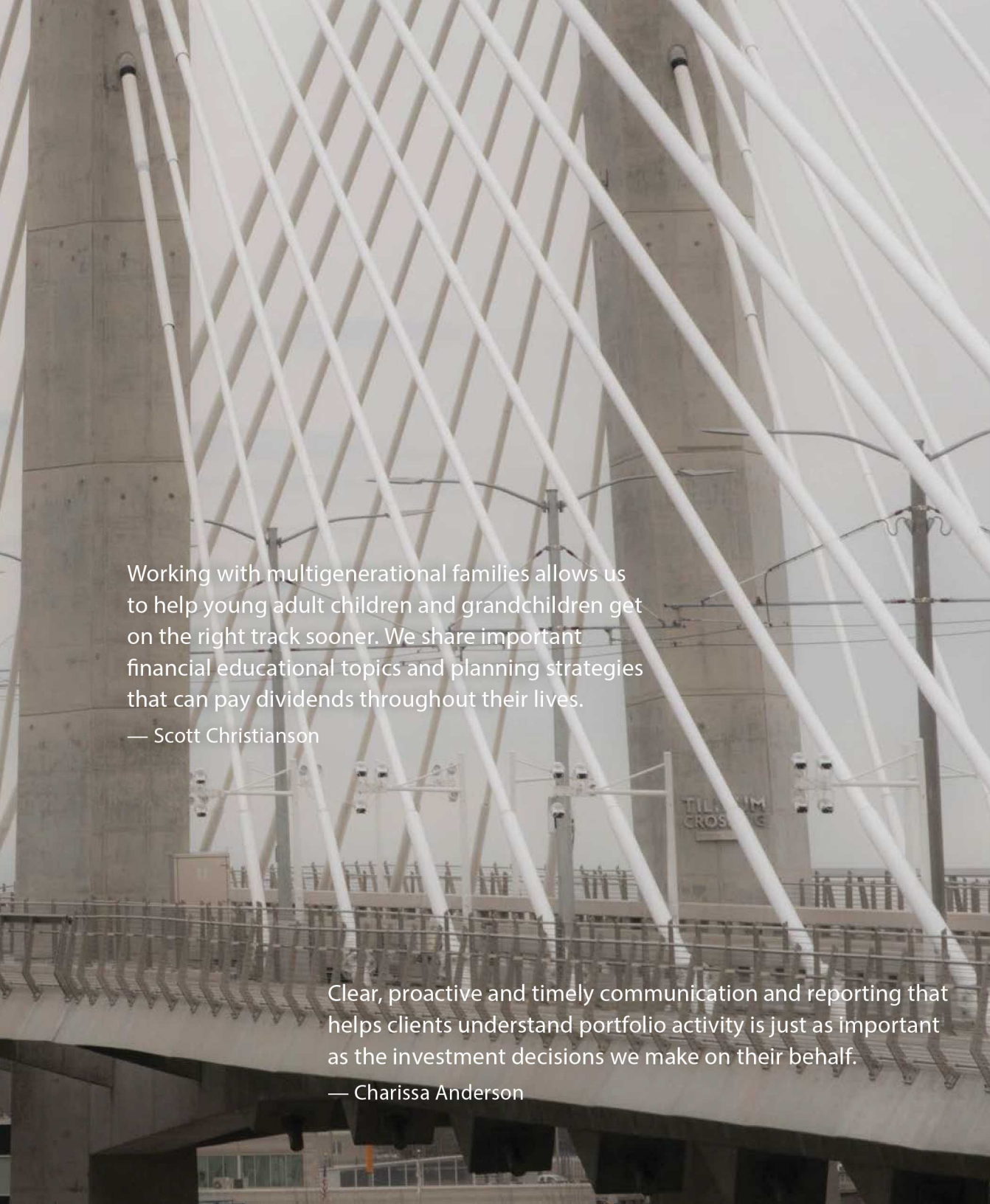


# COMMUNICATION AND EDUCATION

- Quarterly reports
- Investment Outlook events, publications and videos
- Market Letter quarterly publication
- Investment education and wealth management programs
- To Coin a Phrase blog, investment and wealth management emails
- Glossary of Investment Terms handbook

During the early years of our firm, communication was focused primarily on the performance of client portfolios and how the economy and capital markets impacted returns. Over the years, we've expanded our delivery of information to broader topics impacting individuals and institutions in ways that are conducive to their preferences. Through emails, videos, publications and events, we share our Investment Outlook and Strategy, which keeps clients apprised of our views and decisions affecting their portfolios. The goal of this multipronged approach is to proactively share what we got right and where we missed the mark, which we believe builds trust and dialogue. Our firm has designed three programs: Path to Financial Freedom; Retirement: Here or on the Horizon; and Investing Essentials. Each one addresses topics at various ages and stages of clients' lives. We also invite speakers to discuss topics beyond investments to create meaningful and instructive experiences.





Working with multigenerational families allows us to help young adult children and grandchildren get on the right track sooner. We share important financial educational topics and planning strategies that can pay dividends throughout their lives.

— Scott Christianson

Clear, proactive and timely communication and reporting that helps clients understand portfolio activity is just as important as the investment decisions we make on their behalf.

— Charissa Anderson

## Client Segmentation

By assets under management

