

FERGUSON WELLMAN CAPITAL MANAGEMENT

OUR FORTY-YEAR REPORT: 1975-2015

TAKING
STOCK

@40

TAKING STOCK @40

In 1975, public confidence was the lowest since the Great Depression. We were at the tail-end of Watergate, losing President Nixon. We had recently devalued the dollar. We were at the end of the Arab oil embargo and at the height of the Cold War with the Soviet Union. So Norb thought that might be a good time to start a new company. — Joe Ferguson

2015 MILESTONES

Welcomed 61 new clients who hired Ferguson Wellman and West Bearing

New assets: \$341 million

Served more clients and managed more assets than any previous year

New hires: Heidi Goertzen, Bre Jaspersen, Peter Jones, Mary Lago, Danielle White and Patrick Yazhari

New shareholders: Josh Frankel, Brad Houle

Promotions: Erin Rosenblatt, vice president of client solutions and information systems

Anniversaries: Kathi Kimes (35 years), Luz Garcia (15 years), Helena Lankton (10 years)

Retirements: Kerrie Young

2015 was a year of celebration and introspection for us. Since 1975, we were very fortunate that no current or retired colleagues had died and then, in our 40th year, one of our newest employees lost his battle with cancer just a few months before we lost one of our founders. Making meaning of this loss as well as our gain of another decade as a privately-held company, we began *taking stock of what matters*.

We reflected on the people who took risk to start our firm and those early clients who trusted them with their life assets. Each of us thought about who and what helped shape our desire to work in our industry. We talked about the technology we used over the years to work smarter and more efficiently. Most importantly, we shared stories that brought to life our guiding tenets so that our newest employees could learn more about our company DNA and the clients we serve. Our mission, core values and investment principles are not simply words. They represent the beliefs and values of all of our employees, whether they are working, retired or have left this world.

As we look toward the next 40 years, we will continue to capture and honor our history, best practices and desire to serve our clients well so that all of our employees never forget the people who came before us who continually motivate us.

By *taking stock of what matters*, we are committed to creating a future that fosters innovation, expertise, experience and trust for our clients.

*With gratitude for and appreciation of your trust and confidence,
The employees of Ferguson Wellman Capital Management
and West Bearing Investments*

Ferguson, Johnson and Wellman began its life on December 1, 1975. Its quarters were the abandoned penthouse on the roof of Portland's Pacific Building on Southwest Sixth and Yamhill. The firm was staffed by the three wives of the principals of the firm and no wages were paid in the initial year of operation. — Joe Ferguson

1975



Joe Ferguson, Norb Wellman, Monte Johnson

On December 1, 2015, we recognized Joe, Norb, and Monte by visiting their original offices. Memories were shared by employees who worked with them in the Pacific Building and later that day, we honored our history through our inaugural Founders Day lunch. Each year, we will pause to reflect upon everyone who has made our company better and enabled us to continually improve our investment strategies and services for clients. – Jim Rudd

- | | |
|--|--|
| <p>1 Mary E. Lago, CFTA
<i>Executive Vice President</i></p> <p>Dean M. Dordevic*
<i>Principal</i></p> <p>Erin N. Rosenblatt
<i>Vice President</i></p> <p>Timothy D. Carkin, CAIA, CMT*
<i>Senior Vice President</i></p> <p>Lori A. Ferraro*
<i>Administrative Associate</i></p> | <p>2 Joseph O. Brooks*
<i>Vice President</i></p> <p>Helena B. Lankton*
<i>Executive Vice President</i></p> <p>James H. Rudd*
<i>Principal and Chief Executive Officer</i></p> <p>Sandy Fendall*
<i>Client Relationship Associate</i></p> <p>Elizabeth A. Olsen
<i>Vice President</i></p> |
| <p>3 Patricia J. Van Dyke*
<i>Operations Associate</i></p> <p>Marc F. Fovinci, CFA*
<i>Principal</i></p> <p>Lauren K. Krygier
<i>Client Relationship Associate</i></p> <p>Josh D. Frankel, CFP* **
<i>Senior Vice President</i></p> <p>Lori B. Flexer, CFA*
<i>Executive Vice President</i></p> | <p>4 Patrick C. Yazhari
<i>Trading Associate</i></p> <p>Deidra M. Krys-Rusoff*
<i>Senior Vice President</i></p> <p>Jason D. Norris, CFA*
<i>Executive Vice President</i></p> <p>Amy L. Woods*
<i>Client Relationship Associate</i></p> <p>George W. Hosfield, CFA*
<i>Principal and Chief Investment Officer</i></p> |
| <p>5 Peter D. Jones
<i>Equity Trading Associate</i></p> <p>Steven J. Holwerda, CFA*
<i>Principal and Chief Operating Officer</i></p> <p>Heidi M. Goertzen
<i>Chief Compliance Officer</i></p> <p>Becky Horvat, CPA*
<i>Vice President and Controller</i></p> <p>Beth Harding
<i>Client Relationship Associate</i></p> <p>Scott W. Christianson, CFP*
<i>Vice President</i></p> | <p>6 Brad H. Houle, CFA*
<i>Executive Vice President</i></p> <p>Robin L. Freeman*
<i>Vice President</i></p> <p>Donald L. Rainer*
<i>Executive Vice President</i></p> <p>Beth Brown
<i>Client Relationship Associate</i></p> <p>Danielle N. White
<i>Sales and Marketing Associate</i></p> |
| <p>7 Julie L. Mark
<i>Client Relationship Associate</i></p> <p>Nathan M. Ayotte, CFP*
<i>Executive Vice President</i></p> <p>Kathi C. Kimes*
<i>Front Office Coordinator</i></p> <p>Lyndsi G Fink**
<i>Investment Associate</i></p> <p>James A. Coats*
<i>Executive Vice President</i></p> | <p>8 Luz Garcia*
<i>Client Relationship Associate</i></p> <p>Chad A. Long
<i>Vice President</i></p> <p>Mark J. Kralj*
<i>Principal</i></p> <p>Mary A. Faulkner*
<i>Senior Vice President</i></p> <p>Shawn M. Narancich, CFA*
<i>Executive Vice President</i></p> |

Not photographed:

- Ralph W. Cole IV, CFA*
Executive Vice President
- Warren Foltz*
Operations Associate
- Breanna R. Jaspersen
Client Relationship Associate
- Michael E. Garcia
Chief Technology Officer
(Hired in 2016)
- Jeanene M. Wine*
Operations Associate

1	2
3	4
5	6
7	8

*Shareholder of the firm

** West Bearing Investments professional

2015



Forty Years of Growth and Change

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HISTORY BEHIND THE ASSETS

Throughout our 40-year report, you will see objects accompanied by stories that represent some of the assets we manage. They are not intended to be testimonial for our investment strategies or services we provide.



HISTORY BEHIND THE ASSETS

1978

An East Coast summer visit to a cousin's home started a lifelong love of blueberries. Later, he would fulfill a shared dream with his wife by purchasing a farm. Going into business with a couple who had nursery production experience, they grew their business and helped create a global blueberry industry.

What a difference 40 years can make. Yet it's easy to point to some fundamental attributes of our founding days that still ring true today. Consistent growth is critical to a successful, privately-held company. The possibility of ownership for all employees was established by Joe and Norb, which fostered a culture of continuity and stability. As we like to tell new employees, we believe you treat a car you own better than a rental—and we think that this approach serves our clients well.

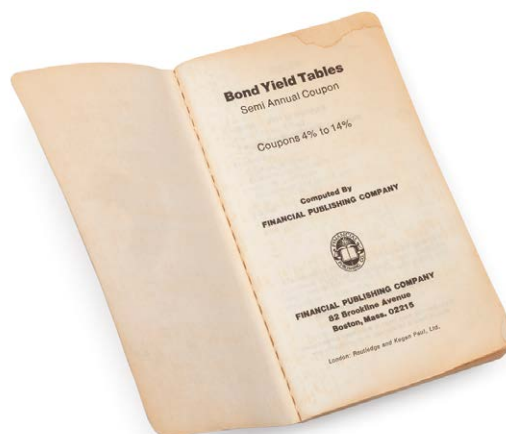
Throughout the report, you will find data, commentary and imagery that will take you back to those early years and give you a sense of how the past positions us and defines us as we forge ahead to serve a wide range of clients. Through their collective needs and goals, we continue to create and enhance the investment strategies and services for individuals and institutional clients.

Assets Under Management

2015
\$4.3 billion

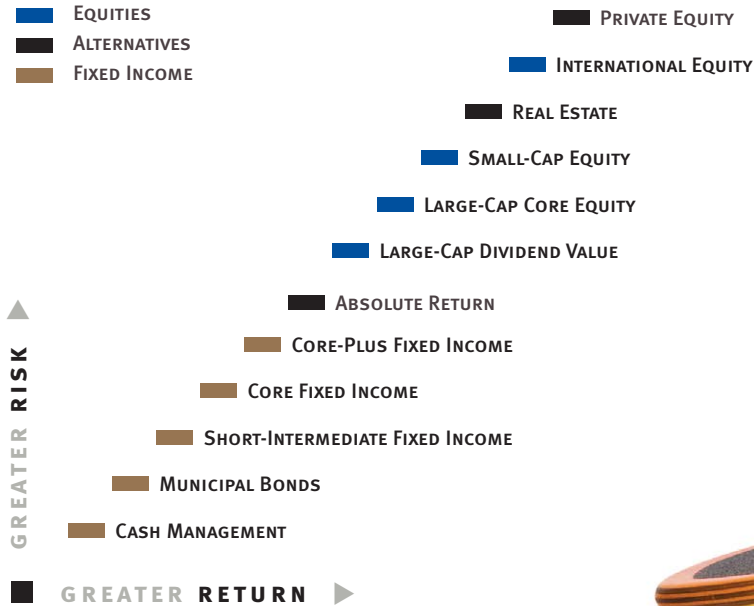
1975
\$10.9 million

I keep an old bond yield table in my desk to remind me of how analysts used to manually manage bond portfolios. It's hard to believe that these tables were considered a short cut for calculations. Now I use a Bloomberg terminal to calculate yields instantaneously and glance across the whole fixed income sector to get a sense of where the markets are trading. — Deidra Kryz-Rusoff



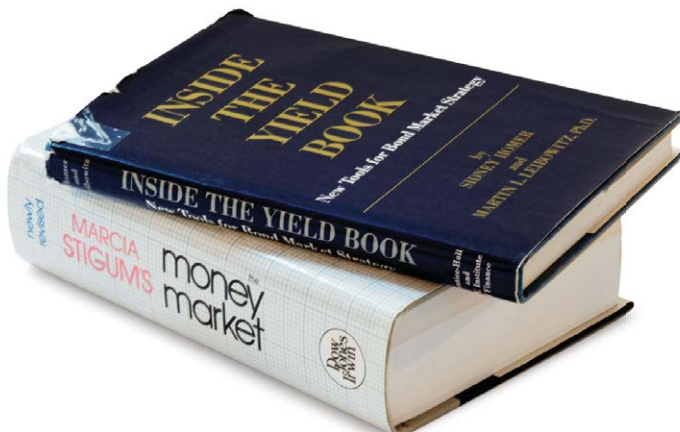
Our Client Offerings

Investment Strategies



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

With the rapidly changing global economic environment, we continually emphasize a focus on the fundamentals. Knowing this, we can't help but think of those first books, professors and professional mentors who set us on our paths to our careers in the investment world. — Helena Lankton



Investment Principles

- Know the Environment
- Seek Opportunities
- Manage Risk
- Focus on the Long Term

Eighty-five percent of the investment strategies we employ in client portfolios are created by our team of analysts. Strategies we employ through outside managers undergo a rigorous vetting process and ongoing due diligence.



HISTORY BEHIND THE ASSETS

1995

A family's enthusiasm for boards, on pavement and in snow, evolved into a desire to provide exceptional customer service to those with the same passion. With the reach of the web, the family sells more longboards and accessories online than any company in the United States.

Average Account Size

2015
\$6.3 million
 1975
\$1.8 million

Our Client Offerings

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HISTORY BEHIND THE ASSETS

1906

An ambitious Austrian teenager asked his uncle, who owned a bakery, to help with travel to America. Four generations later, his family runs one of the largest bakeries on the West Coast and still continues to run one of the oldest bread lines in Oregon.

Investment Services

We strive to take a team approach with clients on decisions that can have a significant impact on clients' long-term goals.

Horizon™ Financial Planning	Acquisition Analysis
Asset Allocation Modeling	Strategies on Philanthropy
Client Balance Sheet	Electronic Safe Deposit Box

Communication and Education

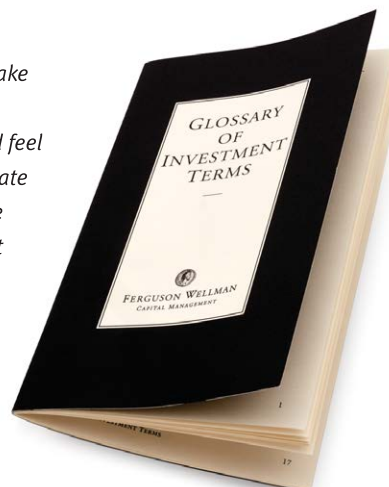
Our goal to provide all clients with proactive communication and educational resources that fosters confidence in our firm to manage their investable assets.

At the beginning of each year and on a quarterly basis, we share our *Investment Outlook* through events, videos and publications that keep clients apprised on our views of the economy and capital markets.

Clients also receive our in-depth portfolio reports and *Market Letter* quarterly with the goal of prompting discussions with their portfolio managers. On a more frequent basis, we distribute *Capital Markets* and *Investment Strategy* updates as well as our *Weekly Market Makers*.

Our client education programs set forth to help clients at any age and stage to have a better grasp of investment, financial and economic topics through our *Glossary of Investment Terms* and events that include: *Investing Essentials*, *Retirement: Here or on the Horizon* and *Your Path to Financial Freedom*.

We believe that part of our job is to make sure that individuals and institutions understand their portfolio reports and feel comfortable asking questions. We create resources and programs to encourage more conversations with clients about their investments. — Lori Flexer



Our Core Values: Exceed Expectations

Some of the employees who have been with us the longest, namely Kathi Kimes and Robin Freeman, look at our core value, **Exceed Expectations**, through the eyes of our clients. They vividly recall when long-standing clients first walked through our doors simply seeking active management of their investment portfolio. In those early years, new clients and employees may not have thought that their relationships could potentially span multiple decades.

With all the history that Kathi and Robin have had with clients over the years, their hope for the future of Ferguson Wellman and West Bearing Investments is to always deliver more than clients expect. Being there at every stage of client relationships and proactively anticipating their needs builds trust. All of high-tech's efficiencies and conveniences will never completely replace the high-touch experience that we believe builds lasting connections with clients.



1995
Kathi Kimes, Norb Wellman and Robin Freeman



HISTORY BEHIND THE ASSETS

1932

Two men started a paint company and hired a young employee to join them. Prior to 1941, the employee did not receive steady income from the company. Upon planning to buy a house, he inquired about a salary and instead was given half the company for his hard work. Forty-two years later, his son became president and today the company has more than 50 stores in five states.



Clients

2015
743
1975
6

We want every client to feel comfortable when they come into the office. They may be dealing with complex issues, such as a death, divorce, or inheritance. The sale of a business or retirement can trigger stress as well. We try to create a relaxed, calm environment where informed decisions and plans for the future can be made. — Kathi Kimes

Employees

2015
44
1975
6

Our Core Values: Act with Uncompromising Ethics



There were many steps taken to reinforce the ethical foundation that our company was built upon. Establishing our firm as a fee-only investment adviser rather than charging a commission enables our company to be more closely aligned with our clients' goals. Adhering to the voluntary Global Investment Performance Standards (GIPS) ensures that prospective clients get impartial and objective guidance in measuring our performance. Hiring a dedicated compliance officer and performing in-house and third-party reviews in addition to undergoing periodic SEC audits are now standard in our industry, but there was a time when we were early adopters to these practices.

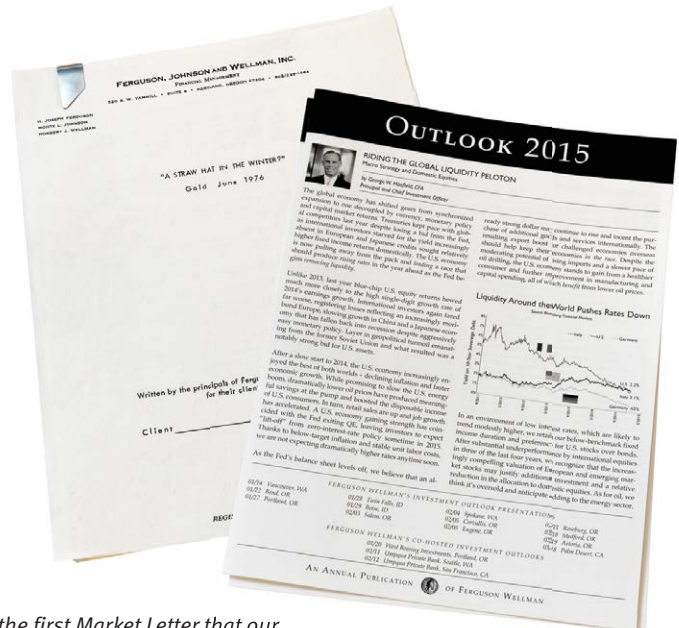
Today, the world is not ethical when it comes to security, posing a significant threat to all of us. Our commitment to **Act with Uncompromising Ethics** regarding confidentiality and privacy has expanded into technology and best practices to ensure that client information is safe. Having third-party custodians hold the investable assets we manage so they are not used for any other purpose than what directly benefits our clients is one of our earliest and most meaningful decisions as a firm.

HISTORY BEHIND THE ASSETS

1961

Leaving a humble upbringing in New Jersey to work his way through college and medical school in Boston, he would go on to elevate and evolve pediatric hematology-oncology programs. Throughout his career, he would pursue active clinical research in pediatric oncology, serve as a leader for many nonprofits and initiatives, and have an endowed chair position named after him at a world-class university hospital.

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We recently found the first Market Letter that our founders wrote back in 1976 called, "A Straw Hat in Winter." I appreciate the fact that we continue to create themes and publish original content written by our analysts. We don't want any of our asset allocation changes or tactical shifts to be a surprise to clients, so we continually communicate our thinking as the markets change and evolve.

— Shawn Narancich

Our Core Values: Advocate Innovation and Manage Change

Our company is significantly different from those early years when a handful of employees wore many hats. Before voicemail and email, phone messages would have to be walked down the hall to offices. Each correspondence required a letter created by a typewriter. Bottoms of coffee cups were traced to create pie charts about asset allocation for prospect meetings.

Technology has transformed the work environment, portfolio management and client experience. To **Advocate Innovation and Manage Change** requires an understanding of the direction our industry is heading and evolving client needs. Encouraging employees to think differently and recognize opportunities that will benefit our clients has directly attributed to our ability to be proactive in an ever-changing, complex environment.



Each year, our firm gives “You Made It Happen” awards to employees who advance and execute ideas that will make our company more efficient and serve our clients better. — Tim Carkin

I remember sitting at the Quotron machine, calling brokers to execute trades that were written on yellow tickets that portfolio managers would hand to me. The technology we have today to execute block trades with little or no error amazes me. — Robin Freeman



We started using 35mm slides so we could add color to charts for our institutional clients. We would take our “technology” on the road for meetings: a portable screen and Kodak Carousel Projector. — Marc Fovinci



HISTORY BEHIND THE ASSETS

1899

Going as far back as the Romans, materials such as cow hair, wood, feathers, straw, leather and gum resin were used to make golf balls. An avid golfer in Ohio worked with a tire company employee to patent a rubber-threaded ball with a solid core. Through his new technology and materials, his golf ball significantly grew the popularity of golf in the United States.

Our Core Values: Foster a Collegial Environment

I was delighted to be on the team and am proud of how well we did during that period of time. I'm more pleased to see the success of the firm since I retired. I think the spirit of 1975 is still with the company and should continue into the future. — Wayne Purdy



1984
Christmas gift exchange with Joe and Norb in the Orbanco Building



2000
Our founding partners and board of directors celebrating the 25th anniversary of Ferguson Wellman



2015
Ralph Cole teaches employees' kids about asset allocation and portfolio construction on "Take Our Daughters and Sons to Work Day"

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2014
Ferguson Wellman company retreat with "Howard Hughes" and the Spruce Goose at Evergreen Aviation Museum



*One of the clients I worked with once asked
why my name was last on the door. I told him
that was the order in which we would get sued.*

— Roger Van Winkle

FERGUSON, JOHNSON AND WELLMAN, INC.

FINANCIAL MANAGEMENT

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**Ferguson, Wellman, Rudd,
Purdy & Van Winkle, Inc.**

Est. 1975

Registered Investment Advisors



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FERGUSON WELLMAN

CAPITAL MANAGEMENT



WEST BEARING INVESTMENTS

a division of Ferguson Wellman



WEST BEARING INVESTMENTS

a division of Ferguson Wellman

IN MEMORIAM



NORB WELLMAN
1932–2015



JORGE CHAVARRIA
1982–2015

We will always remember our founder Norb Wellman and the contributions Jorge Chavarria made to our company during the brief time he was with us. Those of us who knew Norb and Jorge will continue to share stories and memories with our new and future employees. They are both an important part of our company's history. — George Hosfield

Our Core Values: Enjoy the Journey

*Our youngest employees:
Peter Jones, Breanna Jaspersen,
Patrick Yazhari and Lyndsi Fink*

I feel like it's the college I went to — it's good when I went there and better now. This firm is a joy to be a part of, even in retirement. I hope they will still be here 40 years from now. I won't be, but hope they are an independent, private firm because that is the journey that is truly enjoyable at the end. — Joe Ferguson



It's hard for our retired and more senior employees to imagine that we have four employees who were born in the 1990s. They haven't had to make overhead transparencies, use fax machines, take rolls of undeveloped film to the pharmacy or look at a paper map for directions to a meeting. They are the millennials of our company and despite the average length of time workers stay with one company, they are bucking the trend through their eagerness to have long careers with Ferguson Wellman and West Bearing Investments.

Each of them brings different talents, experiences and perspectives to our firm. As they learn more about our clients, company and industry, they will show us new ways of tackling problems and proactively finding solutions for clients.

As all of us in our different ages and stages in our careers work together, we endeavor to **Enjoy the Journey** that our founders began 40 years ago.

*One memory from my first few days in the office is of Jim Rudd handing me a glass box. Etched on the lid were the words: **Investment Excellence; Lifelong Relationships.** Jim told me that the box was for my business cards and was to serve as a reminder that I'm not only representing our firm, but also our mission. That meant a lot to me and I think about that conversation every time I give someone my card. — Nathan Ayotte*



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



FERGUSON WELLMAN
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