FOUNDER-LED COMPANIES

Investment Strategy

FIELDER
CAPITAL GROUP LLC

Frank Byrd, CFA

Fielder Capital Group, LLC
535 Fifth Avenue, Suite 602
New York, New York 10017

info@fieldercapital.com

November 10, 2017

INVESTING ALONGSIDE PEOPLE WITH

SKIN IN THE GAME

We believe that people matter. A lot. We want to invest alongside leaders who have a track record of success, have significant "skin in the game", and have incentives closely aligned with shareholders.

The person who gave birth to the company is often best equipped to nurture, lead, and inspire the people who comprise the company. This can lead to better products, happier customers, and even better capital allocation decisions.

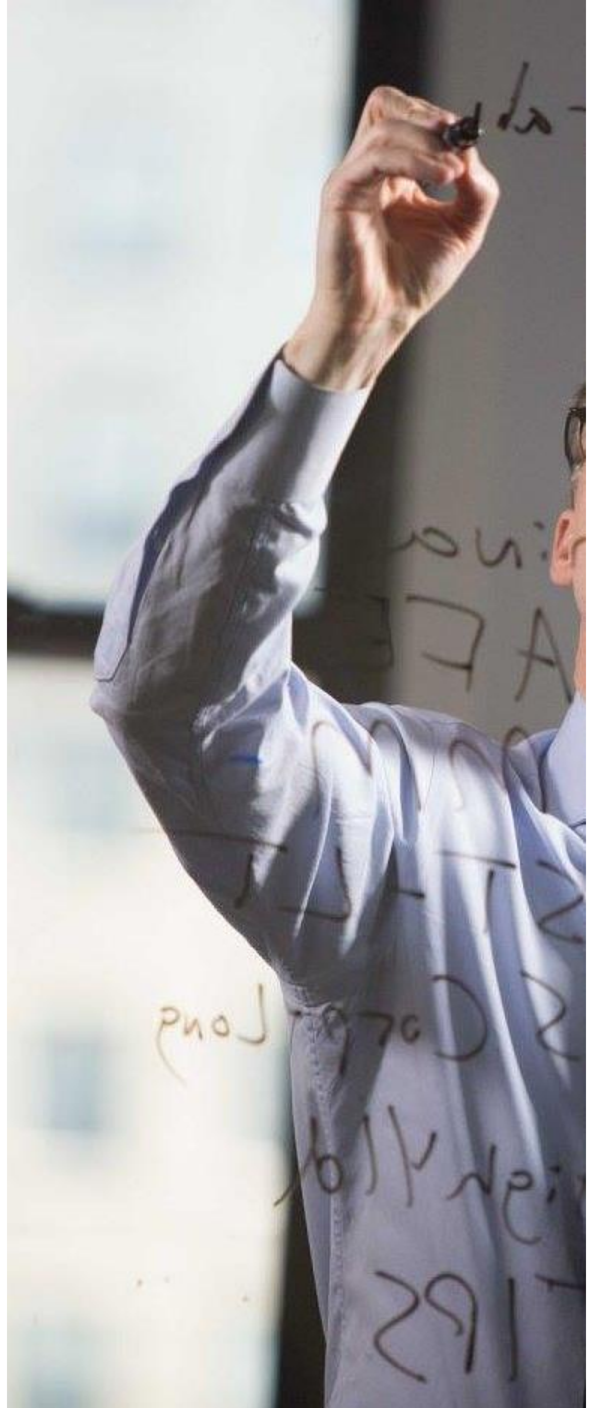
Research suggests that this can lead to better long-term stock returns.*

**For supporting research, please refer to References in Appendix.*

Fielder Capital's

Founder-Led Strategy

A strategy that invests in a diversified portfolio of founder-led companies.



BETTER UNIVERSE

A universe of companies led by their founders.

TRANSPARENT

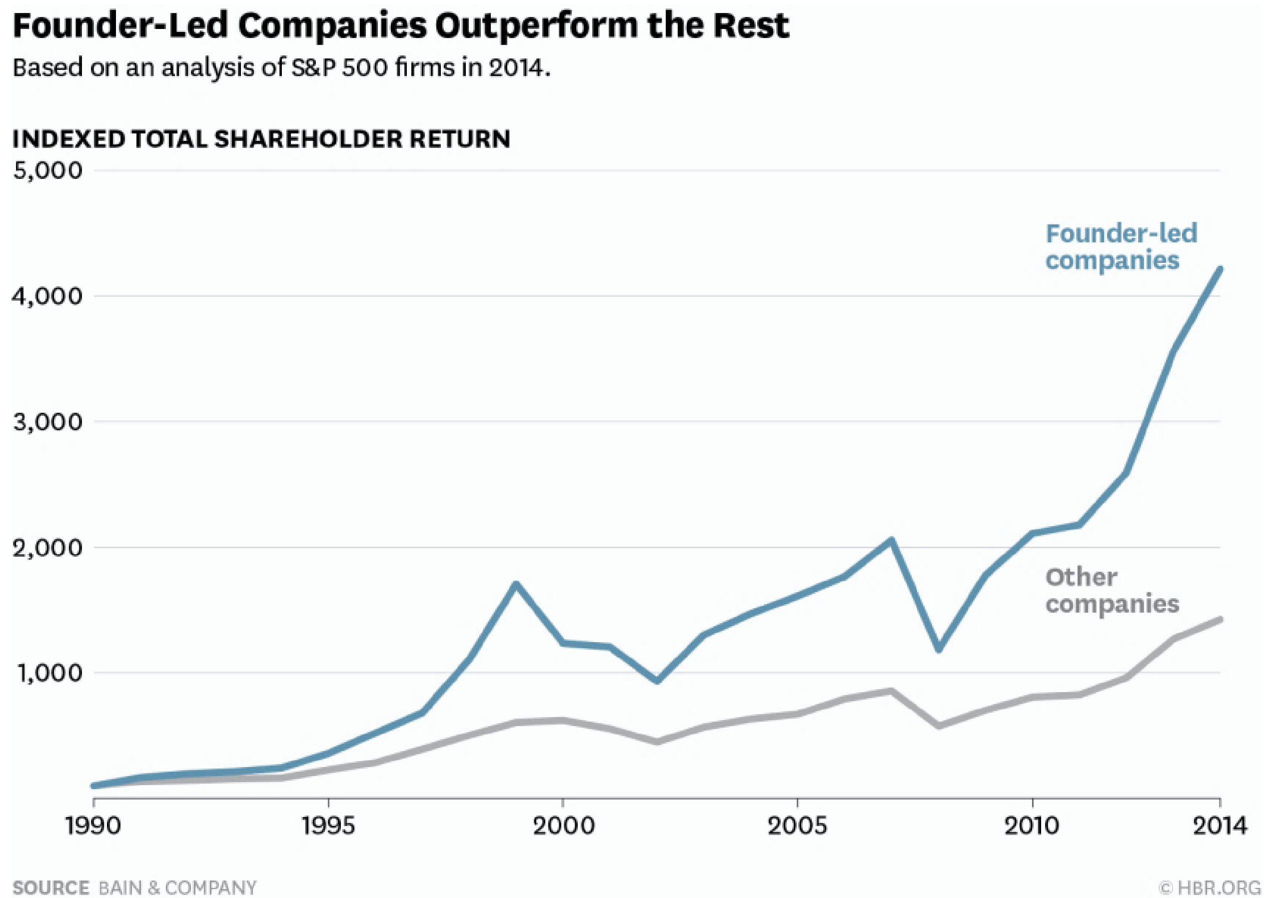
Stocks held directly in your name, not a fund. No "mystery meat".

LOW TURNOVER

This means lower transaction costs (and perhaps lower taxes.)

CUSTOMIZABLE

We can avoid certain stocks based on your values or circumstances. We can harvest tax losses.



Companies whose founder was still deeply involved performed 3.1 times better than other companies over a 25-year period (1990-2014) according to Bain & Co.*

**Zook, Chris. "[Founder-Led Companies Outperform the Rest — Here's Why](#)". Harvard Business Review. March 24, 2016.*

We found that the companies most successful at maintaining profitable growth over the long term were disproportionately companies where the founder was still running the business...*

Chris Zook
Bain & Company

FOUNDERS ARE DIFFERENT

Bain & Co. attributes the success of founder-led companies to 3 factors they tend to exhibit:

BUSINESS INSURGENCY

Founders are more likely to be driven by a desire to create a legacy that changes the world.

FRONT LINE OBSESSION

Founders tend to love the details of the customer experience. They drive this into the culture.

AN OWNERS MINDSET

Founder-led companies tend to have longer-term visions. They invest more in CAPEX and R&D.

*Zook, Chris; Allen, James. *The Founder's Mentality*. Harvard Business Review Press. 2016.

FOUNDERS ARE DIFFERENT

SOCIAL CAPITAL

We believe that Founder CEOs have greater power to make tough decisions that go against conventional wisdom. This can lead to bolder product innovations as well as a more inspired and loyal workforce. Ultimately, this improves the odds of superior long-term performance.

"… there are certain structural advantages that founders may have … The social capital and moral authority that comes from being the founder and having built many of the company's key products means that on balance people trust you more and give you the benefit of the doubt more when you make tough calls… Everything is easier with social capital."

Mark Zuckerberg,
Founder/CEO of Facebook

"

Over the long term, returns for shareholders will be determined largely by the decisions a CEO makes in (allocating capital) ...

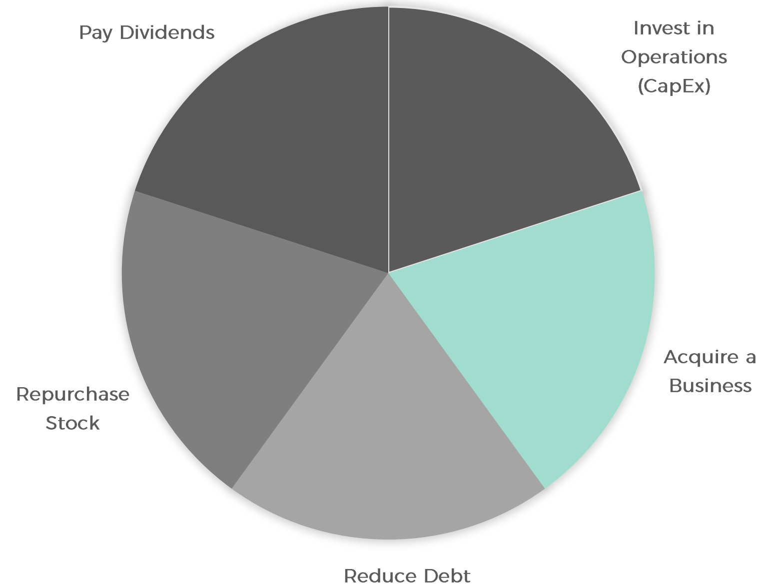
Stated simply, two companies with identical operating results and different approaches to allocating capital will derive two very different long-term outcomes for shareholders."

William Thorndike
The Outsiders

**Thorndike, Jr., William N. The Outsiders. Harvard Business Review Press. 2012.*

SKIN IN THE GAME
BETTER CAPITAL ALLOCATION

For every dollar that a company earns, the CEO must decide how to allocate it among five areas.* For instance . . .



We believe that when CEOs have skin in the game (financially and emotionally), their interests are better aligned with shareholders. Hence, they are more apt to make better capital allocation decisions, which improves the odds of superior long-term performance.

PORTFOLIO CONSTRUTION PROCESS

01 DEFINE THE UNIVERSE

We begin by defining our investable universe. This includes all US companies led by a founder.

We then cull certain names using a proprietary rules-based screen.

02 RANK THE UNIVERSE

Next, we rank all companies in our Founder-Led universe based on sales within their respective sectors.

03 CHOOSE TOP ~50

We then select the largest companies ranked by sales within their respective sectors.*

We end up with a portfolio of approximately 50 companies.

*No single sector is allowed to comprise more than 20% of the portfolio (at cost).

04 HOLD 'EM LONG-TERM

Finally, we sit tight and hold long-term. If a Founder departs, we typically sell.

We do not regularly rebalance stocks, as that increases friction cost and hinders returns.

We always endeavor to improve our portfolio construction process. Hence, please note that the above methodology may change in the future. Fielder is under no obligation to announce such changes or notify you of such changes when they occur.

FEES

We charge no additional fee to Fielder clients for managing a Founder-Led portfolio. It is included as a part of Fielder's standard services, which includes financial counseling, asset allocation and asset management services.

Clients will, however, incur trading commissions paid to their custodian (i.e.: Charles Schwab & Co.). We estimate commission costs to be less than 0.25% of AUM in year one and less than 0.10% of AUM in years two and beyond (assuming annual portfolio turnover of <20%).

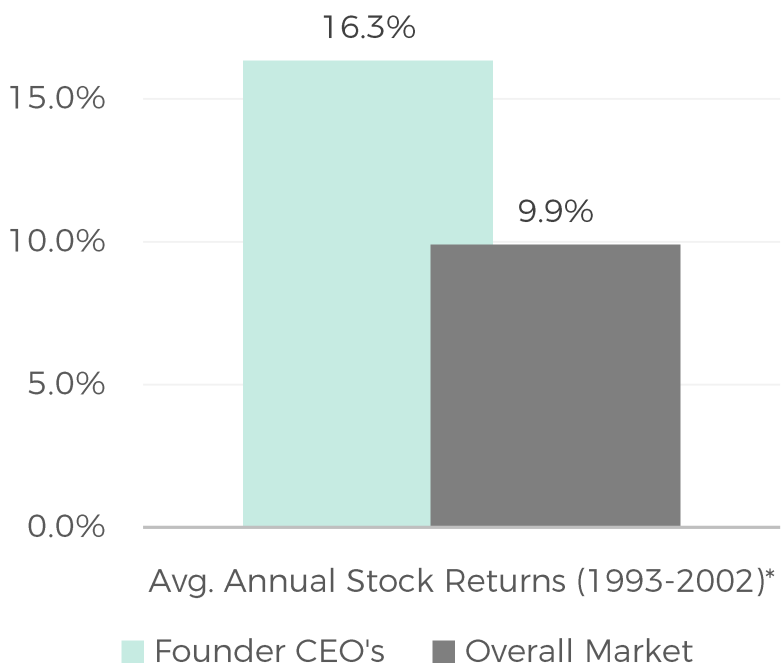
FIELDER FEE SCHEDULE*

Account Value	Annualized Fee
First $1 million	0.89%
Next $2 million	0.79%
Next $2 million	0.69%
Next $5 million	0.59%
Over $10 million	0.49%

**In addition to Fielder's Fee Schedule, clients will incur additional costs from their custodian, mutual funds, ETF's, or other financial institutions. We do, however, endeavor to help clients minimize such outside costs as much as practical. Please refer to Fielder's Form ADV for more detailed disclosure.*

APPENDIX

FOUNDER-LED COMPANIES



A study by Dr. Rudi Fahlenbrach found that companies whose CEOs were founders outperformed the market by an average of 6% per year between 1993 and 2002. After controlling for a variety of factors (firm size, industry, etc.), the excess annual return was 4%.

**Rüdiger Fahlenbrach, PhD: "Founder-Ceos, Investment Decisions, and Stock Market Performance." 2007 (revised 2009). Although this is one of the most comprehensive research papers on the performance of founder-run companies, please note the study encompasses a relatively limited time period more than a decade in the past. The author has not since updated this study; hence, It is not known what the performance would have been in years following 2003. Please see additional supporting research on founder-run companies in Appendix.*

Founders Have Soul

Excerpt from a Fielder note published August 3, 2015

Founders make the best CEO's. This may sound like common sense to most of you, yet many MBA types believe just the opposite. Founders make great founders. That much they concede. It is when a company reaches critical mass, they argue, that it's time to bring in a professional CEO.

Suppose you were given the choice of investing a meaningful portion of your life's savings in one of two companies. One is run by the founder of the business; the other is run by an executive with a strong history of execution. (Assume all else is equal between the companies.) Most of us would likely choose to work for (or invest in) the company run by a founder — even if he had some warts. We'd choose this over the company run by the professional CEO. Why is this? Instinctively, most of us would believe that the founder would bring something to the table that the professional would not: heart and soul.

I believe that people have souls. Companies are merely an association of people, and so by definition, companies have a collective soul. Over time a soul can grow stronger or weaker. It all depends on how it's nurtured. The founder – who gave birth to the company – is often best equipped to nurture, lead, and inspire the people who comprise the company…

Anecdotes abound of great companies that fell on hard times after the founder relinquished the reins to an outsider, only to recover to new heights once the founder stepped back in and retook control. Charles Schwab and Howard Schultz (Starbucks) are two such cases that quickly come to mind.

Academic research supports the notion that founders make the best CEO's, and their stock prices benefit as a result…

[Read complete note at www.fieldercapital.com.]

REFERENCES

- Zook, Chris; Allen, James. *The Founder's Mentality*. Harvard Business Review Press. 2016.
- Zook, Chris. "Founder-Led Companies Outperform the Rest — Here's Why". *Harvard Business Review.* March 24, 2016.
- Fahlenbrach, Rüdiger. "Founder-CEOs, Investment Decisions, and Stock Market Performance." 2007 (revised 2009).
- Thorndike, Jr., William N. *The Outsiders*. Harvard Business Review Press. 2012.
- "Owner-Operators." Horizon Research Group. March, 2014.
- Lee, Joon Mahn; Kim, Jongsoo; Bae, Joonhyung. "Founder CEOs and Innovation: Evidence from S&P 500 Firms." 2016.
- Ulf Von Lilienfeld-Toal and Stefan Ruenzi: "CEO Ownership and Stock Market Performance, and Managerial Discretion." 2013.

THE BIG PRINT

HISTORICAL RESULTS ARE HYPOTHETICAL. Past performance of founder-led companies presented herein are back-tested results. They do not reflect actual trading in real accounts. Future performance may be materially lower in actual client accounts.

MAY BE RISKIER. The Founder-Led portfolio invests in far fewer stocks than a traditional market index, such as the S&P 500 or Russell 1000 ("the market"). Further, the Founder-Led portfolio has a higher percentage allocation to smaller stocks and "growth" stocks. Accordingly, the Founder-Led portfolio may experience substantially more price volatility than a traditional market benchmark.

IMPORTANT DISCLOSURES

FIELDER CAPITAL GROUP LLC IS A REGISTERED INVESTMENT ADVISER. HOWEVER, REGISTRATION DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING. NEITHER FIELDER CAPITAL GROUP LLC, FRANK BYRD, PRINCIPALS, EMPLOYEES, NOR ANY ENTITY MENTIONED IN THIS PRESENTATION CAN BE HELD LIABLE OR RESPONSIBLE FOR ANY OUTCOMES RESULTING FROM ACTIONS OR INACTION ARISING AS A RESULT OF DELIVERING THIS PRESENTATION. NEITHER FRANK BYRD NOR FIELDER CAPITAL GROUP LLC IS UNDER ANY OBLIGATION TO NOTIFY YOU OF ANY ERRORS DISCOVERED LATER OR OF ANY SUBSEQUENT CHANGES IN ITS OPINIONS. THIS DOCUMENT IS STRICTLY CONFIDENTIAL AND IS NOT INTENDED FOR PUBLIC USE OR DISTRIBUTION. THE INFORMATION AND COMMENTARY PROVIDED IN THIS PRESENTATION IS FOR INFORMATIONAL PURPOSES ONLY. NO PART OF THIS PRESENTATION, INCLUDING ANY CHARTS, TABLES AND GRAPHS THEREIN, CONSTITUTES INVESTMENT ADVICE OR ANY FORM OF RECOMMENDATION, AND SHOULD NOT BE CONSTRUED AS SUCH. THIS PRESENTATION DOES NOT CONSTITUTE A SOLICITATION TO BUY OR SELL ANY INSTRUMENT OR TO ENGAGE IN ANY TRADING OR INVESTMENT ACTIVITY OR STRATEGY. ANY PROJECTIONS, MARKET OUTLOOKS OR ESTIMATES IN THIS DOCUMENT ARE FORWARD LOOKING STATEMENTS AND ARE BASED UPON CERTAIN ASSUMPTIONS. OTHER EVENTS WHICH WERE NOT TAKEN INTO ACCOUNT MAY OCCUR AND MAY SIGNIFICANTLY AFFECT THE RETURNS OR PERFORMANCE OF INVESTMENTS MENTIONED HEREIN. ANY PROJECTIONS, OUTLOOKS, OR ASSUMPTIONS SHOULD NOT BE CONSTRUED TO BE INDICATIVE OF THE ACTUAL EVENTS WHICH WILL OCCUR. FURTHER, THE VIEWS AND OPINIONS CONTAINED HEREIN MAY BE CHANGED AT ANY TIME WITHOUT NOTICE. THIS REPORT CONTAINS BACKTESTED RESULTS THAT DO NOT REFLECT ACTUAL TRADING IN ACTUAL ACCOUNTS. IT IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY IN ORDER TO INDICATE HYPOTHETICAL PERFORMANCE OF A PARTICULAR STRATEGY HAD IT BEEN EMPLOYED DURING A CERTAIN HISTORICAL TIME PERIOD. SINCE BACKTESTED PERFORMANCE DOES NOT REPRESENT ACTUAL PERFORMANCE, IT SHOULD NOT BE INTERPRETED AS AN INDICATION OF SUCH PERFORMANCE. ACTUAL FUTURE PERFORMANCE OF THE STRATEGIES REFERENCED HEREIN MAY BE MATERIALLY LOWER IN ACTUAL CLIENT ACCOUNTS. THERE ARE INHERENT LIMITATIONS WITH SUCH HYPOTHETICAL BACKTESTED RESULTS. FOR INSTANCE, SUCH RESULTS DO NOT REFLECT THE IMPACT THAT SPECIFIC MARKET AND ECONOMIC SCENARIOS MIGHT HAVE IN THE FUTURE ON AN INVESTMENT ADVISER'S DECISION-MAKING PROCESS IF MANAGING ACTUAL CLIENT MONEY. FURTHER, BACKTESTED PERFORMANCE HAS THE ADVANTAGE OF THE BENEFIT OF HINDSIGHT., WHICH ACTUAL PORTFOLIO PERFORMANCE DOES NOT. YOU SHOULD NOT RELY ON THIS INFORMATION FOR TAX, LEGAL, ACCOUNTING, OR INVESTMENT PURPOSES. THIS PRESENTATION DOES NOT PROVIDE ADVICE CONCERNING THE SUITABILITY OR VALUE OF ANY PARTICULAR INVESTMENT IN ANY SECURITY, STRUCTURED PRODUCT, FUTURE, OR OPTION, OR REGARDING ANY INVESTMENT STRATEGY. CERTAIN INVESTMENTS REFERENCED IN THIS PRESENTATION MAY BE UNSUITABLE FOR CERTAIN INVESTORS. THE REFERENCE TO ANY SPECIFIC COMPANY OR STOCK HEREIN IS FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE A RECOMMENDATION FOR INVESTMENT IN ANY INDIVIDUAL STOCK, FIELDER DOES NOT MAINTAIN AN OPINION ON THE MERITS OF THESE STOCKS, AND THEY COULD BE VERY POOR INVESTMENTS IN THE FUTURE. FIELDER'S EMPLOYEES OR ITS CLIENTS MAY HOLD A POSITION IN SOME OF THE STOCKS MENTIONED HEREIN. PLEASE REFER TO FIELDER'S FORM ADV FOR MORE DETAILED DISCLOSURE.