

# Innovators

## Portfolio Update: Second Quarter 2024

During the second quarter ending June 30, 2024, the RMB Innovators strategy returned -5.37%, gross of fees (-5.63% net of fees), compared to a -5.44% return for the Russell 2500 Software and Computer Services Index.

	3 Months	YTD	1 Year	Since Inception
Innovators (Gross)	-5.37%	-1.31%	+17.19%	+14.87%
Innovators (Net of IM fees)*	-5.63%	-1.81%	+16.02%	+13.79%
Innovators (Net of IM & WM Fees)	-5.86%	-2.28%	+14.90%	+12.66%
Russell 2500 <sup>®</sup> Software and Computer Services Index	-5.44%	-1.55%	+8.40%	+5.94%

*Inception date: July 31, 2022. 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 6/30/2024. 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. Curi RMB Capital makes no warranty or representation, expressed or implied, nor does Curi 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 strategy overview. RMB Asset Management is a division of Curi RMB Capital, LLC.*

The year continued to play out as a solid one for U.S. equities overall, with the S&P500 up 14.5% through mid-year, one of the top three first half performances of the last 25 years. However, most U.S. equities actually declined in Q2 with the market increasingly propped up by the narrow leadership of its biggest and most influential stocks. Six of the Magnificent 7 large technology stocks<sup>1</sup> made all-time highs in Q2. Several themes of last quarter and last year continued with large outperforming small, growth outperforming value, and quality outperforming riskier stocks. Amid continued solid overall economic growth and strong employment, U.S. central bankers lowered expectations for rate cuts to just one this year, compared to three cuts expected in March. Accordingly, the 10-year yield rose another 27 bps to 4.48%.

The cloud software group, from which the Innovators holdings are selected, declined 9% for the quarter. Like last quarter, falling expectations for the timing and magnitude of rate cuts was the driving factor. Meanwhile, estimates for growth in both sales and earnings per share of the group continued to hold steady with levels at the beginning of the year.

<sup>1</sup> The "Magnificent 7" refers to the following stocks: Apple Inc. (AAPL), Microsoft Corp. (MSFT), Alphabet Inc. (GOOG), Amazon.com Inc. (AMZN), Tesla Inc. (TSLA), Meta Platforms Inc. (META), and NVIDIA Corp. (NVDA).

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## Contributors and Detractors

Contributors were those executing particularly well in company-specific factors such as price increases and new product introductions.

CrowdStrike Holdings Inc. (CRWD) is a leading cybersecurity software vendor. Its cloud-based endpoint security software is highly regarded for its reliability and accuracy. CRWD reported another excellent earnings report showing progress in its strategy to address multiple aspects of enterprise cybersecurity through different modules deployed on top of its single platform. In a macro environment that remains challenging, CRWD saw customers prioritize their cybersecurity budgets around consolidation on its Falcon platform. Modules addressing identity protection, data security, and security information and event management (SIEM) showed particular strength. Altogether, CRWD remains on pace to be the fastest software company ever to move from \$100M to \$5B in annual recurring revenue (ARR).

monday.com Ltd. (MNDY) operates a cloud-based visual Work Operating System (Work OS) that consists of modular building blocks that can be easily used and assembled to create software applications and work management tools and serves as a connective layer to integrate with various digital tools across an organization. In contrast to its software peers serving small-to-medium sized businesses (SMBs), MNDY reported strong results driven by both SMBs and enterprises. Management noted that as MNDY's competitors have evolved their focus upmarket, it has created even more space in the SMB/mid-market opportunity. MNDY has recently been successful in passing through price increases, a sign of the value and importance of its product offering to customers. As we predicted last quarter, management also continued to raise its full year 2024 financial guidance from a conservative initial starting point. We had laid out the keys to 2024 as successful implementation of price increases, continued upmarket selling momentum, and cross-selling of existing and newly introduced products. All three of these hit this quarter with prospects for the rest of the year only improving.

Detractors were impacted by cyclical factors specific to their end markets or company-specific execution issues.

MongoDB Inc. (MDB) provides a next-generation, non-relational database to companies of all sizes around the world in a cloud-based, on-premises, or hybrid environment. After trading down on cautious initial full-year guidance last quarter, this quarter management lowered revenue growth guidance to the 12-13% range from 13-15% prior. The cause cited was weaker macro impacting growth in the customer database workloads upon which MDB's Atlas cloud database revenue is based. This was a surprise to investors as other companies with billing models similarly based on "consumption" like Snowflake and Datadog had already given brighter demand commentary. MongoDB did acknowledge the issue of its sales force being incentivized to sell as many new workloads as possible rather than selling workloads likely to continue growing for a long period of time. These incentives were adjusted during the quarter and were already having an observable impact by quarter-end. While this event modestly diminishes our conviction near-term, it is addressable and less concerning than a competitive issue. As noted last quarter, Mongo stands to benefit massively in the next phases of AI investment trends as companies integrate their own data sets with AI models and deploy end user applications at scale. We continue to hold the position at a lower weight in anticipation of this exciting future growth opportunity.

### Innovators SECOND QUARTER 2024 CONTRIBUTION REPORT

Ranked by Basis Point Contribution

	Basis Point Contribution	Average Weight
<b>Top Contributors</b>		
CrowdStrike Holdings Inc.	+355	16.50%
monday.com Ltd.	+76	10.41%
Datadog Inc.	+39	9.55%
<b>Bottom Detractors</b>		
MongoDB Inc.	-388	10.23%
Procore Technologies Inc.	-227	10.10%
Cloudflare Inc.	-176	11.16%

*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 Asset Management'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.*

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Procore Technologies Inc. (PCOR) makes construction management software which helps construction professionals to streamline their projects, improve collaboration, and drive efficiency in the industry. The company continued to execute well against a construction industry demand backdrop that remains challenging at the moment. Within this, its profitability performance continued to improve consistent with management's strategy of emphasizing margin improvement in a softer demand environment. We will be looking for them to lean into a growth reacceleration at the expense of profitability given the appropriate demand opportunity. At this point, management is expecting a positive growth inflection later in the year. We will remain patient with this construction industry software leader which still captures just 40% of its potential volume at the 400 largest general contractors in the U.S. alone.

## Portfolio Activity

During the quarter we made small opportunistic additions to holdings MongoDB and Atlassian Corp. (TEAM), where our long-term conviction remained solid but the stocks had experienced pullbacks.

We also moved to make a modest reduction to the position in CrowdStrike. For some context around this reduction, a reminder of our history with the stock might be helpful. CrowdStrike was one of the original ten stocks purchased at inception of the Innovators strategy and is a representative, albeit precocious, example of what we are trying to accomplish with the names held in this strategy. The original position size was 10% of the portfolio and was taken at a cost basis of approximately \$115 in August of 2020. That fiscal year, CrowdStrike surpassed the milestone of achieving \$1B in ARR. It was just beginning to expand outside of the endpoint protection market and offered ten different software modules addressing various security functions. Four years later, the company is expected to generate \$4.4B in ARR and offers 28 modules across seven major cybersecurity categories. The stock trades at all time-highs near \$400 and its market capitalization of \$91B is approaching the largest ever for a security software company. As a result of this appreciation and some selective additions to the position over time, the position size recently approached 20% of the Strategy and an even larger share of the portfolio's idiosyncratic (stock-specific) risk as measured by our proprietary Alphacuity risk management software. While letting our winners run is an important element of the Strategy, we are also committed to thoughtfully managing the influence of any single position in the portfolio. Given the recent strength in the stock, it was a timely moment to moderate the position and take some profits. From here, we still see the company as having market capitalization potential well above \$100B as CRWD marches towards its goal of \$10B in ARR, meaning it will have grown ARR by 10x in ten years. Our clients are positioned to participate meaningfully as this exciting growth plays out.

## Outlook

Looking into the second half of 2024, we continue to monitor how cloud software fundamentals trend in an overall software spending environment that has shown some signs of moderating. The timing of the Fed's first interest rate cut of this cycle remains a moving target and may have an important bearing on investors' appetite for risk in the near-term.

We continue to maintain awareness of the cloud software group's collective fundamentals, valuation, and sentiment. Fundamentals sit slightly above average, with expectations for 2024 growth and profitability remaining steady. Key cloud software areas like AI, cybersecurity, and digital transformation remain high priorities. The ascent of AI to the top of the corporate IT priority list has been an important development this year. We expect the AI rollout to progress in stages with cloud software companies increasingly benefiting as they use AI to enhance their product offerings. Cloud consumption trends showed signs of reaccelerating from the 2022-2023 period of optimization as growth rates at Microsoft Azure, Amazon Web Services, and Google Cloud platform each accelerated versus last quarter.

With the most favorable price action centered on some of the largest technology hardware companies like Nvidia Corp. (NVDA), the cloud software group has fallen comparatively out of favor so far this year. As we view it to be a mean-reverting factor, this improves our sentiment assessment for the group to a moderately favorable level.

With the cloud software group down around 10% year-to-date and fundamental estimates stable, cloud software valuations have improved and are less elevated from 5-year, pre-COVID averages. While some of the tailwind from coming

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reductions in interest rates was pulled forward into 2023's robust returns for the group, the eventual onset of a rate cutting cycle should provide some support. This leaves our assessment of valuation in a somewhat cautious but improving state.

With the improvements in our assessments of sentiment and valuation and a modestly positive fundamental picture, our overall assessment of the group steps up to moderately above neutral. Key points looking ahead will be 1) whether software spending retains its priority within corporate budgets or is crowded out by AI-related hardware spending as we look into 2025, and 2) how demand for riskier assets responds to rate changes by the Fed and other central banks.

Thus far in 2024, the early beneficiaries of the artificial infrastructure buildout have captured most of investors' attention and accounted for much of the market's returns. We see the cloud software group as an important future beneficiary of the later stages of AI adoption and proliferation. Meanwhile, major corporate trends like cloud computing and digital transformation will continue to power the group's fundamentals for years to come. Beyond this optimism for the broader group, we carry even greater enthusiasm for the innovative companies that constitute this portfolio.

Thank you for your commitment to the Strategy. If you have questions, please do not hesitate to contact us.

Sincerely,



Tom Fanter  
Partner, Portfolio Manager

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## TOP FIVE HOLDINGS AS OF 6/30/24

<b>Company</b>	<b>% of Assets</b>
CrowdStrike Holdings Inc. (CRWD)	17.95%
Cloudflare Inc. (NET)	11.53%
monday.com Ltd. (MNDY)	11.45%
Datadog Inc. (DDOG)	9.87%
Procore Technologies Inc. (PCOR)	9.56%

*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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## RMB Asset Management

Innovators Composite // GIPS Report

**Organization** | Curi RMB Capital, LLC (“Curi 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 Curi RMB Capital. 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, 2022. 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 Innovators Strategy reflects the performance of fully discretionary equity accounts, highly concentrated of 8-15 publicly-traded enterprise software companies which we believe are particularly well-positioned to capitalize on long duration growth opportunities and for comparison purposes is measured against the Russell 2500® Software and Computer Services Index. The inception date of the Innovators Composite is July 31, 2022 and the Composite was created on July 31, 2022. Valuations and returns are computed and stated in U.S. Dollars.

### ANNUAL PERFORMANCE RELATIVE TO STATED BENCHMARK

Year End	Composite Assets			Annual Performance Results					
	Total Firm Assets as of 12/31 (\$M)	USD (\$M)	# of Accounts Managed	Composite Gross-of-Fees (%)	Composite Net-of-Fees (%)	Russell 2500® Software and Computer Services (%)	Composite 3-YR ST DEV (%)	Russell 2500® Software and Computer Services 3-YR ST DEV (%)	Composite Dispersion (%)
2023	6,235.5	\$35.20	72	70.71	69.22	27.05	N.A	N.A	1.23

**Fees** | Effective January 1, 2011, Curi RMB Capital’s management fee schedule for this Composite is as follows: 1.00% on the first \$10.0 million, 0.85% on the next \$10.0 million, and 0.70% over \$20.0 million. 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. Actual management fees charged by Curi RMB Capital 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 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 Curi 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** | Curi RMB Capital compares its Composite returns to a variety of market indices such as the Russell 2500® Software and Computer Services 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 2500® Software and Computer Services Index measures the performance of the Software and Computer Services segment of the 2,500 smallest companies in the Russell 3000® Index in the U.S. equity universe. 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.

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