

Goldman Shelby Capital Management

2018 Annual Report

5

Things to Know About Your Investment Adviser

About this Report This year’s annual report is a compilation of conversations with some of our most tenured investment advisers and newest talent to join the team. Our partner, Dean Dordevic, is known for his creative commentary in our quarterly Market Letter . He shares throughout this report, What We’ve Learned About Investing reflecting on his 38 years in the industry. Together, our team touches upon common themes that convey a passion for their work and commitment to our individual and institutional clients.

“Advocate innovation and manage change” is one of our company’s core values. We view the need for thoughtful transformation as an important ingredient to building and maintaining a vibrant company that will support our client’s needs now and into the foreseeable future. As we look back on 2018, we realize this core value was prominent throughout the year.

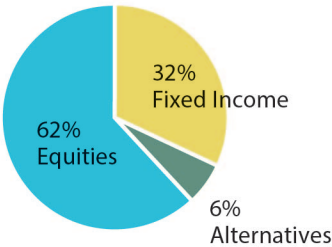
The capital markets ushered in levels of volatility we had not seen since 2012. Unpredictability can “stress test” a trusting relationship. Ongoing conversations with clients about economic cycles, interest-rate changes and long-term return expectations are important in preparing for managing change, especially when emotions are involved. That is the premise behind our Investment Outlook events and communication: Sharing our views and perspectives so that the incremental, tactical shifts we take are not a surprise to clients.

For the first time since the market decline of 2008, our firm’s assets under management finished the year lower than they started, from \$5.11 billion to \$4.96 billion. While the asset decline is not a surprise given the capital markets, the criteria we are most proud of is the number of clients we serve. For the 30th consecutive year, we finished 2018 with more clients than we started with at the beginning of the year. We achieved our 98 percent client retention goal, which we believe is the most important grade on our report card.

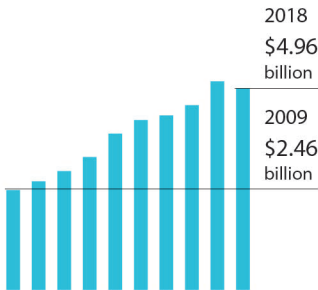
We had the privilege of creating and managing investment portfolios for 55 new individuals and institutions. They represent multiple generations and geographic areas including Arizona, California, Idaho, Minnesota, Nevada, New York, Oregon, Texas, Washington, and Wyoming. Our division, Goldman Group Investments, continued to grow and ended the year managing \$243 million for 163 clients.

Our 2018 Numbers

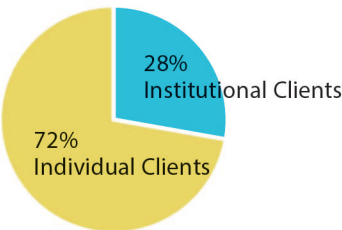
As of 12/31/2018



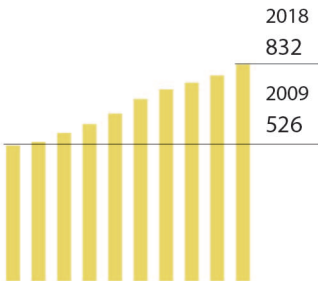
Diversified Asset Allocation



Asset Growth Over 10 Years



Broad Client Base



Consistent Client Growth

Goldman Shelby : \$3 million minimum
 Goldman Group : \$750,000 minimum

Change was evident in 2018 with regard to running our company. We continue to execute on our long-term plan for company transition to the next generation. In early 2018, Ralph Cole, CFA, became the newest member of the firm's board of directors. Liz Swagerty Olsen became our 32nd employee shareholder in our ongoing commitment to rewarding employee talent. We also welcomed six new professionals who brought fresh perspectives and expertise to our team: Lisa Brown, Chelsea Diamond, Blaine Dickason, Katie Graham, Samantha Pahlow, CFA, and Katherine Russell, J.D. We have enjoyed integrating our new employees into our culture and processes. We are motivated by their ideas on how we can be more innovative, efficient and productive. From technology to trading, wealth management to compliance—we continue to evolve and grow.

We are fortunate that our commitment to staying independent has attracted new talent. Equally important to us is our desire to uphold the client-centric mindset and focus on investment fundamentals that were established by our founders and other leaders who have retired. As we are inspired to build a path to the future, we often look to the past for wisdom and discipline. Through this process, we are struck with gratitude for the opportunity to be an integral part of our clients' journey to financial security and comfort. We appreciate your trust.

Best regards,
Goldman Shelby Board of Directors

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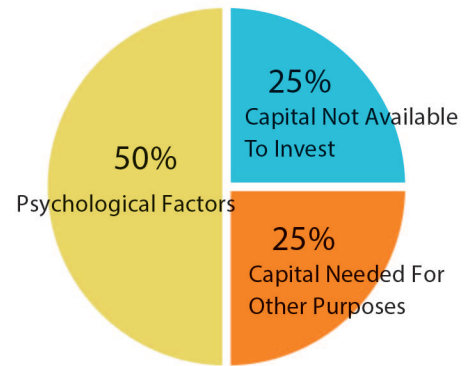
They keep you invested.

Remaining in the capital markets and following your long-term plan may seem simple, but it is truly one of the greatest challenges when it comes to investing. There are considerable behavioral finance findings on how difficult it is to focus on fundamentals and have the discipline to not allow anxiety triggered by headlines change your course.

Working with an investment adviser relieves the burden of needing to follow the markets consistently and also reduces the possibility of reactionary decisions. During times of volatility or when the markets have been in positive territory for a considerable timeframe, you may feel it's time to temporarily deviate from your long-term plan. Such decisions, driven by fear, can leave you second-guessing your investment plan, causing you to miss out on future growth opportunities.

It's important to remember that you can be on track even when the markets are down. This is just one example of guidance an adviser provides that removes emotion from decision making and helps you remain objective regarding your assets. The same holds true for individuals who have a fiduciary role with an institution. The ultimate goal for individuals and institutions is to feel comfortable with their long-term plan during prosperity as well as difficult times in the market.

Three Reasons For Investor Shortfalls



Source: Real Investment Advice

What We've Learned About Investing

Albert Einstein said, "The most powerful force in the universe is ... compound interest." Clients typically hire an investment adviser to manage their wealth or outperform the markets. Another important but often overlooked value is an adviser's ability to protect clients from taking money out of the markets.

Behavioral finance in its simplest application is convincing clients of the facts during good times so they can stick with their plan during the bad times. We communicate with frequency and transparency to build trust and foster an open dialogue with clients. — Jason Norris, CFA

2 They coach you on asset allocation and spending.

There is a discipline that goes into optimizing your financial situation, from how you save to what you spend.

Having the appropriate asset allocation for your investments is key during phases in your life when you are accumulating wealth and when you need income. The best time to determine your risk tolerance and asset allocation is during fortuitous times in the markets. Talking through scenarios and stress-testing your portfolio to see actual outcomes under various conditions enables you to experience panic mode in a rational state.

We often say that there are three ways to go broke: debt, spending and concentration. Working with an adviser can help you focus on areas within your control, such as asset allocation and spending, improving your chances for long-term success.

Goals aren't achieved. They're earned. Saving and spending without a close look at its impact on your future may result in never reaching your desired goal. Talking through your spending practices with a professional means that your ability to justify more expenses may diminish. Having an outside perspective on money matters helps create a path and accountability. Looking beyond investments at the entire balance sheet and implementing a plan that is revisited with frequency is likely to ensure the most successful outcomes.

A plan is simply a starting point. Unimplemented, it's not worth the paper it's printed on. We consistently revisit the plan and when a life change occurs, we pause and make the appropriate pivot. The same holds true with investment targets and guidelines for institutions and their investment committees. — Samantha Pahlow, CTFA

What We've Learned About Investing

Stocks outperform bonds. Even during the longest bull market for bonds in financial history, stocks beat bonds. Dividends are often underappreciated. Historically, over multiple market cycles, dividends can make up the majority of your total return on equities

In the last decade,
38% of Americans
under the age of **35** have
invested in the stock market,
compared to **52%** before
the 2008 financial crisis.

Source: Gallup

Five Things to Know About Your Investment Adviser

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They work well with your professional partners to serve you.

An investment adviser has a fiduciary responsibility to you. When an adviser is also committed to helping your tax and estate planning professionals serve you well, the benefits are exponential.

Working collaboratively with your professional partners provides a better understanding of your complete picture. As your partners seek opportunities and identify risks, they can formulate solutions together rather than making independent and potentially inconsistent recommendations.

Investment, tax and estate planning professionals address issues that are significantly interrelated and their fields are continuously evolving as laws, economics, and client circumstances change. Your investment adviser's ability to share their knowledge and assist your partners helps build trust and create efficiencies.

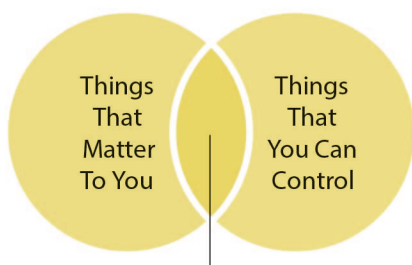
When your professional partners are in sync, you will feel more organized and have a clearer perspective of your short-term situation and long-term projections.

What We've Learned About Investing

The stock market is the only market on the planet where people flee the "50-percent-off sale." If you missed the 40 best days of the stock market over the last 20 years, you will have lost money. Those days always come after a point of maximum pain.

We are not independent practitioners nor are we a one-stop shop for all of your professional services. We believe in having a deep bench at our firm where we work collaboratively to serve clients' investment needs and connect with partners to optimize their tax and estate planning situation. — Brad Houle, CFA

Best Use of Your Time and Energy



What You Should Focus On

Source: Carl Richards, Behavior Gap

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They are continually exploring and vetting new investments for you.

When there is a buzz about a new investment opportunity, you may feel compelled to rush your decision.

If an investment vehicle has merit, you must determine if it is aligned with aspects of your own personal investment philosophy on risk tolerance, growth and diversification. Once your adviser identifies an investment strategy that follows a similar philosophy and has a good track record, he or she needs to articulate their exit plan in the event that the investment vehicle does not perform as expected. In short, exploring alternative assets is multifaceted.

An adviser who seeks new ideas, is open-minded and has experience in identifying potential red flags can help you be cautiously opportunistic. Real assets, such as timberland and agriculture, as well as private equity and debt, are more established alternative investments. When considering unconventional investments, such as cryptocurrency or cannabis, it is even more critical to work with a professional who follows a thorough vetting process.

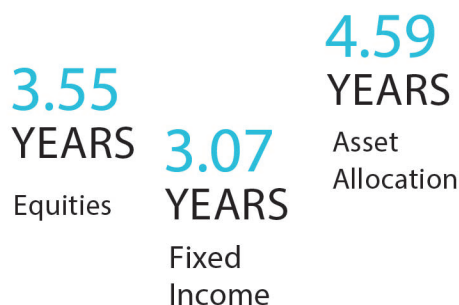
The tremendous growth in exchange-traded funds (ETFs) continues to create opportunities but requires careful due diligence. Often the most popular ETFs are those with the largest marketing budgets to promote them and may not be suited for your specific parameters.

Markets change as do clients' needs. Allocating a percentage of your portfolio to new opportunities is a good strategy that can create value in a no-growth environment or provide protection from risk.

What We've Learned About Investing

Imagine that your house had a ticker that showed you its value every day. If you saw it continually make and lose money, would you sell it? With this in mind, we all probably look at our personal investment portfolios too much.

Average Mutual Fund Retention



Over the past 20 years, equity mutual fund investors rarely stay invested more than four years and when they do so, it is usually during bull markets. Investors tend to withdraw funds when markets decline or there is fear of a correction or crash, missing opportunities when the markets rebound.

Source: Dalbar 2018 QAIB Report

Having a team of advisers who serve as your fiduciary rather than selling a product to reach a company goal creates informed decisions with your best interests at the forefront. — Tara Kinateder

Five Things to Know About Your Investment Adviser

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They know
what keeps you
up at night.

Getting to know you and how you see the world enables your adviser to help you stay focused on your path and respond to unexpected events with clarity.

It's not an easy undertaking to manage your future. Identifying where you want to be and how you will arrive at your goals require an investment of time. It starts with knowing what you have and what you want as well as your risks and exposures. Once you have your plan, it's important for an adviser to understand what would prompt you to deviate from it.

From global policy changes to demographic and economic shifts in our local communities, we are continually receiving information that may trigger uncertainty. An adviser not only serves as a fiduciary for your investments but also for your future plans.

Political and economic developments are not necessarily as connected as they appear to be in the news. Understandably, we all tend to think things are headed in the wrong direction when our preferred political party isn't in the majority.

When your adviser knows what keeps you up at night, there is an opportunity to address your concerns with historical data and perspective. More times than not, staying invested and on track is far more beneficial than changing course.

Katherine Russell, Joe Brooks, Chelsea Diamond

What We've Learned About Investing

Elections don't matter. They really don't. Think of the worst president you believe we had in history and we survived him. You can't let headlines distract you from the fundamentals of investing. As Ben Graham said, "In the short run, the market is a voting machine but over the long run, it's a weighing machine."

We all have a tendency in life to seek out answers to questions that reinforce existing behavior. The best decisions start with objective data and analysis. Matching this information with who you are and how you navigate circumstances will lead to positive outcomes. — Marc Fovinci, CFA

Investor Behavior Pitfalls

Herding: Copying the behavior of others even in the face of unfavorable outcomes

Media Response:
Reacting to news without
reasonable examination

Loss Aversion: Tendency
to let the pain of loss
outweigh the joy of gain

Mental Accounting:
Taking undue risk in one area and
avoiding rational risk in another

Source: Dalbar 2018 QAIB Report

Our Team

Milestone Anniversaries

5 years

Josh Frankel, CFP®

Brad Houle, CFA

Liz Swagerty Olsen

10 years

Nathan Ayotte, CFP®

Scott Christianson, CFP®

Becky Horvat

Julie Mark

Shawn Narancich, CFA

15 years

Tim Carlin, CAIA, CMT

20 years

Ralph Cole, CFA

Don Rainer

35 years

James Rudd

40 years

Robin Freeman

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 and Analysis

Beth Brown
Client Relationship Associate

Lisa Brown
Vice President
Client Solutions and Information
Systems

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

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

Jim Coats
Executive Vice President
Relationship Management

Ralph Cole, CFA
Director
Equity Strategy and Portfolio
Management

Chelsea Diamond
Client Relationship Associate

Blaine Dickason
Vice President
Fixed Income Trading and Analysis

Dean Dordevic
Director
Portfolio Management and Alternative
Assets

Mary Faulkner
Senior Vice President
Branding and Communications

Sandy Fendall
Client Relationship Associate

Lori Ferraro
Administrative 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

Katie Graham
Client Relationship Associate

Alex Harding
Trading Associate

Kirstin Havnaer
Client Relationship Associate

Steve Holwerda, CFA
Managing Director
Chief Operating Officer

Becky Horvat
Senior Vice President
Controller

George Hosfield, CFA
Director
Chief Investment Officer

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

Peter Jones, CFA
Vice President
Equity Research and Analysis

Kathi Kimes
Administrative Associate

Tara Kinateder
Executive Vice President
Portfolio and Wealth Management

Mark Kralj
Director Emeritus
Portfolio and Wealth Management

Mary Lago, CFP®, 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

Liz Swagerty Olsen
Vice President
Marketing and Communications

Samantha Pahlow, CTFA
Senior Vice President
Portfolio and Wealth Management

Don Rainer
Executive Vice President
Relationship Management

James Rudd
Director
Chief Executive Officer

Katherine Russell, J.D.
Chief Compliance Officer

Patty Van Dyke
Operations Associate

Danielle White
Sales and Marketing Associate

Jeanene Wine
Operations Associate

Patrick Yazhari, CFP®
Trading Associate

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



Goldman Shelby
Capital Management



Goldman Group