Small Cap Focus

Portfolio Update: Fourth Quarter 2020

During the fourth quarter, the Small Cap Focus Composite (the "Strategy") increased +28.36%, net of fees, compared to a +31.37% increase for the Russell 2000 Index.

	3 Months	YTD	1 Year	Since Inception
Small Cap Focus (Gross)	+28.54%	+22.35%	+22.35%	+27.19%
Small Cap Focus (Net)	+28.36%	+21.68%	+21.68%	+26.52%
Russell 2000 Index	+31.37%	+19.96%	+19.96%	+22.71%

Inception date: December 31, 2018. Performance for periods of greater than one year is annualized. Data as of December 31, 2020.

The fourth quarter was the best quarter ever for small-cap companies. In our last quarterly update, we pointed out that "our research suggests smaller companies are attractively priced relative to larger companies by a magnitude not seen since 1999." But even we were surprised by the +31% increase in the Russell 2000 small-cap index.

Stocks were ignited by the approval of several COVID-19 vaccines during the quarter. Additionally, better than expected earnings, the passage of stimulus 2.0, and a promise by the Federal Reserve to continue QE and keep real interest rates negative for the foreseeable future provided fuel for another rally, benefitting higher risk assets, from the smallest of small caps to Bitcoin.

As a high-quality portfolio, the Strategy tends to lag in strong, risk-on markets, given the Strategy's lower beta, greater liquidity, and lower leverage. Additionally, keeping only 3.88% in cash created a 128 basis point headwind for the Strategy. The team offset some of these headwinds by adding to several quality cyclicals over the last several months. These actions helped the Strategy capture 91% of the record upside move this quarter. The Strategy performed in line with expectations, given it takes significantly less risk than the benchmark and captured 80% of the record decline in the first quarter.

Small Cap Focus
FOURTH QUARTER 2020 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
Seacoast Banking Corp. of Florida	+185	+63.34%
Brink's Co.	+171	+75.75%
Visteon Corp.	+171	+81.38%
Omnicell Inc.	+159	+60.76%
Repligen Corp.	+134	+29.95%
Bottom Detractors		
Neogen Corp.	-7	+1.36%
Columbia Sportswear Co.	-7	+0.46%
Aspen Technology Inc.	+3	+2.89%
West Pharmaceutical Services Inc.	+15	+3.11%
Guidewire Software Inc.	+32	+23.48%

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.

Contributors and Detractors

One of the benefits of being a core portfolio is access to a wider opportunity set across both "growth" and "value" stocks. This quarter "value" stocks represented by Seacoast Banking Corp. of Florida (SBCF), Brink's Co. (BCO), and Visteon Corp. (VC), started to contribute excess return to the portfolio. Seacoast increased +63.34%. SBCF is a Florida-focused bank that has reinvented itself following the global financial crisis. It sharpened its credit culture by getting more diversified, and invested in data, analytics, and technology to better serve existing customers, while also improving customer acquisition flow. Brinks benefitted from a much better than expected quarter as well as an anticipated economic recovery. Visteon also delivered better than expected quarterly results and the market is beginning to get very excited by its multiple product design wins for electronic vehicles. On the growthier side of the corporate lifecycle, our healthcare holdings continued to power through.

Our healthcare holdings had a stellar year contributing 488 basis points of excess return for the year and have been consistent contributors all year, including this quarter, with Repligen Corp. (RGEN, +29.95%) and Omnicell Inc. (OMCL, +60.76%). Repligen is a manufacturer of Protein A to purify biologic drugs. Its proprietary Alternative Tangental Flow System increases biologic yield. It became a monopoly when it acquired Novozym and is benefitting from and enabling the revolution in biotech drug discovery. Omnicell's technology minimizes mistakes associated with mis-dosing. Its new product, gen XT, is taking market share and its next generation XR2 offers a fully automated robotic drug dispensing solution. OMCL reported significant increases in customer wins and bookings, driving strong share price performance this quarter.

There were not really many detractors of significance. Columbia Sportswear Co. (COLM, +0.46%) and Neogen (+1.36%) are higher quality lower risk companies that delivered solid results but didn't really participate in the "risk-on" market.

Portfolio Activity

Most of the portfolio activity during the quarter related to risk control trims to reallocate from growth to value to get the portfolio more balanced. We took trims in growthier companies like Digimarc Corp. (DMRC) and Repligen and added to Visteon, American Financial Group Inc. (AFG), Eagle Materials Inc. (EXP), Watsco Inc. (WSO) and STORE Capital Corp. (STOR). We sold CVB Financial Corp. (CVBF), a defensive bank, and added to Investors Bancorp Inc. (ISBC), a more cyclical bank. We harvested big $14B portfolio winner to fund smaller new value names in the portfolio. These modest portfolio adjustments positioned the Strategy to be less overweight growth relative to value.

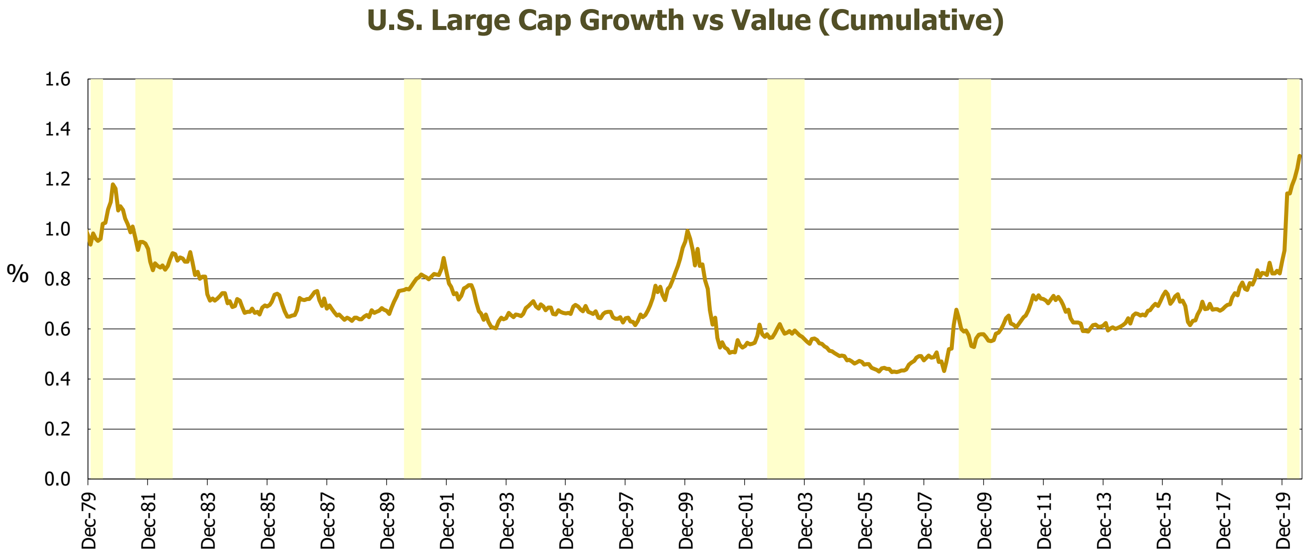
Outlook

Two of the biggest investor uncertainties, vaccine availability and election outcomes, are now known. These two milestones potentially bode well for small caps and value stocks, which we believe have not been popular with investors. Small caps typically outperform in early cycle bull markets, particularly when the government is applying both monetary and fiscal stimulus.

With a vaccine roll-out currently under way, the economy is pulling out of recession and returning to growth. A Democratic blue wave increases the odds of more fiscal stimulus as it relates to state bailouts, more stimulus checks, infrastructure spending, green energy spending, and other job creating government spending programs. The Federal Reserve has made it clear that they plan to continue to keep rates low, even if inflation accelerates above 2%.

Today, investors remain crowded into mega cap growth strategies. At one point this year, Apple's market cap exceeded the value of the entire Russell 2000. Valuations for favored growth names have moved into the stratosphere, as investors seek exposure to thematic baskets of unresearched stocks via purchases of ETF's. As investors that have been in the market for multiple cycles, we see signs of bubbles created by excess liquidity from the Federal Reserve, in the behavior of Robinhood and Bitcoin traders, the return of the SPAC's and recent IPO valuations and frequency. We see risk in the large-cap growth sector of the market, but there may be opportunity where very few are looking in terms of the smaller cap value part of the market.

As a small-cap core strategy, we try to balance the portfolio between value and growth companies. . We do not prefer which category leads the market in the shorter term because we believe there are opportunities in both over the longer term. As the chart below shows, "Growth" vs. "Value" can be quite volatile, requiring exquisite skill in the timing of re-balancing. The RMB Small Cap Focus portfolio structure minimized the requirement for timing and provided smoother performance over time. Those who allocate between growth and value will need to do some serious soul searching as to whether its time re-allocate from a decade's worth of winners (growth) to a decade's worth of losers (value). We believe our approach helps our investors to own great businesses at favorable prices in both camps, lessening the requirement to make the tough decision around timing a re-allocation.



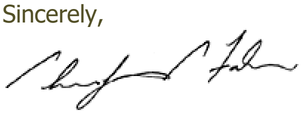
Source: RMB Research Core; Note: areas shaded in yellow denote recessions

That being said, what does keep us up at night, as we peer into 2021, is the possibility that what is good for the economy may turn out to be bad for stocks and bonds. Why? Stocks are valued at extreme levels on any measure except when compared against bond yields. Bulls justify today's lofty valuations by pointing out that interest rates are near zero. As students and prolific users of discounted cash flow valuation, the point is well taken. Low interest rates justify higher valuations (P/E's). It is simple math. So, the biggest risk we see to the markets, given higher growth expectations (potentially above 5% GDP), is an unforeseen increase in the 10-year treasury (currently ~1%), pressuring valuations (lower P/E's). In other words, strong economic growth could drive higher inflation and ultimately higher interest rates, resulting in lower P/E's and stock prices. The team has dusted off its inflation playbook and has been gradually adding to inflation beneficiaries among our Material and REIT holdings.

If a good economy turns out to be bad for stocks, downside protection/risk control (which index-linked products do not offer), will be critical for savvy investors. As always, the companies we invest in demonstrate high managerial skill in capital allocation, which creates value for customers, employees, communities, and shareholders.

Thank you for your commitment to the Strategy. Should you have any questions regarding your investment, please do not hesitate to reach out to us.

Sincerely,



Chris Faber
Portfolio Manager

Small Cap Focus

TOP FIVE HOLDINGS AS OF 12/31/20	
Company	**% of Assets**
Monolithic Power Systems Inc.	3.67%
Seacoast Banking Corp. of Florida	3.64%
Pool Corp.	3.56%
Catalent Inc.	3.41%
Fair Isaac Corp.	3.38%

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.

Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. The opinions and analyses expressed in this letter are based on RMB Capital Management, LLC's ("RMB Capital") research and professional experience, and are expressed as of the date of our mailing of this letter. Certain information expressed represents an assessment at a specific point in time and is not intended to be a forecast or guarantee of future performance, nor is it intended to speak to any future time periods. RMB Capital makes no warranty or representation, express or implied, nor does RMB Capital accept any liability, with respect to the information and data set forth herein, and RMB Capital specifically disclaims any duty to update any of the information and data contained in this letter. The information and data in this letter does not constitute legal, tax, accounting, investment, or other professional advice. The information provided in this letter should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in the Strategy at the time you receive this letter or that securities sold have not been repurchased. The securities discussed do not represent the entire Strategy and in the aggregate may represent only a small percentage of their holdings. It should not be assumed that any securities transaction or holding discussed was or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. A complete list of security recommendations made during the past 12 months is available upon request. An investment cannot be made directly in an index. The index data assumes reinvestment of all income and does not account for 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 your account. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 2000 of the smallest U.S. equity securities in the Russell 3000 Index, based on a combination of market capitalization and current index membership. The Russell 2000 Index represents approximately 10% of the total market capitalization of the Russell 3000 Index. High-quality stocks are those that we believe offer greater reliability and less risk. The quality assessment is made based on a combination of soft (e.g., management credibility) and hard (e.g., balance sheet stability) criteria.

Small Cap Focus

RMB Asset Management

Small Cap Focus Composite // Annual Disclosure Presentation

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 period April 1, 2005 through December 31, 2019. Verification assesses whether: (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis; and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Description | The Small Cap Focus Strategy reflects the performance of fully discretionary fee-paying equity accounts, which have an investment objective of long-term growth using a portfolio of primarily small-cap stocks and for comparison purposes is measured against the Russell 2000 index. The inception date of the Small Cap Focus Composite is December 31, 2018. The composite includes small cap equity portfolios invested in undervalued companies as suggested by RMB Capital's proprietary economic return framework, with relatively small market capitalizations (generally under $2.5 billion at the time of initial purchase) and with both growth and value attributes. The composite excludes portfolios that have client-driven restrictions that hinder the investment strategy. An account is included in the Composite on the first day of the first full month following becoming fully invested. An account is removed from the Composite as of the last day of its last full month. Account performance is based on total assets in the account, including cash and cash equivalents. Results are based on fully discretionary accounts under management, including those accounts no longer managed by RMB. Valuations and returns are computed and stated in U.S. Dollars.

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 2000 (%)	Composite 3-YR ST DEV (%)	Russell 2000 3-YR ST DEV (%)	Composite Dispersion (%)
2019	4,947.9	97.96	253	32.23	31.57	25.52	N/A	N/A	0.79
2018	4,196.9	--	--	--	--	-11.01	N/A	N/A	N/A

Fees | *The standard management fee is 0.500% of assets on the first $1.0 million, 0.500% on the next $2.0 million, 0.475% on the next $2.0 million, 0.450% on the next $5.0 million, 0.425% on the next $15.0 million, and 0.400% over $25.0 million. Composite performance is presented on a gross-of-fees and net-of-fees basis and includes the reinvestment of all income. The net returns are reduced by all actual fees and transactions costs incurred. The percent of non-fee paying assets in the composite as of December 31, 2018 was 0%. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the Composite the entire year. Risk measures presented are calculated using gross-of-fees performance. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.*

Minimum Value Threshold | *There is no account minimum in the Small Cap Focus Composite.*

Comparison with Market Indices | *RMB compares its Composite returns to a variety of market indices such as the Russell 3000 and the S&P 500. 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 Small Cap Core Equity composite is the Russell 2000 Index, which for comparison purposes is fully invested and includes 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 2000 index is an unmanaged index that is designed to measure the small cap segment of the U.S. equity universe. 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 that the composite returns listed.*