SMID Cap Core

Portfolio Update: Third Quarter 2022

During the third quarter ending September 30, 2023, the RMB SMID Cap Core Equity Composite (the "Strategy") returned -2.40%, gross of fees, (-2.61%, net of fees), compared to a -4.78% for the Russell 2500® Index.

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (Annualized)
SMID Cap Core (Gross)	-2.40%	+7.49%	+14.13%	+11.54%	+9.03%	+10.10%	+9.50%
SMID Cap Core (Net)	-2.61%	+6.90%	+13.27%	+10.77%	+8.22%	+9.21%	+8.57%
Russell 2500® Index	-4.78%	+3.59%	+11.28%	+8.39%	+4.55%	+7.90%	+8.31%

Inception date: March 31, 2004. Please see important disclosures at the end of this document. Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. Data as of September 30, 2023. RMB Capital acquired the composite by combining with IronBridge Capital Management on June 24, 2017. Composite performance prior to that date was achieved by IronBridge Capital Management. Refer to important information regarding performance and fees at the end of the document.

Stocks wobbled amid greater competition from higher real interest rates. During the quarter bond investors embraced the idea that the economy is exiting the era of free money circa 2007-2022. The 10-year Treasury yield increased to 4.57% from 3.81%, even though inflation continued to decline to 3.67% (YoY Core CPI). Real yields turned positive for the first time in 15 years to 1.6% from -2%. The catalyst for the historic spike in yields was the Federal Reserve's hawkish position that rates must remain higher for longer than investors anticipated.

GDP growth continued to defy recession fears coming in at 2.1%. Analysts increased earnings expectations for the first time in five quarters (since Q2 2022).

The thesis that the economy is exiting the era of free money has important implications for investors, which we will address in the outlook, but one implication concerning stock correlation and dispersion should be addressed in this section.

Free money meant a "free ride" for investors because the primary risk driving returns was the decline in the cost of capital combined with the constant addition of liquidity into the financial system. Excess liquidity increases the correlation among all assets and individual stocks. Warren Buffet communicated the idea by famously reminding investors that "a rising tide lifts all boats." That meant most assets provided attractive returns, stocks, bonds, real estate, private equity, private credit (doesn't matter which companies) all "rising."

The chart below shows that stock correlations rose from 40% in 2006 to 80% by 2012 and remained elevated until 2016. In 2017, the Federal Reserve attempted to slowly exit "free money," and stock correlations started to fall again, but the process was interrupted by the COVID crisis, when the Fed dropped interest rates to zero and the flooded the financial system with liquidity. So, correlations spiked again.

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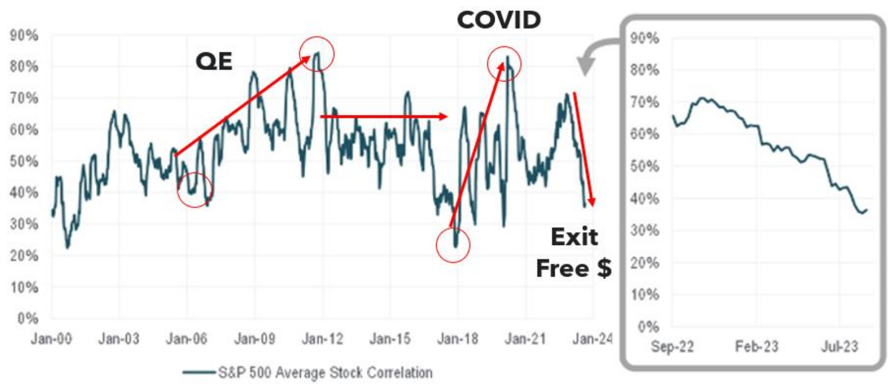
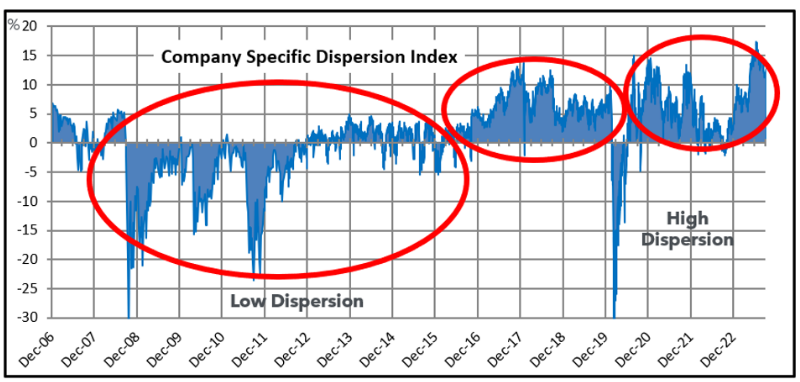
Exhibit 1. S&P Stock Correlations



Source: Bespoke Investment Group.

If we are exiting the era of free money, the tide is going out which may be a headwind for financial assets as well as drive down asset and company correlations. Lower correlations result in greater company specific dispersion which may create greater opportunity for active managers to add value over benchmarks.

Exhibit 2: Company Specific Dispersion



Source: CBOE / RMB Research Core.; Company specific dispersion within the S&P 500 Index; Data as of 9/30/23.

Of course, for active managers to add value, they must be on the right side of dispersion. Fortunately for our investors, we were on the right side of dispersion this quarter.

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Contributors and Detractors

Contributors benefited from better than expected company specific execution.

Pinnacle Financial Partners Inc. (PNFP) is a Nashville based bank with a footprint focused on the broader U.S. Southeast. The stock came under pressure earlier in the year on account of the deposit and asset duration driven bank panic. The bank reported a stronger second quarter, with deposit growth driving net interest income upside and expense discipline driving overall better than expected operating leverage. Given diminished expectations going into the quarter and a strong result and outlook, the stock outperformed.

Repligen Corp. (RGEN) is a pick and shovel supplier to the bioprocessing industry led by a skilled management team that focuses on bolt-on M&A and innovation to expand its addressable market and take market share. The entire bioprocessing space has been facing multiple headwinds including inventory de-stocking coming off of COVID-related demand, emerging biotechs conserving cash and prioritizing pipelines and uncertainty about demand in China. Management provided optimistic commentary that these headwinds are closer to the bottom and expects a return to more normal conditions in 4Q driving strong growth in 2024.

Old Dominion Freight Line Inc. (ODFL) is the best-in-class less-than-truckload (LTL) carrier in the U.S. It has a long track record of investing in capacity and providing the highest quality service (on-time delivery and free of cargo claims) to its clients for a premium price. Despite missing revenues this quarter, ODFL outperformed on the prospect of the changing competitive landscape. The bankruptcy of competitor YRCW will provide the company with opportunities to gain market share in the next cycle.

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THIRD QUARTER 2023 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Avg. Weight
Top Contributors		
Pinnacle Financial Partners Inc.	+37	2.77%
Diamondback Energy Inc.	+33	2.07%
Repligen Corp.	+28	2.67%
Old Dominion Freight Line Inc.	+26	2.49%
Fair Isaac Corp.	+24	3.74%
Bottom Detractors		
Monolithic Power Systems Inc.	-44	3.09%
Bio-Techne Corp.	-40	2.43%
Eagle Materials Inc.	-31	2.98%
PotlatchDeltic Corp.	-31	2.31%
Vail Resorts Inc.	-30	2.54%

Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. The above does not represent all holdings in the Strategy. Holdings listed might not have been held for the full period. To obtain a copy of RMB's calculation methodology and a list of all holdings with contribution analysis, please contact your service team. The data provided is supplemental. Please see important disclosures at the end of this document.

Detractors were on the wrong side of dispersion as company specific execution disappointed.

Monolithic Power Systems (MPWR) is a semiconductor company that specializes in providing small, highly energy efficient, easy to use power management solutions for electronic systems found everywhere, especially in the key end markets like EV (electric vehicles), AI (artificial intelligence), and industrial automation. The stock's underperformance during the quarter came after the stock's massive run YTD, which was driven by the stabilization of semi-industry fundamentals, AI hype, and MPWR's consistent beat and raise. Q3's underperformance was not idiosyncratic-driven, but more of profit taking, the cooldown of AI hype, and the general underperformance of expensive valuation stocks due to rising interest rate. We remain have high convictions that MPWR will continue to maintain the secular growth profile and beat the fade, despite the short-term factor risks that make the stock volatile.

Bio-Techne Corp. (TECH) has been weak due to similar headwinds facing bioprocessing peers including customer inventory de-stocking, slowing biotech funding and a slow-down in China. However, as highlighted at the recent Investor Day, we expect mid-teens revenue growth over the next five years that is not reflected in the current share price.

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Portfolio Activity

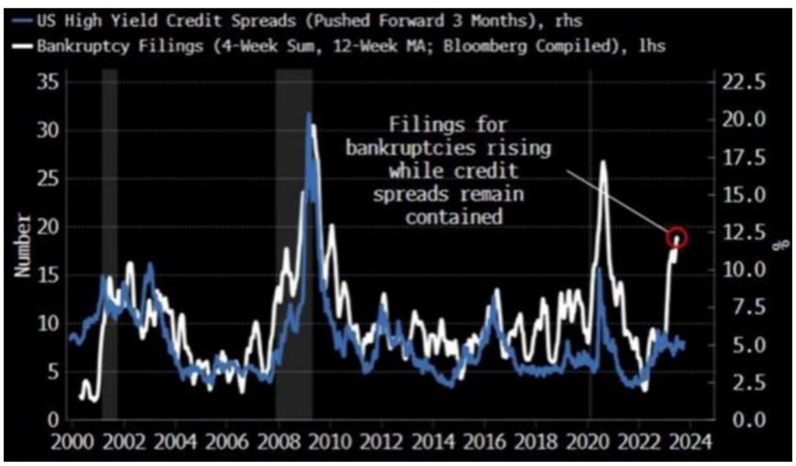
We are long-term owners of businesses. Therefore, turnover is typically low, but driven by opportunistic adds or trims. During the quarter the team made one add. We added to a bank because we believe there are some "babies thrown out with the bathwater" where investors may have mis-priced risk. We added to Stock Yards Bancorp Inc. (SYBT) where we believe the deposit risk fears are overblown since it is a relationship-based bank with solid and sticky banking relationships and has above average fee income. Therefore, SYBT is less dependent on net interest margin for cash flow.

Outlook

In last quarter's outlook, we discussed the potential mispricing of risk associated with years of free money, which has important potential implications for investors as we exit this period.

<u>Quality Counts more now:</u>
The corollary to Warren Buffet's "rising tide" is "when the tide goes out, it is easy to see who is naked". The tide is going out with tightening credit conditions and access to capital. Companies that maintain a conservative capital structure and disciplined capital allocation can continue to create value since their business models were never dependent on access to free money. However, the "naked" (low quality) companies with poorly developed business models, weaker competitive positions, poor balance sheets are starting to fall. The chart below shows the rising number of bankruptcies.

Exhibit 3. Credit Spreads are not Reflecting Real Economy



Source: Bloomberg.

It is interesting that credit spreads have yet to reflect this, which infers many lower quality companies are still mispriced with significant downside.

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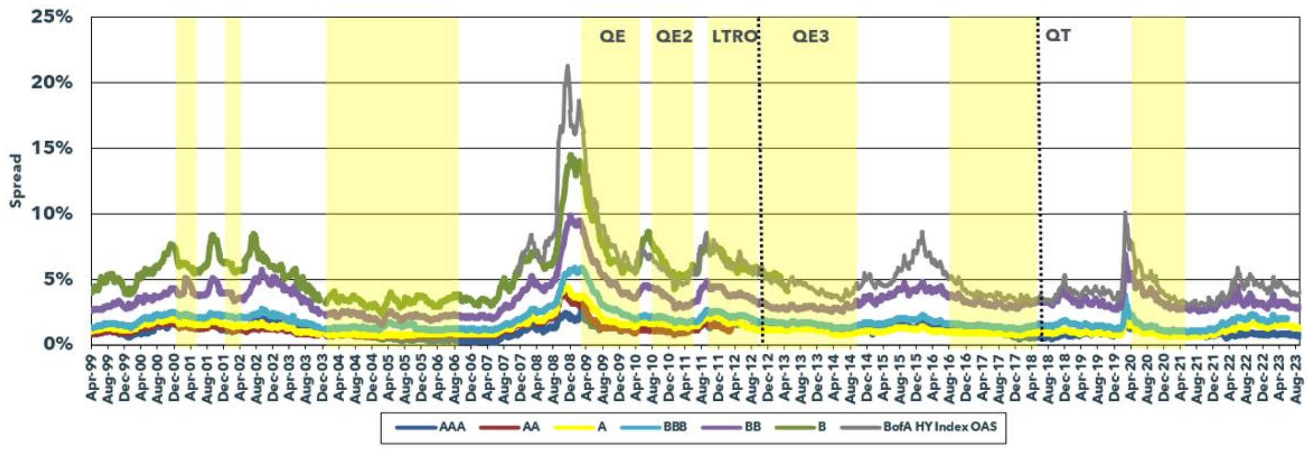
Exhibit 4. U.S. Corporate Bond Spreads Over Treasuries



Source: RMB Capital. Data as of September 30, 2023. Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. Yellow shaded areas indicate time periods when credit spreads were falling.

We recently spoke to a credit expert, who believes that 20% of the Russell 2000® companies may go bankrupt in the next credit cycle. The credit risk factor has not woken up yet, but it is significant in the Russell 2000® passive ETF (IWM).

Risk Control more important now:
Excess liquidity and negative real interest rates suppressed volatility increasing the risk of a Minsky moment as liquidity becomes scarcer and rates rise. A Minsky moment refers to how stability can sow the seeds of instability. We experienced a Minsky moment in the first quarter for the banking industry, with the sudden collapse of First Republic Bank (FRC) and SVB Financial Group (SIVB) where risk officers became too complacent about the duration and deposit risk in their portfolios. Duration risk slept during the era of free money, and when it woke up the industry was not prepared and needed emergency help from the Federal Reserve to stave off a massive run on U.S. banks. What risks are lurking in passive benchmarks? Interest rate risk woke up in the bond market where investors have experienced a negative total return over the last seven years.

The Bloomberg 20-year U.S. Treasury Index experienced a 49% decline since July 2020[1]. The historically low volatility "safe" investment in bonds was considered safe because it lacked credit risk. However, it ALWAYs has inflation risk, and because inflation was a non-issue for the past 20 years, investors who ignored that risk believing the investment was safe suffered the consequences of accepting unintended risk. Risk control is not backward-looking volatility, but rather it is clarity about forward looking risk you believe is mispriced in the valuation of the asset you own. Credit and liquidity risk are lurking within the Russell 2000®. Idiosyncratic risks (bubble risks) in the S&P 500 index, where 8 companies account for 87% of the benchmark's +13.07% YTD return. Without those 8 stocks the benchmark would be up only +1.67% for the year.

Investor clarity around intended risk is crucial as we exit a period of high correlation where everybody wins and enter a period of higher dispersion where there is a wider spread between winners and losers for both asset classes and individual companies. Winners will be intended risks that work out. Losers will be intended risks that don't work out, but what investors can't tolerate is UNINTENDED risks that don't work out where volatility goes from low to high. Good risk control is about making sure investors are positioned for clarity around intended risks and minimize unintended risks.

The intended risks in the Strategy are primarily company specific. We own what we believe to be the best stewards of capital skewed toward high management skill with a proven track record of capital allocation consistent with long-term value creation, low credit risk, relatively stable business models and greater liquidity. To control unintended risk the

[1] Source: FactSet, as of 9/30/23.

portfolio is diversified by sector and lifecycle within a +/- 5% risk tolerance. We cannot control systematic risk associated with a potential liquidity crisis from the Federal Reserve potentially "breaking something", but we will exploit opportunities that arise if that happens.

In last quarter's outlook we highlighted mispriced risks, contradictory signals in markets and skewed toward more caution. The process of re-pricing risk (specifically inflation risk) is starting to play out in the bond market. We believe credit risk is likely next. Time will tell whether inflation can fall to the Fed's target of 2%, whether the economy will have a soft, hard or no landing. Our portfolio construction risk control process is built for that uncertainty. We are comfortable with our current skew toward more caution (intended risk) but have a long list of buy candidates if a change in that view is warranted.

Our long-term outlook never wavers. By owning what we believe to be the best allocators of capital with skilled management teams that demonstrate knowledge building cultures, adaptability, and capital allocation consistent with long-term value creation, we believe we can own a portfolio of smaller companies that will grow to become larger companies, thereby providing our investors attractive long-term risk adjusted returns.

Thank you for your commitment to the Strategy.

Sincerely,

Chris Faber
Portfolio Manager

TOP TEN HOLDINGS AS OF 9/30/23

Company	% of Assets
Copart Inc.	4.57%
Fair Isaac Corp.	3.92%
Watsco Inc.	3.50%
West Pharmaceutical Services Inc.	3.33%
PTC Inc.	3.19%
Markel Group Inc.	3.12%
EastGroup Properties Inc.	3.02%
Avery Dennison Corp.	3.00%
Pinnacle Financial Partners Inc.	2.91%
Teledyne Technologies Inc.	2.88%

Holdings are subject to change. Past performance is not indicative of future results, and there is risk of loss of all or part of your investment. The data provided is supplemental. Please see disclosures at the end of this document.

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An investment cannot be made directly in an index. The index data assumes reinvestment of all income and does not bear fees, taxes, or transaction costs. The investment strategy and types of securities held by the comparison index may be substantially different from the investment strategy and types of securities held by the strategies. The benchmarks are shown for comparison purposes and are fully invested and include the reinvestment of income. The Russell 2000® is a subset of the Russell 3000® Index, representing about 8% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500® is a subset of the Russell 3000®, including approximately 2500 of the smallest securities based on their market cap and current index membership. The strategies include small- to mid-cap equity portfolios. The strategies may target investments in companies with relatively small market capitalizations (generally between $500 million and $10 billion at the time of initial purchase), that are undervalued as suggested by RMB Capital's proprietary economic return framework. The S&P 500 is widely regarded as the best single gauge of the United States equity market. It includes 500 leading companies in leading industries of the US economy. The S&P 500 focuses on the large cap segment of the market and covers approximately 75% of US equities. The Russell 2000® Value Index tracks the performance of companies with lower price-to-book ratios, which shows a company's market price relative to its balance sheet. The Russell 2000® Growth Index is a subset of companies with higher price-to-book ratios, or those expected to have higher growth values in the future.

Basis Point (bps): A unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

Correlation *is a statistic that measures the degree to which two securities move in relation to each other.*

Dispersion refers to the range of potential outcomes of investments based on historical volatility or returns.

RMB Asset Management

SMID Cap Core Composite // GIPS Report

Organization | RMB Capital Management, LLC ("RMB Capital") is an independent investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940 and established in 2005. The GIPS firm is defined as RMB Asset Management ("RMB AM"), a division of RMB Capital Management, LLC. Previously, the firm was defined as RMB Capital and was redefined on January 1, 2016 to only include the asset management business due to the difference in how its investment strategies and services are offered. RMB AM claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. RMB AM has been independently verified for the periods April 1, 2005 through December 31, 2020. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Description | The SMID Cap Core Strategy product reflects the performance of fully discretionary equity accounts, which have an investment objective of long-term growth that target investments in companies with relatively small market capitalizations (generally between $500 million and $10 billion at the time of initial purchase), that are undervalued as suggested by RMB Capital's proprietary economic return framework. For comparison purposes is measured against the Russell 2500® index. The inception date of the SMID Cap Composite is March 31, 2004 and the Composite was created on March 31, 2004. Valuations and returns are computed and stated in U.S. Dollars. Effective November 2021, Jeff Madden is no longer a portfolio manager for the strategy. There is no change to the strategy's investment process.

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ANNUAL PERFORMANCE RELATIVE TO STATED BENCHMARK

		Composite Assets		**Annual Performance Results**					
Year End	Total Firm Assets* as of 12/31 ($M)	USD ($M)	# of Accounts Managed	Composite Gross-of-Fees (%)	Composite Net-of-Fees (%)	Russell 2500® (%)	Composite 3-YR ST DEV (%)	Russell 2500® 3-YR ST DEV (%)	Composite Dispersion (%)
2022	5,228.66	137.04	<5	-20.11	-20.68	-18.37	24.06	25.16	0.18
2021	6,277.61	348.24	<5	29.37	28.50	18.18	20.05	22.48	0.44
2020	5,240.59	269.42	<5	25.78	24.88	19.99	21.75	24.21	0.00
2019	4,947.90	178.96	<5	32.61	31.50	27.77	13.52	14.58	0.98
2018	4,196.90	175.89	<5	-4.12	-4.91	-10.00	13.24	14.10	0.14
2017	3,610.61	310.59	5	14.68	13.67	16.81	10.64	12.14	0.28
2016	NA	448.67	9	13.33	12.33	17.59	12.04	13.67	0.23
2015	NA	775.77	9	0.07	-0.82	-2.90	11.47	12.42	0.21
2014	NA	994.30	8	4.74	3.81	7.07	11.03	11.67	0.28
2013	NA	1,712.59	16	32.46	31.30	36.80	15.06	15.63	0.15

**RMB Capital acquired the composite by combining with IronBridge Capital Management on June 24, 2017. Firm assets prior to 2017 are not presented as the composite was not part of the firm. RMB Capital acquired the composite by combining with IronBridge Capital Management on June 24, 2017. Composite performance prior to that date was achieved by IronBridge Capital Management.*

Fees | *The standard management fee is 0.90% of assets annually, which is also the highest applicable fee. Actual investment advisory fees incurred by clients may vary. Composite performance is presented on a gross-of-fees and net-of-fees basis and includes the reinvestment of all income. For periods prior to 2018, net returns are computed by subtracting the highest applicable fee (0.90% on an annual basis, or 0.075% monthly) on a monthly basis from the gross composite monthly return, and the resulting monthly net figures are compounded to calculate the annual net return. Beginning in 2018, net returns are reduced by actual management fees and transactions costs incurred. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the Composite the entire year. Prior to 2018, internal dispersion was calculated using the equal weighted standard deviation for the accounts in the Composite the entire year. Risk measures presented are calculated using gross-of-fees performance. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.*

Minimum Value Threshold | *The account minimum in the SMID Cap Core Composite is currently $2.0 million. Prior to January 1, 2015, the composite excluded portfolios under $5.0 million.*

Comparison with Market Indices | *RMB compares its Composite returns to a variety of market indices. These indices represent unmanaged portfolios whose characteristics differ from the Composite portfolios; however, they tend to represent the investment environment existing during the time period shown. The returns of the indices do not include any transaction costs, management fees, or other costs. Benchmark returns presented are not covered by the report of independent verifiers. The benchmark for the SMID Cap Core composite is the Russell 2500® Index, which for comparison purposes is fully invested and includes the reinvestment of income. The Russell 2500® is a subset of the Russell 3000®, including approximately 2500 of the smallest securities based on their market cap and current index membership. The index does not reflect investment management fees, brokerage commissions, or other expenses associated with investing in equity securities. You cannot invest directly in an index.*

Other | *Past performance is no guarantee of future performance. Historical rates of return may not be indicative of future rates of return. Individual client performance returns may be different than the composite returns listed. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. A list of Composite Descriptions and a list of Broad Distribution Pooled Funds are available upon request.*