Small Cap Core

Portfolio Update: First Quarter 2023

During the first quarter ending March 31, 2023, the RMB Small Cap Core Equity Composite (the "Strategy") returned +6.64%, gross of fees, (+6.42%, net of fees), compared to a +2.74% for the Russell 2000® Index.

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (Annualized)
Small Cap Core (Gross)	+6.64%	+6.64%	-7.89%	+18.22%	+7.95%	+9.28%	+10.74%
Small Cap Core (Net)	+6.42%	+6.42%	-8.68%	+17.22%	+6.96%	+8.24%	+9.65%
Russell 2000® Index	+2.74%	+2.74%	-11.61%	+17.51%	+4.71%	+8.04%	+7.57%

Inception date: April 30, 1999. 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. 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.

The Russell 2000® Index got off to a great start, advancing 13% during January. Optimism about lower inflation, lower mortgage rates, and better than expected economic data had investors believing that the Federal Reserve was nearly done tightening and a soft landing/no landing seemed more probable.

However, volatility persisted, as investors reacted to Fed Chairman Powell's hawkish testimony to Congress on February 6, 2023. Powell's testimony tempered the bulls interest rate optimism, and investors started to question the soft-landing scenario.

Then, out of nowhere, another banking crisis! Those of us who managed money before the age of quantitative easing and "easy money," remember the adage that "the Fed raises rates until something breaks," such as the savings and loan crisis in the early 1980's, the portfolio "insurance" failure in October 1987, long term capital management in 1998, the tech bubble in the early 2000's, and the housing bubble in 2008. We were wondering what would break if rates continued to rise so rapidly. The answer was regional banks with above average deposit and duration risk.

At the risk of oversimplification, the root of the banking crisis this quarter can be attributed to two risks that woke up in the new monetary policy regime of rate normalization but had been sleeping since the age of the post GFC central bank easy money. Most investors and regulators had forgotten about deposit risk and duration risk. Deposit risk is the percentage of bank deposits that exceed the federally insured $250,000 level. Duration risk is the risk that assets on the balance sheet of the bank decrease in value in an increasing interest rate environment. AAA credit rated SVB Financial (SIVB) had excessive deposit and duration risk.

SIVB was worth $16B on March 8 and $0 on March 10. Earlier that week, SIVB sold $21B of longer duration assets at a $1.8B loss to help meet deposit withdrawals and to shorten the duration on part of its securities portfolio. Along with the balance sheet restructuring, the bank and its advisor Goldman Sachs proposed an equity capital raise to offset the loss on the securities sales. Instead of shoring up confidence in the balance sheet, the deal put a spotlight on the rest of SIVBs long duration securities that were sitting on significantly bigger losses than the securities they sold. While SIVB had among the most liquid balance sheets in terms of the classic loan to deposit ratio, the vast majority of the deposits were greater than the 250,000 FDIC insurance threshold and controlled by a small number of venture capital firms.

Other large depositors, mainly venture capital-controlled start-up companies got spooked, given their average deposits significantly exceeded the federally insured level of $250,000. Social media spread the word and mobile banking enabled the most rapid bank 'run' in history, but the process was quite similar to the movie we watch every Christmas "It's a Wonderful Life."

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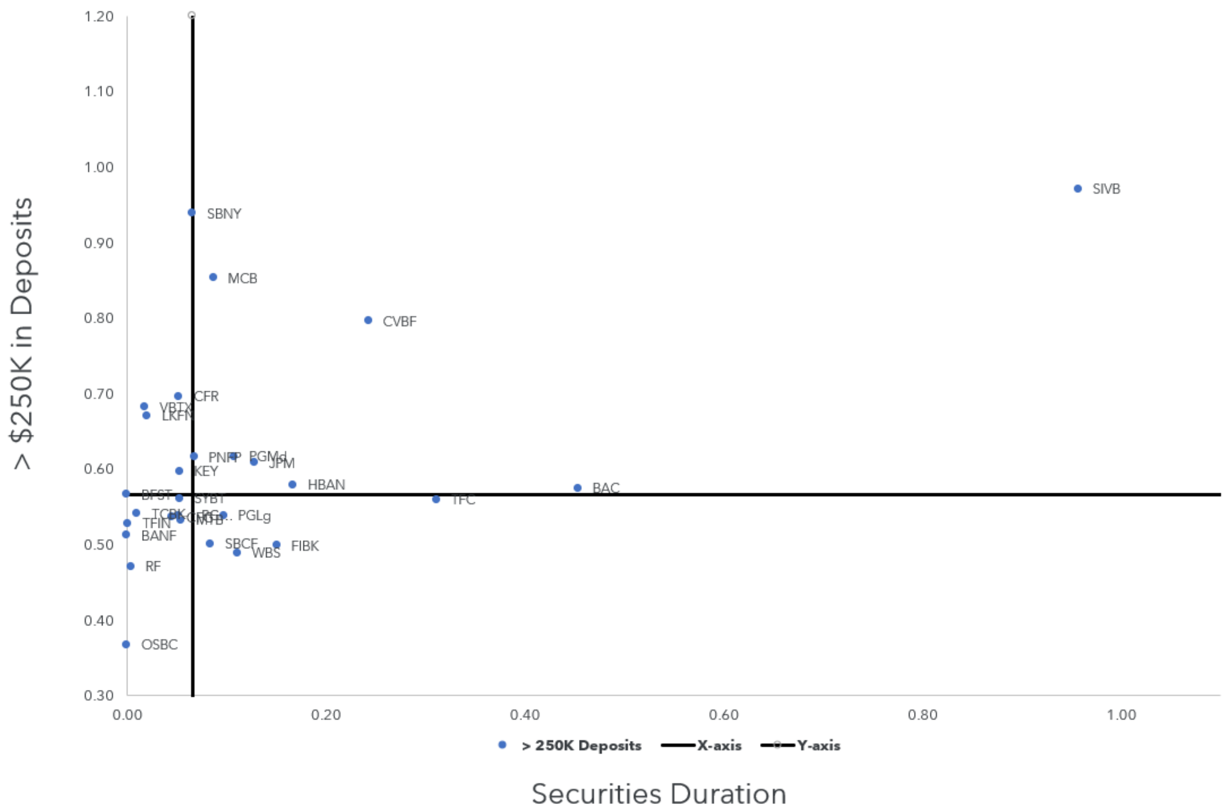
It wasn't so wonderful for equity and debt holders who were immediately wiped out, but depositors (even those with deposits above the FDIC cap of $250,000) were fully reimbursed by the FDIC who used their special powers to minimize systematic risk.

Exhibit 1. Bank Deposit Risk/Duration Risk



Source: FactSet (Data Date: December 31, 2022)

Fortunately, the Strategy did not hold SVIB during the quarter, but the Strategy still owned several regional banks as part of our portfolio diversification risk controls. Quite honestly, it was not easy to see into these newly awakened risks, but our Financial Sector head, Charlie Henness, did a great job getting the data and helping us understand how we were positioned and to minimize exposure to these new risks to regional bank stocks. As for the rest of the portfolio, it performed as one might expect as a higher quality portfolio in times of financial stress.

We are encouraged the Strategy significantly outperformed during a quarter marked by such high volatility and believe our portfolio risk controls have helped us deliver for our clients this quarter.

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Contributors and Detractors

Four out of the top five contributors this quarter can be described as "quality" companies. We define quality companies as companies that allocate capital in a way that creates value for customers, employees, communities, and shareholders. Quality companies also have more stable business models, with stronger competitive positions, low debt to total capital, and reliable accounting data.

West Pharmaceutical Services Inc. (WST) has been in the "contributors" section of these letters many times over the years as one of the Strategy's enablers of the biotech revolution. As we expected, the shares of WST recovered strongly to reflect fundamentals more accurately, after it had become oversold by short term momentum investors that grew impatient about difficult post-covid comps last year.

Catalent Inc. (CTLT), another enabler of the biotech revolution, responded for the same reasons as WST, but was also rumored to be a takeout candidate by Danaher Corp (DHR). Danaher is expanding its life sciences businesses and CTLT would be a perfect fit.

Monolithic Power Systems Inc. (MPWR) provides solutions that improve the power efficiency of semi-conductors. MPWR smashed quarterly and annual sales and earnings expectations. Its 4,000 diversified product portfolio serves rapidly growing end markets in computing, consumer, automotive, communications, enterprise data and industrials and are in high demand.

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FIRST QUARTER 2023 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Average Weight
Top Contributors		
West Pharmaceutical Services Inc.	+124	3.29%
Monolithic Power Systems Inc.	+98	3.06%
Fox Factory Holding Corp.	+79	2.87%
Catalent Inc.	+63	2.03%
Kadant Inc.	+43	2.79%
Bottom Detractors		
Seacoast Banking Corp. of Florida	-87	3.61%
TriCo Bancshares	-81	4.02%
Devon Energy Corp.	-34	2.38%
Stock Yards Bancorp Inc.	-29	1.75%
Matador Resources Co.	-24	1.30%

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 detractors were concentrated in the regional bank and energy sectors. SeaCoast Banking Corp. of Florida (SBCF) reported a better-than-expected-quarter. It performed in-line with the Regional Bank Index (KRE -24%), which is down on the increased deposit and duration risks negatively impacting the entire sector. Trico Bancshares (TCBK) also reported a solid quarter, outperformed the KRE, but was down in sympathy with the whole regional bank sector. Devon Energy Corp. (DVN), is a low-cost oil and gas producer and fell in sympathy with falling oil prices.

Portfolio Activity

Over the last six months, we have been reducing portfolio bank exposure because of the headwinds associated with the flattening yield curve and increased recession risks. These sells have added 123 basis points to excess return over that six-month time period. This quarter new risks to the banking sector "woke up," including the deposit and duration risks. We reduced ServisFirst Bancshares Inc. (SFBS) and SeaCoast Bankig Corp. of Florida (SBCG) as we determined they had the most exposure to deposit, duration, and credit risk. We continued to reduce last year's best performing holding Devon Energy Corp. (DVN) due to position size relative to fair value. We reduced Fair Isaac Corp. (FICO) due to position size relative to fair value. Finally, we completely exited Editas Medicine Inc. (EDIT) as it failed to deliver positively on its clinical trial for its lead drug.

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We topped off holdings that were below our portfolio model weight including Omnicell Inc. (OMCL), Range Resources Corp. (RRC), Intellia Therapeutics Inc. (NTLA), Allogene Therapeutics Inc. (ALLO), Caribou Biosciences Inc. (CRBU), and Matador Resources Co. (MTDR).

We initiated a position in Applied Industrial Technologies Inc. (AIT), a value-added distributor benefitting from the manufacturing trends in automation, the Internet of Things, and reshoring. AIT's value-added comes from technical support, shop services, assembly, and consulting.

Outlook

Volatility is an expression of uncertainty around perceived risks. The biggest change in perceived risk since last quarter is the deposit and duration risks to the regional banking sector. We suspect the next potential risk to wake up could be credit risk.

In our last quarterly letter, we posed both a bullish and bearish thesis for the market, believing each to be equally probable. Given the recent banking crisis, the likely tightening of credit availability, the increasing potential credit stress associated with record debt levels, and the Federal Reserve's determination to get inflation down to 2% with higher interest rates, it feels like the bullish thesis is less probable and the odds may be tilting toward the bears.

The bulls still win if inflation trends toward 2% faster than the Fed expects, Fed Chairman Powell turns more dovish in his commentary and actions, and the economy avoids a hard landing. Thus, the potential credit issues do not emerge. If so, the bulls may be correct that the bear market bottomed in June 2022 and we have entered a new bull market. We just can't know for sure.

As we frequently remind ourselves and our investors, more things can happen than will happen. Our portfolio construction process recognizes this fact, and we believe it is one of the key differences in our approach that has helped us deliver attractive risk adjusted returns over the last twenty years.

In this period of elevated uncertainty associated with how the recent banking crisis might impact inflation, the economy and earnings, we are comforted by a few facts. The Strategy is significantly less exposed to credit issues that might emerge if we are not fully out of the woods and the bears are correct. The Strategy outperformed during the "risk on" period of January where we typically underperform. Smaller companies remain significantly more attractively valued relative to larger cap companies on multiple dimensions. We believe we own great companies that can create value over the long-term with a portfolio constructed in a way that can perform well even when factor volatility increases.

Thank you for your commitment to the Strategy.

Sincerely,

Chris Faber
Portfolio Manager

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TOP TEN HOLDINGS AS OF 3/31/23

Company	% of Assets
West Pharmaceutical Services Inc.	3.95%
TriCo Bancshares	3.48%
Monolithic Power Systems Inc.	3.37%
EastGroup Properties Inc.	3.27%
PTC Inc.	3.22%
Valmont Industries Inc.	3.21%
Pool Corp.	3.11%
Fox Factory Holding Corp.	3.07%
Curtiss-Wright Corp.	3.05%
Repligen Corp.	3.05%

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.

The **duration** of a stock is the average of the times until its cash flows are received, weighted by their present values.

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RMB Asset Management Small 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 Small Cap Core Strategy product reflects the performance of fully discretionary 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 Composite is April 30, 1999 and the Composite was created on March 31, 2002. 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. 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.

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 (%)
2022	5,228.66	89.70	<5	-23.96	-24.60	-20.44	24.04	26.02	0.00
2021	6,277.61	141.63	<5	25.60	24.55	14.82	20.18	23.35	0.00
2020	5,240.59	116.94	<5	19.38	18.28	19.96	22.02	25.27	0.00
2019	4,947.90	118.03	<5	28.91	27.57	25.52	13.97	15.71	0.34
2018	4,196.90	117.54	<5	-4.54	-5.40	-11.01	13.52	15.79	0.29
2017	3,610.61	453.90	6	11.70	10.59	14.65	11.58	13.91	0.30
2016	NA	723.21	7	15.06	13.93	21.31	13.20	15.76	0.16
2015	NA	684.92	10	-0.98	-1.97	-4.41	12.61	13.96	0.17
2014	NA	714.83	5	7.46	6.39	4.89	12.01	16.59	0.25
2013	NA	868.35	8	34.58	33.27	38.82	15.56	16.45	0.22

**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 1% of assets annually, which is also our 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 (1% on an annual basis, or 0.083% 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 Small Cap Core product is currently $2 million. Prior to January 1, 2015, the composite excluded portfolios under $5 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 Small Cap Core 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 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.*