



## The Why

“The secret of change is to focus all of your energy, not on fighting the old, but on building the new.”  
- Socrates

Inspired by my 27-plus years of investment experience, my principal motivation for founding Smith Capital Investors is a strong desire to build something new. Deep seated in this desire are the three focuses that have had the greatest influence on my career—Investing, People, and Culture.

## Investing

In a world increasingly filled with passive bond managers and “closet indexers,” we are an independent, income-focused asset management firm with an emphasis on credit securities. Our actively-managed investment process is driven by back-to-basics fundamental research, individual security selection, and sector allocation. We believe that our process is enhanced by the use of technology and quantitative validation.

We believe we are entering a period in which fixed income managers will be closely scrutinized for their process in generating returns and the fees they charge. The long bull market in bonds over the last 30 years has been a very supportive tailwind for fixed income investors. Alongside the decline in rates has been significant growth of the credit markets. Both have helped passive investors and “closet indexers” generate positive returns. Going forward, it will be considerably harder, especially in an environment of rising interest rates, to match prior gains. A significant correction in the bond market could also trigger a shift in investor funds from passive to active management, as investors seek more nimble operations and more intelligent approaches to generating risk-adjusted returns and preserving capital.

## People

Bringing together bright people to seek out promising opportunities is exhilarating and exciting—not to mention very rewarding when you get it right! But what resonates with me after many years in the business is the importance of character in the people you work with. Character is a word often associated with integrity or ethics, but the definition is much broader and deeper. Character is also

about care, hard work, dependability, morals, empathy, humility, knowledge, and love. I still remember my grandmother stressing to me, in my youth, that “you will be judged by the company you keep.” She would impress upon me the importance of associating with great people—learning from them and emulating their strong character. Good people are central to building something special and have been a major component of all of my previous successes. It is because of these formative lessons over the course of my career, that I have a strong desire to bring together high character people to build an investing focused firm.

“What lies behind us and what lies before us are tiny matters compared to what lies within us”  
– Ralph Waldo Emerson

## Culture

In all my studies and focus on real and lasting success it is very clear to me that the culture of a firm and its people are the greatest determinants of success. A high-functioning and caring culture lays the foundation for the working relationships of a group and sets the tone for how we act and behave. The high-character behaviors of individuals contribute to an overall environment of trust that leads inevitably to stronger relationships and thus greater success.

I believe a culture that brings together high character people and focuses on supportive relationships, purposeful and meaningful work, collaboration, discipline, and integrity offers the greatest opportunity to thrive. Quite simply, a strong culture drives results for our investors and partners.

## Why Investing, People and Culture?

I spent countless hours thinking about the key words that would be central to our firm’s values and principles. Excellence, Integrity, Discipline, Hard Work, and so on. As I labored to come up with the perfect combination of inspiring words to match up with the five mountains in our logo, it hit me that this exercise was more about trying to match up with what I thought people wanted to see. In many ways it was a marketing gimmick that lacked authenticity. While the words were directly related to what we were going to do as a firm and how we were going to carry ourselves, they lacked the real purpose and meaning of what I was trying to create. And then it hit me—building this firm was all about Investing, the People (employees and clients), and the culture we wanted to create. In the end, the answer was all around; I just needed to surrender to the simplicity of what really mattered most.

“You should strive not to be a success, but to be of value.” – Albert Einstein.

## The Value of Vision

Our focus on investing has evolved and developed over many years of experience. I believe that risk-adjusted returns and preservation of capital are important tenants in any investment process, but are even more important in fixed income. I unapologetically believe that fixed income is not sexy

or exciting and that thrills and excitement in investing should be pursued in other areas of the capital markets. While I love fixed income and fixed income investing (as does the team I have assembled), bonds should serve as an anchor and diversification tool within an investor's portfolio.

I welcome the opportunity to share more with you about my vision. I have assembled a strong core group of like-minded individuals to help me turn this vision into reality. I'd also welcome the opportunity to introduce you to my team and our process. We are building something special with a keen focus on investing, people, and culture.

We look forward to the opportunity to work with exceptional people.

Kind Regards,

A handwritten signature in black ink, appearing to read 'Gibson Smith', written in a cursive style.

Gibson Smith

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