U.S. Alpha

Portfolio Update: Second Quarter 2021

During the second quarter, the U.S. Alpha Equity strategy (the "Strategy") increased +14.08% gross of fees (+13.94% net of fees), outperforming the +8.24% return of the Russell 3000 Index.

	3 Months	YTD	1 Year	3 Years	5 Years	Since Inception (Annualized)
U.S. Alpha (Gross)	+14.08%	+17.48%	+43.61%	+22.84%	+21.56%	+17.85%
U.S. Alpha (Net)	+13.94%	+17.20%	+43.00%	+22.51%	+21.08%	+17.26%
Russell 3000 Index	+8.24%	+15.11%	+44.16%	+18.73%	+17.89%	+14.21%

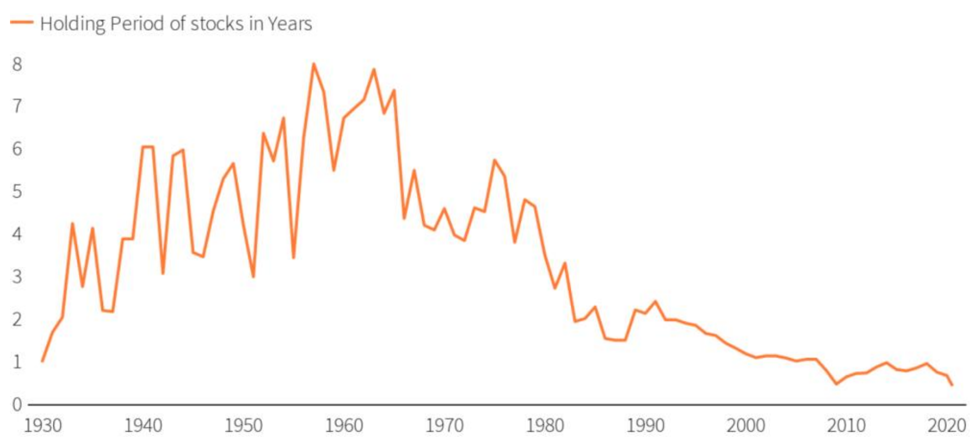
Inception date: December 31, 2014. Please see important disclosures at the end of this document. Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. All data is as of March 31, 2021.

From a traditional attribution perspective, stock selection drove the majority of excess return led by holdings in the Healthcare, Communication Services, Industrials, Financials, and Consumer Discretionary. The two sectors of slight detraction were from Information Technology and Materials. The goal of the Strategy is long-term growth of capital, and from that perspective, we feel good about the strong absolute returns delivered during the second quarter and first half of the year.

In the Q2 2019 letter, we observed that passive investments such as index funds and exchange-traded funds control roughly 60% of the equity assets, while quantitative funds, those which rely on trend-following models instead of fundamental research from humans (active), now account for 20%. As such, the minority of the market share is now active. Moreover, the rapid adoption of retail trading apps (e.g. Robinhood) combined with social media platforms, especially Reddit, have distorted active price discovery and ignited a meme-stock mania headlined by GameStop (+1,037%) and AMC (+2,574%)[1].

Robinhood's IPO registration reveals the company makes the majority of its money in the form of payment for order flow, which is getting paid to route users' trades to market makers for execution. The company makes more money the more users transact. Commission free trading, passive investments, and quantitative funds, along with other factors such as stimulus checks, have contributed to an all-time low holding period for equity investors:

Exhibit 1. Shrinking Times



Note: Holding periods measured by value of stocks divided by turnover
Source: NYSE, Refinitiv

[1] GameStop Corp. (GME) and AMC Entertainment Holdings Inc. (AMC) YTD returns as of 6/30/21.

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As buy-and-hold investors, we welcome being in the minority. Jeff Bezos reflects in his final letter to shareholders, "The world wants you to be typical – in a thousand ways, it pulls at you. Don't let it happen." The Strategy goes against the grain in many ways, including the principle of investing with a long-term owner's mindset and exploiting short-term renters (See Commitment to Our Investors).

Contributors and Detractors

Our top performer the quarter was Alphabet Inc. (GOOGL, "Alphabet", +18.39%)—the world's leading search engine and one of the top internet destinations, delivering relevant advertising on its own site and on its network of third-party websites. The company, led by Search and YouTube, beat consensus. We continue to believe growth prospects remain solid in the long-term, given the firm's formidable network effect and massive digital advertising total addressable market, which remains at low penetration rates. Also, a margin of safety is provided with a sum-of-the-parts analysis beyond the search platform, including YouTube (which we estimate to be worth up to $200 billion) and "other bets," such as Waymo—a leader in autonomous driving cars—and a roughly $120 billion cash position.

Microsoft Corp. (MSFT, "Microsoft", +15.17%), best known for its Windows operating system, was the second-biggest contributor, and is a productivity software powerhouse that has made the move to the cloud (Azure) and more of a subscription-based revenue model. Under the leadership of CEO Satya Nadella, the culture of the company has been reset. Nadella elaborated in the 2020 letter to shareholders, "We fundamentally believe we need a culture founded on a growth mindset. It starts with a belief that everyone can grow and develop; that potential is nurtured, not predetermined; and that anyone can change their mindset." The high managerial skill of Nadella and renewal of a knowledge-building culture are paying off, as the company delivered strong organic growth in the quarter, headlined by Azure, which grew 46% year-over-year, and we believe is well positioned for explosive growth in the future.

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SECOND QUARTER 2021 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
Alphabet Inc.	+156	+18.39%
Microsoft Corp.	+126	+15.17%
IDEXX Laboratories Inc.	+121	+29.08%
West Pharmaceutical Services Inc.	+105	+27.50%
Bio-Techne Corp.	+100	+18.00%
Bottom Detractors		
Ecolab Inc.	-12	-3.56%
Union Pacific Corp.	+1	+0.28%
Teledyne Technologies Inc.	+4	+1.27%
Fair Isaac Corp.	+17	+3.44%
Amphenol Corp.	+19	+3.94%

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.

Ecolab Inc. ("Ecolab", -3.56%), a best-in-class specialty cleaning chemical company with a heavy focus on customer service, was the Strategy's biggest detractor. The company reported negative organic growth, which management attributes to the European lockdown and Texas freeze. We expect a reversal in organic growth, especially in 2022, with state re-openings and the vaccine rollout. Although Ecolab has "staple" characteristics, it is truly a science-based company, with a Vitality Index of 30% (sales from products introduced in the prior five years), 1,600 people in the Research & Development organization, and 8,200 patents.

Fair Isaac Corp. (FICO, +3.44%), a financial technology software company, was the Strategy's third-biggest detractor. Although the Scores segment delivered robust results, the Software segment disappointed for what we believe are transitory factors. We remain bullish on the company given its powerful network effect and intangible assets. The company has acquired a lot of proprietary data over decades, which cannot be easily duplicated. With the massive technology leaps with big data, computing power, the cloud, and artificial intelligence, FICO has been undergoing an "innovation renaissance" over the last decade. Positioned as a natural monopoly, it is empowering organizations to automate, improve, and connect credit decisions across their business.

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Portfolio Activity

Rather than chasing stocks, our goal is to patiently wait for the stock market to provide an opportunity to buy at a discount to our estimated warranted value. Mechanistic selling of growth stocks in the quarter gave us the opportunity to increase our position in ROKU Inc., a leading developer of smart TV operating systems (OSs) and streaming players, and a leading platform for streaming content consumption, distribution, and monetization. We are impressed by the track record of founder and CEO, Anthony Wood, and his strategy to position the company to thrive in the mega-secular shift to Internet TV as a digital network effect business model. The company delivered bullish quarterly results and guidance that catapulted the stock to near all-time highs, and we captured a +61% return from the buy point in the quarter.

Outlook

As previously communicated, we expect higher dispersion of individual stock returns in the COVID-19 era with advantage going to firms with the highest managerial skill, knowledge-building cultures, and distinct adaptable capabilities, who will be opportunistic while their competitors are fighting to survive.

My Journal of Wealth Management article (Fall, 2019), "The World has Changed: Investing in the New Economy," highlights how a transition to a much faster pace of change in the New Economy restructures how value is created, and requires a different mindset for investment analysis:

> *To identify companies of high intangible value in the New Economy requires new thinking about what drives value creation in general—and alpha in particular. And a useful blueprint focuses on three components: managerial skill, knowledge-building culture, and distinct, adaptable capabilities, which are mutually reinforcing and, over the long term, can result in cash flows that exceed investor expectations, thereby generating alpha as summarized in Exhibit 5.*

Exhibit 5 – Drivers of Alpha[2]

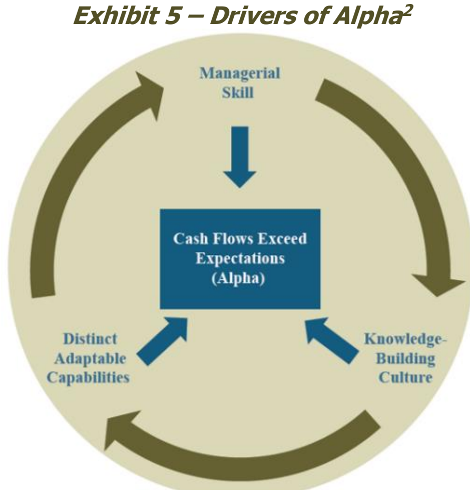

Exhibit 5 is about cause and effect. High managerial skill, knowledge-building culture, and adaptable capabilities drive long-term performance, especially in the current environment. These attributes are interrelated, and not easily quantified for spreadsheet analysis. Firms that we rank high for these attributes tend to have: low debt; business models that service less cyclical end markets (or create new markets); persistent levels of economic returns and long-term asset reinvestment above

[2] Madden, Jeffrey B. "The World has Changed: Investing in the New Economy." *Journal of Wealth Management* Vol. 2, No. 22, Fall 2019.

their competitors and the macro economy; and hard-to-quantify intangible assets. These intangibles are commonly expensed by GAAP accounting (e.g. Research & Development) and, consequently, these firms appear "expensive" by traditional valuation metrics.

The U.S. economy continued its dramatic recovery in the first half of 2021 as the vaccine rollout has proven more swift and effective than most anticipated. And Corporate America continues to be remarkably resilient. But the range of outcomes for the economy and stock market is wide. Most conventional metrics suggest equities are expensive relative to their own histories as the stock market is pricing in a lot of good news; we expect stock market returns to be more modest through the course of the year with likely higher volatility. With that being said, this is a complex problem and there remains a wide range of outcomes that are impossible to forecast. We see three basic scenario outcomes going forward: Bull, Base, and Bear.

In the Bull case, long-term COVID-19 infection rates stay low in the U.S. and pent-up consumption is underestimated. As global vaccination programs catch up to the U.S., infection and mortality rates will continue to fall around the world, bolstering a global economic recovery. The science continues to surprise on the upside and mitigates COVID-19 to a manageable, seasonal virus similar to influenza. The Fed remains dovish and Congress overshoots the demand shock with unprecedented fiscal stimulus. Unemployment continues to reverse and demand is pulled forward, as trillions of fiscal stimulus, along with 0% interest rates, create a booming economy and a bull market anticipates this well in advance. Also, corporate and capital gains tax rates remain unchanged.

In the Base case, COVID-19 infection rates decline slowly in the U.S. Although COVID-19 continues to mutate, vaccine development, treatment and testing continues to advance and makes this pathogen manageable for the world. Despite elevated stock market valuations, a slow but steady recovery for the economy unfolds and the stock market grinds higher, supported by continued adaptability of Corporate America and unprecedented monetary and fiscal stimulus. But the backstop is more measured as the thin Democratic majority is forced to compromise.

The Bear case is a low-probability, high-severity scenario where COVID-19 mutates enough to reduce vaccine efficacy and virus infection rates remain stubbornly high. A positive feedback loop is induced, which creates a myriad of bad possible outcomes, such as a cascade of debt defaults and increased systemic risk. The Fed backstop is not enough and Biden, with control of Congress, is aggressive with corporate and capital gains tax increases to pay for the fiscal stimulus – deficit spending was 17% of US GDP last year and forecasted to be 19% in 2021. Although we do not expect a boom-bust cycle of the same magnitude of the late 1990's and early 2000's, as the pandemic is increasing New Economy adoption curves at exponential speed, we do see increasing pockets of exuberance, as the financial markets are in overdrive, led by retail trading or renting of stocks as opposed to long-term ownership of businesses.

With each of these scenarios, we believe there is a cost of much higher government deficit and excess money supply in the hands of consumers and private businesses, which will likely increase the risk of inflation in the long run. This is especially true if an addiction to fiscal stimulus emerges, given its direct positive near-term effects. Inflation appears to be the likely option for various major economies that are running record budget deficits and holding unprecedented levels of debt, relative to GDP/government income. On the other hand, many modern monetary theorists depart from conventional economic theory, and believe that federal deficits and debt are irrelevant - we are skeptical.

In June, the Fed cited "transitory inflation" and moved to a slightly more hawkish stance, foreshadowing the inevitable pivot from quantitative easing (QE) to quantitative tightening (QT) and our expectations for even higher dispersion of individual stock returns. Higher dispersion is helpful for investors who are able to select undervalued (attractive risk-reward) stocks due to distinct company-specific reasons (i.e., not factor or systematic risk). Dispersion is at the 92nd percentile relative to the past decade.[3]

[3] Source: Factset; Company specific dispersion within the S&P 500 Index; Data as of 6/30/21.

We welcome higher dispersion and continue to believe the current environment is well suited for the Strategy. As a byproduct of our high-quality focus, we avoid speculative credit and low-liquidity risk companies. While this proved to be a headwind for high-quality managers during QE, we believe the reverse will be true during QT. We are positioned to exploit increased volatility in the near term and anticipate our concentrated portfolio of high-quality businesses to continue to generate above-market returns over the long term.

Commitment to Our Investors

It has taken us much time and thoughtful evaluation from lessons learned over 20 years of investing to arrive at the following principles:

- Invest with a long-term owner's mindset and exploit short-term renters
- Focus on causation—high managerial skill, knowledge-building cultures, and distinct, adaptable capabilities
- Employ an economic return framework to minimize accounting distortions and convert analysis of intangible assets into long-term cash flow forecasts
- Require twice the upside versus downside for all investments
- Eschew the tyranny of benchmarks in favor of a concentrated portfolio of our highest-conviction investments
- Focus on the investment process, not the outcome
- Invest a significant portion of personal capital alongside our clients

We have been and will continue to be unwavering in applying these principles. Finally, I encourage investors in the Strategy, and those intellectually curious, to read the previously noted *Journal of Wealth Management* article, "The World has Changed: Investing in the New Economy," to better understand the investment philosophy of the Strategy.

Sincerely,

Jeffrey B. Madden

Jeffrey B. Madden
SVP, Portfolio Manager

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TOP FIVE HOLDINGS AS OF 6/30/21	
Company	**% of Assets**
Alphabet Inc.	8.58%
Microsoft Corp.	8.25%
Amazon.com Inc.	7.39%
First Republic Bank	6.29%
Bio-Techne Corp.	5.82%

Holdings are subject to change. Portfolio characteristics are intended to provide a general view of the entire portfolio, or Index, at a certain point in time. Characteristics are calculated using information obtained from various data sources. Past performance is not indicative of future results, and there is a 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 3000 measures the performance of the largest 3000 U.S. companies, representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually. The S&P 500 focuses on the large-cap segment of the market and covers approximately 75% of U.S. equities. High-quality investing is an investment strategy based on a set of clearly defined fundamental criteria that seeks to identify companies with outstanding quality characteristics. The quality assessment is made based on soft (e.g., management credibility) and hard criteria (e.g., balance-sheet stability).

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RMB Asset Management

U.S. Alpha 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 periods April 1, 2005 through December 31, 2019. 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 U.S. Alpha Strategy product reflects the performance of fully discretionary fee-paying equity accounts, consists of all portfolios invested in our concentrated, all-cap equity strategy that seeks long-term growth of capital. The strategy invests in the equities of high-quality U.S. companies across the market capitalization spectrum, employing intensive fundamental and qualitative analysis to identify investment opportunities among companies with long-term track records of wealth creation and attractive valuations. Portfolios within this composite typically invest in 20-30 companies. For comparison purposes is measured against the Russell 3000 index. The inception date of the composite is December 31, 2014. The composite was created on January 21, 2016. 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 3000 (%)	Composite 3-YR ST DEV (%)	Russell 3000 3-YR ST DEV (%)	Composite Dispersion (%)
2020	5,240.59	11.17	8	31.84	30.61	20.89	17.28	19.41	0.19
2019	4,947.90	8.85	5	26.03	24.85	31.02	11.23	12.21	0.13
2018	4,196.90	7.21	<5	3.36	2.33	-5.24	10.80	11.18	0.08
2017	3,610.61	6.73	<5	23.75	22.72	21.13	10.76	11.90	N/A
2016	NA	2.69	<5	8.50	7.58	12.73	N/A	N/A	N/A
2015	NA	1.66	<5	7.33	6.43	0.48	N/A	N/A	N/A

**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.*

***Fees** | The standard management fee is 1.00% on the first $250,000, 1.00% on the next $750,000, 0.95% on the next $2 million, 0.90% on the next $2 million, 0.80% on the next $5 million, and 0.75% on the next $15 million. 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. Net returns are computed by subtracting the highest applicable fee (1.00% on an annual basis) on a quarterly basis from the gross composite quarterly return, and the resulting quarterly net figures are compounded to calculate the annual net return. 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 U.S. Alpha composite is currently $500 thousand.*

***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 U.S. Alpha Equity composite is the Russell 3000® Index, which for comparison purposes is fully invested and includes the reinvestment of income. The index consists of the 3000 largest publicly listed U.S. companies, representing about 98% of the U.S. equity market. 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. 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.*