

Goldman Shelby Capital Management  
2019 Annual Report

BY DESIGN



# Anticipating the Needs of Our Clients

Charles Eames is known for a specific design aesthetic. He was also keenly focused on the functionality of his creations. Like Eames, we've designed our offerings for individual and institutional clients to address their current goals and anticipate their needs in the future.

## Our Investment Strategies

Listed based on assets under management

Large-Cap Core Equity – an attractive risk-return relative to the S&P 500

Large-Cap Dividend Value – lower volatility and higher cash flow

Municipal Bonds – stability and tax-free income

International Equity – access to emerging and developed markets

Core Fixed Income – highest possible return while assuming minimal risk to principal

Short-Intermediate Fixed Income – stability of income and principal

Global Sustainable Investing – alignment of values while maintaining desired risk and return profile

Real Estate – institutional quality, income producing, higher cash flow strategy

Small-Cap Equity – exposure to emerging and potentially high-growth companies

Real Assets – income-producing, nontraditional real estate

Private Equity – a nonpublic offering with higher return, lower liquidity

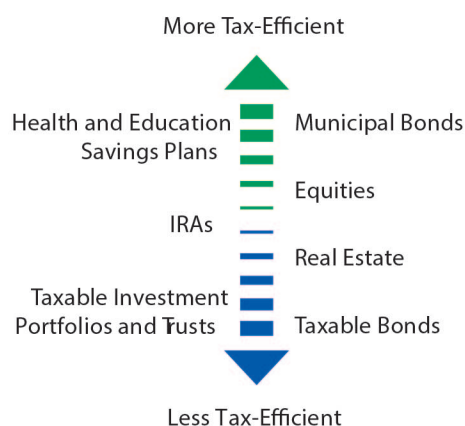
Core-Plus Fixed Income – primarily investment grade with opportunistic, high-yield representation

Cash Management – maximum safety and liquidity

## Our Wealth Management Focus Areas

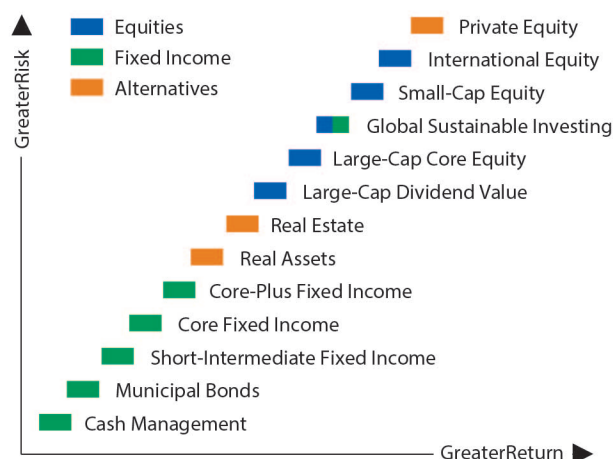
- n Wealth Planning
- n Risk Management
- n Retirement
- n Philanthropic Strategies
- n Trusts and Estates
- n Education Planning and Funding
- n Life Events

## Tax Efficiency: It's Not What You Make, It's What You Keep



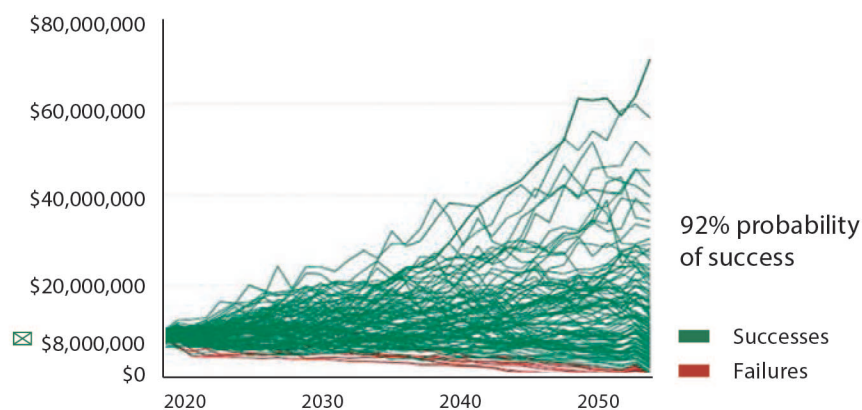
While tax-efficient strategies are unique to each client, our goal is to maximize overall after-tax returns. Tax efficiency is one example of how we collaborate with a client's professional partners to develop creative strategies and solutions.

## Investment Strategies: Risk Versus Return



Depending on a client's investment objectives and circumstances, alternative assets may appear at different points on this risk-return chart. Balanced portfolios are also customized to meet a client's needs. As such, balanced portfolios may be positioned across a wide portion of the curve.

## Portfolio Stress Tests: Helping Clients Understand Their Ability to Fund Goals

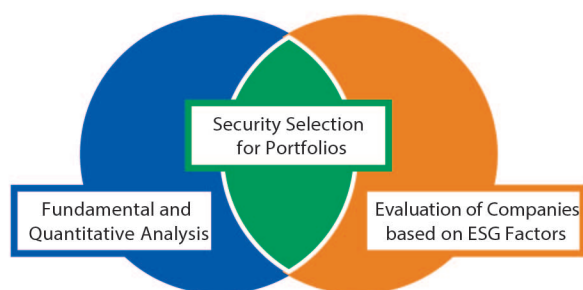


In this example  
**1,000** different  
return possibilities  
are used to calculate  
the probability of  
success.

This Monte Carlo simulation for a client portfolio illustrates the probability of clients reaching their desired outcome based on their projected asset allocation and cash flow. Our Wealth Horizon™ planning program enables clients to “stress-test” their portfolio through bull and bear market cycles.

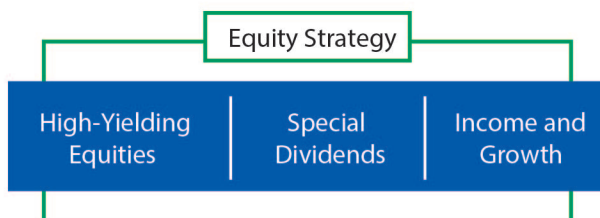
## Strategy Spotlight: Anticipating Client Goals

### Global Sustainable Investing (GSI)



GSI is designed for clients seeking companies that are measuring and improving their practices around sustainability, emissions, diversity, equity and community impact. It preserves the risk-return profile of a traditional investment strategy and can be customized further as clients' values evolve.

### Large-Cap Dividend Value



This strategy is designed for clients seeking income from their assets. It's a balance of high-yielding equities with companies growing their dividends by double digits. Dividend Value also includes companies that have ample cash flow to pay special dividends.

## About Our Report

This year's annual report theme started with a quote. It came from Charles Eames who, along with his wife Ray, designed some of the 20th century's most iconic furniture. His words, which you'll find on page three of this report, inspired us to examine our firm through the lens of design. In this year's report, we focus in on our people and our process. We explore how design relates to function, to strategy and to purpose.

But Eames' words also started us thinking about chairs: how there's a chair for every taste — wingback, ladderback, Adirondack — and every function — bill paying, lullaby singing, page turning, film directing. We considered how we eagerly adopt the latest innovation of desk chair but bequeath a Louis XIV armchair to the next generation. And from highchairs to executive chairs to recliners, we realized there are specialized chairs to meet our changing needs over a lifetime.

This year we've used images of some of those chairs to complement what we have to say about the design of our firm over the last 44 years.

So, pull up your own comfortable chair. We hope you'll appreciate this perspective of how we strive to fulfill the needs of our clients.



In 2019, investment returns exceeded the most optimistic projections as interest rates fell and global economies stabilized. Market volatility was muted and when it did appear, its only direction was up.

## To Our Clients

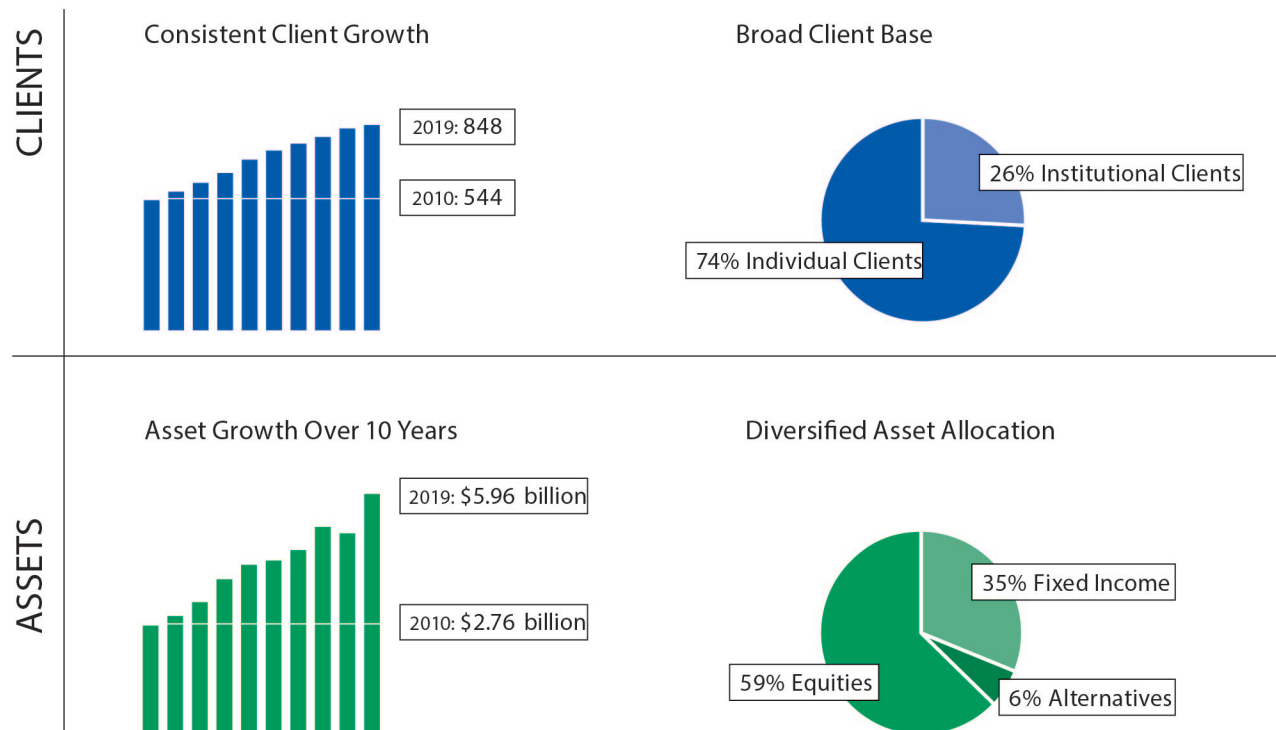
Our clients were rewarded with unusually robust portfolio appreciation in 2019, which also contributed to our company's growth. We had the privilege of creating and managing investment portfolios for 41 new individuals and institutions throughout the West and beyond. Our assets under management increased substantially due to new clients and capital market growth. We ended 2019 serving 848 clients in 26 states and managing \$5.96 billion. Each is a new benchmark in our firm's history.

Managing growth is a central tenet to our company governance. 2019 highlighted numerous essential initiatives aimed at keeping our firm vibrant, sustainable and successful.

We continued our multiyear investment in client reporting with a complete upgrade to our quarterly reports. The changes not only enhance the quality of the data, but allow us to deliver information to our clients more

## Our 2019 Numbers

Goldman Shelby and our division, Goldman Group



In 2019, West Bearing Investments ended the year with

**184** clients  
and  
**\$314** million  
assets under  
management.

quickly. We will continue to convert our portfolio management and trading software to handle anticipated growth through the next decade. In addition, we earned silver status through the City of Portland's Sustainability at Work Certification Program, a tangible step in demonstrating our commitment to the environment and our community.


Our firm's ownership defines our service, commitment, continuity and focus on our clients. In 2019 we took another significant step in the most important cultural commitment we have to our clients — remaining private and 100-percent employee owned. We are in our third year of a 10-year internal ownership transition, a process designed to be seamless and gradual. At the end of the year, 22.5 percent of our company stock was sold: Jim Rudd and Marc Fovinci moved to emeritus status but will remain at our firm through 2021. As part of the ownership transition, we welcomed two new employees as shareholders: Charissa Anderson and Tara Kinatader. They brought our total shareholders to 32 employees in 2019.

We continue to recruit and retain talented people with valuable expertise. In 2019 we bolstered our wealth management, trading and client service teams by welcoming six new professionals: Casia Chappell, Natasche Legg, Adam Nilsen, Jeff Pusich, Naomi Stoffel and Dan Whitaker. At the same time, we celebrated the careers of Mark Kralj and Robin Freeman, who spent 30 years and 42 years respectively, guiding our company's growth and service. Each officially retired at the end of the year. We are grateful for the leadership and stewardship they provided our clients and our firm for decades.

At Goldman Shelby and Goldman Group, we are optimistic about the next decade of growth and opportunity in the capital markets, our clients' assets and our company. We are confident in our ability to deliver investment management, wealth planning and client service that meets or exceeds expectations. We thank you for the trust you place in our hands every day.

Best regards,

Goldman Shelby Board of Directors



“ The role of the designer is that of a very good, thoughtful host anticipating the needs of his guests. ”

Charles Eames,     american designer

These words from one of the world’s most iconic designers remind us of what we try to do, every day, at Goldman Shelby and Goldman Group. We are constantly engaged in a thoughtful cycle to anticipate — and meet — the needs of our clients.

A good designer invokes empathy, creativity, discipline, communication and knowledge to breathe life into an idea. A good investment adviser strives to do the same.

From the initial prototype our founders put forth, each generation has subtly refined and developed the design of our firm to meet an industry and a world that continue to grow more complex. Elements may change, but the original intention of our founders remains, distilled into an enduring mission:

Investment Excellence. Lifelong Relationships.

Those four words shape everything we do for our clients.





“We’re helping our clients feel comfortable with something that’s inherently uncomfortable.”

Dean Dordevic, director, portfolio management and alternative assets

# TRUST

At Goldman Shelby, we seek to make clients feel confident and knowledgeable about their investments. When individuals are at ease discussing and planning their financial situation, or nonprofits feel grounded about their risk-return profile, we are able to make informed decisions — together.

We need to know what’s important to the people we’re serving, so we ask questions. For our individual clients, we ask about personal values and children’s college plans. About big expenditures and retirement. About legacy. For our institutional clients, we examine how investment goals fit the organization’s mission. We learn about stakeholders and help plan for continuity.

We’re here to help our clients define their investment philosophy and be good stewards of what they have. We help them understand risks and exposures and decipher complex markets. When we sit down together, we’re doing so much more than gathering data. We’re helping design a path forward for a family or institution.

We can’t predict the future, but we can provide the resources to help prepare for it. With almost 45 years of experience behind us, we can show historical returns. Because we have a defined process — refined slowly and thoughtfully, over the years — we’re able to paint a picture of what to expect from future market cycles.

Using our Wealth Horizon™ planning program, individual clients can see the impact of today’s priorities and how they affect the future in real time and dollars. We can stress-test portfolios to see actual outcomes, walking through different responses to life changes and market scenarios. For nonprofit clients we can provide asset allocation studies to analyze risk-return.

“By asking the right questions and really listening to the answers, we’re helping clients articulate what they want and what they need,” says Samantha Pahlow, CTFA senior vice president. “We’re building a relationship of trust, but we’re also helping them learn to trust themselves.”



Design is the intermediary between information and understanding.

Hans Hofmann, painter and teacher

## Communication

We take communication seriously. We believe it is a powerful tool to help understand the complex world of investing. We've created a robust education program including emails, videos, publications, blogs and events.

We share our Investment Outlook events and Strategy videos to keep our clients apprised of our views and decisions affecting their assets. We recap market activity and economic news and share financial trends and milestones in our blogs. We even supply a glossary of investment terms to aid understanding.

Whether we're giving tips on Medicare or children's allowance or sharing what we got right and where we missed the mark in our allocation moves, we believe communication builds trust and understanding.

To help clients feel comfortable about their future, we completed

95

Wealth Horizons™ and Social Security Analyzers this year.

# DISCIPLINE

“Discipline is engineered into our investment process. A rigorous discipline minimizes the likelihood of a surprise in your returns.”

Brad Houle, CFA, executive vice president, fixed income research and portfolio management

Our investment process has been designed, over many years, to encourage good decision-making. We have a systematic way of managing risk at every level, whether it's stock selection, asset allocation or sector weightings. This helps our clients stay in the game. We make sure that time is on their side. That's how they win.

Many examples of good design are at work behind the scenes. First, our Investment Policy Committee determines what percentage of our assets we'll invest in each sector. Sector weights may range from +4 percent to -4 percent relative to the S&P 500. These so-called “guard rails” of +/-4 percent help dampen the volatility of returns. Next, using our proprietary multifactor valuation model, we examine the attributes of each stock in a consistent way. Then our team of sector analysts does the hard research to rank those stocks.

When it comes to client portfolios, every security is included for a specific purpose. We've given thought to how it fits into the larger picture and constructed a portfolio to fit each client's unique circumstances. Our team of investment advisers includes expertise in each asset class, as well as analysts in every sector, to provide maximum flexibility.

Those decades of investing experience go to work on day one. For individual clients, we seek to customize around existing assets without incurring excessive capital gains. As a fiduciary of an organization, we review the existing investment policy statement and current asset allocation to determine if they are protecting their corpus while generating income to support their mission.

Over the years, we have added to our asset classes. From timberland and agriculture to private equity and debt, we have the expertise to identify and evaluate new solutions to address evolving needs. For instance, clients asked for a way of investing that aligns with their values — and we listened. Our Global Sustainable Investing (GSI) strategy overlays traditional financial analysis with an assessment of corporate behavior. As a result, GSI invests in companies that rank high across environmental, social and governance factors, while at the same time maintaining the risk-return profile of our traditional investment strategies.

“We are never complacent. We continue to add new strategies as the landscape changes,” says Mary Lago, CFP®, CFA, executive vice president. “Every step of our process is thoughtful and disciplined. We consider how everything fits into the big picture, managing risk at every level.”



You can't do better design with a computer, but you can speed up your work enormously.

Wim Crouwel, type designer and typographer

## Technology

We continually invest in technology to provide our team with the tools to better serve our clients. So much of that technology work is invisible, taking place behind the scenes to provide faster, better and more easily understandable data in an increasingly secure environment. The results of this focus on technology are visible, however, every time we sit down with a client to review their full range of assets. And when a client receives a detailed report, tailored to specific information needs, it's a product of our people and technology working together to provide stringent screening and accurate, consistent results.

### Our Investment Discipline

#### Proprietary Multifactor Model

- > Attractive Valuation
- > Consistent Growth
- > Profitability and Cash Flow Generation

Whether stress-testing portfolios to see the future impact of today's decisions or protecting information assets through our security and data privacy governance, our commitment to technology is one more way we're anticipating and meeting the needs of our clients.



"You can't design culture. It comes from the people you hire."

Tara Kinateder, executive vice president, portfolio and wealth management

# CULTURE

We've committed to shaping a community where our team of professionals can grow and flourish. And where they can better serve our clients. Our firm is 100-percent employee owned. More than two-thirds of our employees are shareholders. This ownership structure is designed to retain the best talent and keep them engaged with the future of the firm. The average tenure for our investment professionals is 15 years.

Those long careers foster lifelong client relationships, where every investment adviser has a stake in the client's success. As a fiduciary, our advisers are legally required to act in the best interest of our clients. They never receive commissions, referral fees or other forms of compensation, limiting the potential for conflicts of interest.

As our industry has grown more complex, our employees have deepened their expertise. A third of our employees have advanced designations or certifications, such as a Chartered Financial Analyst (CFA), Certified Financial Planner (CFP®) or Certified Trust and Financial Advisor (CTFA). Those designations are more than an alphabet after their names, they reflect a dedication to continuous learning and hours of specialized training in economics, accounting, security

analysis, money management, computer applications and ethical conduct. Our clients benefit directly from that knowledge with every conversation.

Our passion for excellence goes beyond certification. At Goldman Shelby and Goldman Group we proactively adhere to the Global Investment Performance Standards (GIPS®), industry-wide ethical principles that guide us in how to fairly calculate and present investment results. That means when we provide performance data, it's accurate, legitimate and trustworthy. This culture of compliance, backed by our strong information technology and data privacy governance, means the investments entrusted with us are secure.

"Those principles are built into our way of doing business," says Katherine Russell, chief compliance officer. "They work hand in hand with the high level of training and the investment we feel toward our clients. Their success is our success."



A brilliant design will always benefit  
from the input of others.

Zaha Hadid, architect

## Values

In 1985 Kathi Kimes and  
Robin Freeman became  
our first non-board-member  
shareholders. They were  
both with our firm over

40 years.


In 2019, 32  
of our employees owned  
company shares

In 2000, when we published our core values, we didn't design them. We were already living them in the ways we worked with our clients, with professional organizations and with each other. As time passes, we realize our values are becoming even more resilient and applicable to how we conduct ourselves. We continue to nurture them every day by hiring people who value them. We've always said, "We don't just hire a resume, we hire an attitude."

Our core values:

- Exceed expectations
- Act with uncompromising ethics and reliability
- Advocate innovation and manage change
- Foster a collegial environment
- Enjoy the journey

These five core values are the heart of how we operate as we strive to meet the needs of our clients.



“Every client is a client of the entire company. Our approach is totally team-oriented. Every member of our team has their thumbprint, in some way, on serving the client.”

Charissa Anderson, CFP®, senior vice president, portfolio and wealth management

# TEAMWORK

At Goldman Shelby we’ve designed our firm to work in teams. Collaborations are real and productive. When our specialists come together, we bring a deep well of knowledge to the drawing board. We can pull in an expert from any area — wealth management, investments, institutional services — to help navigate an increasingly complex financial landscape. We know that when it comes to helping our clients meet their financial goals, 50 insights are better than one.

That collaboration continues behind the scenes. We’ve worked hard to foster an environment of mutual respect: hiring people who are innately curious, supporting their continued education, and bringing them on as shareholders. Throughout our office, we operate with an open-door policy. We encourage each other to exchange information and to ask hard questions. Every year we recognize team members for thinking creatively and bringing forward new ideas. Our people are willing to speak their minds because they know their views are valued. We believe that there is room for everyone to succeed.

Our dedication to teamwork is important enough to be captured in one of our five core values: Foster a collegial environment. This is reflected not only in the camaraderie among our colleagues, but in the responsibility we share for each client’s success.

That accountability continues during times of transition. Just as our clients plan for future generations of family or incoming boards and committees, we are constantly looking ahead to how we can thoughtfully provide support. Our team not only encompasses a diversity of backgrounds and knowledge, but also personalities and ages. As one of our team nears retirement, we’ve already cultivated another generation of seasoned professionals, shareholders in the firm, to provide stability and continuity during the transition.

“There’s no single person in this firm who can serve the client as well as we can as a team,” says Don Rainer, executive vice president of portfolio management. “And because we’re always going to do what’s right for our clients, they’ll always have the full strength of the Goldman Shelby team supporting them.”

Design is not just what it looks like and feels like.  
Design is how it works.

Steve Jobs, industrial designer

## Function

At Goldman Shelby we work to combine comfort and convenience in every interaction, without losing the human touch: A personal greeting and a cup of coffee when clients visit our office. A quick — human — answer when they telephone. Electronic signatures to cut down on paperwork. These seemingly small details are a few of the ways we anticipate the needs of our clients, providing transparency and delivering more than they expect — at every turn.

Our team represents baby boomers, Gen Xers and millennials. Collectively, we hold

**32**  
graduate degrees  
and professional  
designations.



# Our Team

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

Lisa Brown  
Vice President  
Client Solutions and Information Systems

Tim Carlin, CAIA, CMT \*  
Senior Vice President  
Alternative Assets

Casia Chappell, CFP®, CPWA®  
Vice President  
Planning

Scott Christianson, CFP® \*  
Executive Vice President  
Portfolio and Wealth Management

Jim Coats \*  
Executive Vice President  
Portfolio 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 Emeritus

Melanie Franck  
Front Office Coordinator

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

Luz Garcia \*  
Client Relationship Associate

Michael Garcia  
Senior Vice President  
Chief Technology Officer

Katie Graham  
Client Relationship Associate

Alex Harding, CFA  
Vice President  
Equity Trading and Analysis

Kirstin Havnaer  
Vice President  
Administrative Services

Steve Holwerda, CFA \*  
Managing Director

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 Kinatader \*  
Executive Vice President  
Portfolio and Wealth Management

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

Helena Lankton \*  
Executive Vice President  
Portfolio and Wealth Management

Natasche Legg  
Client Relationship Associate

Julie Mark \*  
Client Relationship Associate

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

Adam Nilsen  
Client Relationship Associate

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

Jeff Pusich  
Trading Associate

Don Rainer \*  
Executive Vice President  
Portfolio Management

James Rudd  
Director Emeritus

Katherine Russell, IACCP®  
Chief Compliance Officer

Naomi Stoffel  
Client Relationship Associate

Patty Van Dyke \*  
Operations Associate

Dan Whitaker  
Client Relationship Associate

Danielle White  
Sales and Marketing Manager  
Project Management and Analysis

Jeanene Wine \*  
Operations Associate

\* Shareholder



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## 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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Chairs courtesy Oregon Historical Society and Design Within Reach, Portland, Oregon.

1. Eames dining chair wood (DCW), 1946. This molded plywood chair won Time's Best Design of the 20th Century.

2. Upholstered rocker (Oregon Historical Society Museum 2019-21.2), mid-1800s. This upholstered rocking chair was brought over the Oregon Trail by Benjamin and Mary Crowley Munkers in 1845.

3. Windsor armchair (OHS Museum 64-360), circa 1880. Its simple, economic construction and easy portability make the Windsor chair one of the most successful chair designs. Thomas Jefferson is said to have written the Declaration of Independence in a Windsor chair.

4. Straight-back chair (OHS Museum 1957-4.3B), early 1900s. Barley-twist legs and spindles get their name from the barley-sugar twisted candies of the late 1700s.

5. Norman Cherner's armchair, 1958. When it appeared in Norman Rockwell's 1961 painting, "The Artist at Work," on the cover of The Saturday Evening Post, the Cherner armchair soared in popularity.



1.



2.



3.



4.



5.



**Goldman Shelby**  
Capital Management



**Goldman Group**