Equity Income

Portfolio Update: Fourth Quarter 2022

During the fourth quarter ending December 31, 2022, the Equity Income Composite (the "strategy") returned +13.30%, gross of fees (+13.14%, net of fees), compared to a +12.42% return for the Russell 1000® Value Index.

	3 Months	YTD	1 Year	Since Inception
Equity Income (Gross)	+13.30%	+2.38%	+2.38%	+2.38%
Equity Income (Net of IM fees)	+13.14%	+1.87%	+1.87%	+1.87%
Equity Income (Net of IM & WM Fees)	+12.86%	+0.85%	+0.85%	+0.85%
Russell 1000® Value Index	+12.42%	-7.54%	-7.54%	-7.54%

Inception date: December 31, 2021. Performance for periods of greater than one year is annualized. 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 December 31, 2022. Investment management (IM) fees are charged for managed investment accounts, is intended to compensate the portfolio managers for their time and expertise for selecting investments and managing the specific strategy as well as other items, such as investor relations expenses and the administration costs. Wealth management (WM) fees are charged to cover the construction and management of a portfolio and the holistic wealth management services that a client has chosen beyond their investments including, but are not limited to, estate planning, tax strategies (and related services), risk management, financial planning, retirement planning, investment advice, and insurance/banking oversight services. These fees vary by client and for this presentation the highest possible wealth management fees has been applied in these calculations.

Easing inflation, falling interest rates, and resilient corporate profits drove a broad rebound in stocks during the fourth quarter. Value stocks continued to outperform growth stocks, as they have done all year, with the Russell 1000® Value returning +12.42% compared to just +2.20% for the Russell 1000® Growth Index. Our holdings in Healthcare, Technology, and Communications Services drove the excess return in a rising market, highlighting the benefits of diversification within the strategy.

For the full year of 2022, the Strategy returned +2.38% (gross of fees), compared to -7.54% for the Russell 1000® Value, outperforming by 992bps. Contribution to excess return was broad, with particular strength from our holdings in Healthcare, Technology, Industrials, Energy, Real Estate, and Financials. Positive absolute return in 2022 was rare from any asset class, and certainly from long-only equity strategies. According to the Wall Street Journal[1], less than 3% of actively managed mutual funds in its survey of top-performing stock managers wrapped up 2022 in positive territory, which puts this strategy off to a great start.

Contributors and Detractors

The largest contributor to total return and excess return this quarter was Chevron Corp. (CVX). In addition, CVX was the largest contributor for the full year, contributing 278 basis points to the return of the Strategy. Chevron is one of the largest integrated oil and gas companies in the world. Investors flocked to energy shares all year, enticed by the industry's newfound capital discipline, attractive dividend yields, and earnings growth. Chevron's focus on profitability, cash flow and disciplined capital spending significantly overdelivered in 2022 relative to analyst and market expectations. Since the beginning of the year, analyst estimates for Chevron's 2022 earnings increased by over 80%, from $10.54/share to $19.15/share. In a challenging environment for earnings growth, energy names were a clear standout in 2022.

The next largest contributor was Merck & Co. Inc. (MRK), a global pharmaceutical company. Sales of Keytruda, an antibody used in immunotherapy to treat several types of cancer, continued to grow more than 25%, despite already being Merck's largest drug at ~$21Billion of sales in 2022 alone. Growth in Gardasil (HPV vaccine, up 15% YoY to ~$7B annually in 2022) was also very strong. We believe the underlying momentum in Merck's business will carry into 2023, given the additional

[1] www.wsj.com/articles/top-stock-market-fund-managers-of-2022

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indications and geographic expansion of Keytruda, low penetration of Gardasil, and prospects for pipeline drugs like Sotatercept to hit further milestones.

On the negative side, M&T Bank Corp. (MTB) shares were lower, as the company struggled to anticipate the impact this unprecedented hiking cycle would have on balance sheet trends. The rising rate environment has been less beneficial to M&T than expected, but the bank has a conservative credit culture, a strong balance sheet, and after the recent merger with People's United Bank, has the leading Eastern U.S. regional franchise behind Bank of America. We are confident that these attributes position the bank very well to both withstand the shocks of a deteriorating credit environment and to grow as the economy recovers.

CME Group Inc. (CME) reported a better-than-expected quarter, but softer volumes over the course of the quarter created uncertainty about how long volatility-related tailwinds would persist for the company. CME tends to be counter-cyclical, so underperformance in a rising equity market and declining volatility is consistent with our expectations. Longer term, CME enjoys very high barriers to entry and scale advantages that support an impressive dividend, which last year totaled $8.50/share, or 5.1% of the closing price for the year.

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FOURTH QUARTER 2022 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Average Weight
Top Contributors		
Chevron Corp.	+168	6.31%
Merck & Co. Inc.	+156	5.83%
JPMorgan Chase & Co.	+153	5.74%
Gilead Sciences Inc.	+114	3.39%
Raytheon Technologies Corp.	+101	4.61%
Bottom Detractors		
M&T Bank Corp.	-52	2.91%
CME Group Inc.	-9	4.08%
Watsco Inc.	-7	4.20%
Advance Auto Parts Inc.	-4	3.07%
Barrick Gold Corp.	-1	0.66%

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.

Portfolio Activity

While we don't target a specific turnover level, we believe turnover will typically be low, but healthy, at about 15-35% annually. During the quarter, we sold three stocks: STORE Capital Corp. (STOR), Patterson Companies Inc. (PDCO), Barrick Gold Corp. (GOLD). We bought two new stocks: Federal Realty Investment Trust (FRT) and International Flavors & Fragrances Inc. (IFF).

As discussed last quarter, STORE Capital is a Real Estate Investment Trust (REIT) that has agreed to be acquired at a 15% premium to the Net Asset Value (NAV) of its properties and a 20% premium to the prior day's close. With the shares trading close to the acquisition price, we recycled that capital into another high-quality REIT. Federal Realty Trust is a best-in-class shopping center REIT that focuses on grocery-anchored strip centers in dense, high-income areas. It has a reliable dividend (55 years of consecutive growth) and an experienced management team. Like most REITs, FRT shares have been punished by the challenging rate environment. However, we believe FRT will continue to invest and curate high quality, well-located retail assets. We believe these quality assets will attract robust tenant demand, while leading to elevated occupancy and strong pricing power in the form of rising rents.

International Flavors and Fragrances (IFF) is a global leader in the manufacture of ingredients used across a broad spectrum of markets, including food & beverage, home & personal care, and health & wellness. After the 2021 merger with the Nutrition & Biosciences subsidiary of DuPont, a new leadership team has taken a more robust approach to capital investments and debt reduction that we believe will drive improvement in the company's margins and return on capital while also de-risking the balance sheet in coming years.

Income during the quarter included regular dividends from every stock that was held in the portfolio for the duration of the quarter. Year-over-year, these dividends increased for 22 of the 25 stocks in the portfolio, while the other 3 were flat. There were no dividend cuts. In 2022, dividend income contributed 3.52% of total return, helping to offset price declines experienced broadly in the market. This is consistent with our belief that dividends help buffer declines in down markets.

In addition to regular dividends, this quarter we received "special" dividends (capital returned to shareholders in addition to the typical common dividends) from CME Group Inc. (CME: $4.00/share) and EOG Resources Inc. (EOG: $1.50/share). Special dividends can arise when companies have excess capital on the balance sheet, when specific transactions create an opportunity to distribute capital, or when highly cyclical companies adopt a more flexible dividend program involving both regular and variable dividends. This is an unpredictable but valuable contribution to the income component of the strategy.

As of 12/31/2022, the weighted yield based on the indicated regular dividends (excluding special dividends) was 3.68%. This compares to the dividend yield of the Russell 1000® Value benchmark of 2.15% and the S&P 500 yield of 1.65% In general, we believe the strategy will maintain a dividend yield roughly 1x – 2x the S&P 500 dividend yield.

Outlook

In 2022, the old adage "don't fight the Fed" turned out to be prescient. Fed tightening is achieving the objective of reducing aggregate demand to tamp down inflation, while dragging down asset values. We now appear to be headed for a widely anticipated recession sometime in 2023. While the depth and length are up for debate, the probability is high that economic activity will slow. An inverted yield curve (10 year vs. 2 year treasuries) has been a reasonable predictor of recessions in the past and it has been inverted since July. According to Bloomberg's monthly survey of economists, the probability of a recession in 2023 is 70%. Maybe more importantly, 98% of CEOs surveyed by the Conference Board at the start of 4Q2022 said they were preparing for a U.S. Recession in 2023. In all, we believe 2023 will see slower growth, rising unemployment, falling inflation, and moderating corporate profits.

Of course, we know that stock prices discount future cash flows beyond just one year. The Strategy was well-positioned for the backdrop we experienced in 2022, but conditions are constantly changing. We are confident that the well-managed companies in the portfolio are adapting to the dynamic environment, and we will do the same as we see conditions change.

Economic cycles, interest rates, and investor preferences all influence short-term absolute and relative performance. Over the long-term, we believe that investing in high quality companies that create value for shareholders and distribute a portion of that cash flow in the form of dividends can result in long-term shareholder returns that beat the overall market.

Thank you for your confidence in the team and the strategy. If you have any questions, please do not hesitate to contact us.

Sincerely,

John O'Connor, CFA
Portfolio Manager

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TOP TEN HOLDINGS AS OF 12/31/22

Company	% of Assets
Chevron Corp.	5.97%
Merck & Co Inc	5.90%
JPMorgan Chase & Co.	5.86%
Johnson & Johnson	5.56%
Raytheon Technologies Corp.	4.85%
Verizon Communications Inc.	4.42%
Federal Realty Investment Trust	4.38%
CME Group Inc.	4.37%
Altria Group Inc.	4.19%
Watsco Inc.	4.18%

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.

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RMB Asset Management

Equity Income 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 Equity Income Strategy reflects the performance of fully discretionary equity accounts, which have an investment objective of dividend income and capital appreciation using a portfolio of primarily U.S. stocks with market caps > $2 Billion and for comparison purposes is measured against the Russell 1000® Value Index. The inception date of the Equity Income Composite is December 31, 2021 and the Composite was created on December 31, 2021. Valuations and returns are computed and stated in U.S. Dollars.

ANNUAL PERFORMANCE RELATIVE TO STATED BENCHMARK

No performance due to insufficient data (less than 1 year since inception date).

Fees *| Effective January 1, 2011, RMB' Capital's management fee schedule for this Composite is as follows: 0.50% on the first $3.0 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. Actual management fees charged by RMB may vary. Composite performance is presented on a gross-of-fees and net-of-fees basis and includes the reinvestment of all income. Gross-of-fees returns means it is net of transaction costs but gross of asset management fees and custodian fees. The payment of actual fees and expenses would reduce gross returns. The compound effect of such fees and expenses should be considered when reviewing gross returns. The net returns are reduced by all actual fees and transactions costs incurred. The composite includes accounts that pay asset-based pricing for trading expenses. The maximum fee is 15 basis points per year; however, many accounts pay lower amounts due to household break-point relief. In addition to a management fee, some accounts pay a wealth management fee based on the percentage of assets under management to RMB Capital. 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 investments, calculating performance, and preparing GIPS Reports are available upon request.*

Minimum Value Threshold *| There is no account minimum for the Equity Income composite.*

Comparison with Market Indices *| RMB compares its Composite returns to a variety of market indices such as the Russell 1000® Value Index. The index represents unmanaged portfolios whose characteristics differ from the Composite portfolios; however, it tends to represent the investment environment existing during the time period shown. The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected and historical growth rates. An investment cannot be made directly in an index. The returns of the index do not include any transaction costs, management fees, or other 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 in the Composite. Benchmark returns presented are not covered by the report of independent verifiers.*

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.*