Equity Income

Portfolio Update: Second Quarter 2024

During the quarter ending June 30, 2024, the Equity Income Composite (the "Strategy") returned -1.76% gross of fees (-1.89%, net of fees) compared to -2.17% for the Russell 1000® Value Index (the "Benchmark").

	3 Months	YTD	1 Year	Since Inception
Equity Income (Gross)	-1.76%	+7.19%	+11.81%	+6.68%
Equity Income (Net of IM fees)	-1.89%	+6.92%	+11.25%	+6.15%
Equity Income (Net of IM & WM Fees)	-2.12%	+6.41%	+10.19%	+5.10%
Russell 1000® Value Index	-2.17%	+6.62%	+13.06%	+3.85%

Inception date: December 31, 2021. Performance for periods 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 June 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.

The weighted yield based on the indicated regular dividends (excluding special dividends) was 3.7%. This compares to the dividend yield of the Russell 1000® Value benchmark of 2.2% and the S&P 500 yield of 1.3%. Over the long-term, we believe the Strategy will maintain a total dividend yield roughly 1x – 2x the S&P 500 dividend yield (currently 2.8x).

Income during the quarter included regular dividends from every stock that was held in the Strategy for the duration of the quarter. Year-over-year, two stocks maintained existing dividend policies: Dow Inc. (DOW) and Huntington Bancshares Inc. (HBAN), while Kenvue Inc. (KVUE) maintained its recently initiated dividend. The remaining stocks in the Strategy raised regular dividends by an average of 6.0% compared to the prior year. In addition to regular dividends, Diamondback Energy Inc. (FANG) declared a "special" dividend of $1.07/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. This is an unpredictable but valuable contribution to the income component of the Strategy. Dividend income contributed 0.9% of total return in the first quarter.

Equity market performance continued to be driven by narrow leadership from the largest companies. According to Dow Jones, the group of big tech names known as the Magnificent Seven[1] is responsible for 60% of the S&P500 index's total return this year. Most of that comes from a single name – NVIDIA Corp. (NVDA) which has enjoyed dominance in Graphic Processing Units demanded by companies making massive investments into hardware to support Artificial Intelligence. This shows up in the outperformance of growth stocks compared to value stocks. The Russell 1000® Value Index declined -2.17% compared to the Russell 1000® Growth Index gains of +8.33%.

Within the Russell 1000® Value Index, every industry declined outside of the defensive Utility and Consumer Staples sectors (up 4.7% and 1.3% respectively). Utility strength was, at least, partly due to the same narrow theme driving the growth stocks (AI). Consumer Discretionary stocks were hit the hardest (-7.5%) as consumer confidence remained well-below 2019 levels. Consumer stocks have been hurt by persistently stubborn inflation in the real economy, despite government data showing that inflation continues to gradually trend back down towards the Fed's 2% target after a modest spike in the Spring. May Consumer Price Index (CPI) increased 3.3% YoY and the Core Personal Consumption

[1] 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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Expenditures Price Index (Core PCE) increased 2.6% YoY. This, of course, is one of the primary data points that the "data dependent" Fed is monitoring to consider future adjustments in rates. So far, no cuts have materialized in 2024, with the policy rate still at a range of 5.25 – 5.50%. The Fed has indicated that even with continued progress toward its 2% inflation target, we may only see one to two cuts this year, thus supporting the "higher for longer" conditions. Final GDP came in at just 1.4% in Q1 while unemployment remains low but rising, coming in at 4.0% in June compared to 3.7% 12 months prior. In summary, the backdrop is one of low economic growth, persistent but declining inflation, low but rising unemployment, and a data-dependent Fed still implementing restrictive short-term rates to battle inflation.

Contributors and Detractors

While most sectors detracted from performance in the down quarter, Energy was a positive outlier, led by our investment in Kinder Morgan.

Kinder Morgan Inc (KMI) was one of the top positive contributors this quarter, adding 34bps to performance. Kinder Morgan is one of the largest energy infrastructure companies in North America, transporting natural gas, crude oil, CO2 and other products through its massive network of pipelines, terminals, and storage facilities. This quarter, earnings and distributable cash flow were about in-line with estimates, but the company clarified some lower financial leverage targets and spoke optimistically about the long-term opportunity for increased demand for its services driven by LNG, demand from Mexico, and, yes, from increased power generation due to power consumption from Artificial Intelligence. This quarter, many electric utilities and independent power producers got swept up in the AI trade. Given our lack of ownership of utilities in the Strategy, it was fortunate that KMI also articulated the potential benefits from AI as well as other real demand drivers for its services. With a dividend yield of nearly 6% and growth in earnings and distributable cash flow from projects and future demand, we remain excited about our investment in KMI.

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SECOND QUARTER 2024 CONTRIBUTION REPORT

Ranked by Basis Point Contribution

	Basis Point Contribution	Average Weight
Top Contributors		
Texas Instruments Inc.	+45	4.01%
Kinder Morgan Inc.	+34	3.61%
Altria Group Inc.	+33	3.37%
Watsco Inc.	+27	3.61%
M&T Bank Corp.	+17	3.01%
Bottom Detractors		
Hubbell Inc.	-51	4.05%
Kenvue Inc.	-48	3.09%
Merck & Co. Inc.	-40	6.22%
Johnson & Johnson	-37	5.36%
Comcast Corp.	-32	3.66%

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 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.

Texas Instruments Inc. (TXN) was also a top contributor this quarter, adding 45bps to performance. Texas Instruments is one of the largest domestic designers and manufacturers of semiconductors, focusing on analog and embedded processing. It has long been considered a bellwether for the semiconductor industry. While the quarter's financials appeared negative on the surface (sales fell double-digits and operating margins declined by over 9%), the stock reacted positively. As with other highly cyclical companies, short-term stock performance often precedes changes in the fundamentals. We believe the share price performance was driven by investors' anticipation of a bottoming in demand. While we do not believe it was the primary driver of stock performance this quarter, subsequent to the quarter, activist shareholder Elliott Investment Management disclosed its $2.5 billion investment in TXN and submitted an open letter to the company's board of directors. In reaction to Texas Instruments' bold capacity expansion plans, Elliott encouraged a more measured and modular approach to capacity expansion to avoid overbuilding. Shareholders keeping a check on capital allocation and strategy can be a valuable partner to management and the board if aligned with long-term investor priorities, which we believe is the case here. Texas Instruments ended the quarter with a 2.7% dividend yield.

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Hubbell Inc. (HUBB) was the largest detractor to performance this quarter. Hubbell has been featured in previous quarterly letters as a top contributor in both 2022 and 2023, supported by the continued strength in demand for its electrical and utility solutions to support growth in data centers, renewables, grid hardening, and automation/reshoring. This quarter, Hubbell delivered in-line results and reiterated its guidance for 8-10% sales growth and 10% operating profit growth for 2024. However, the stock fell about 8% in response to results, which we believe was tied to the rapid drop in demand for telco enclosures within the utilities segment. This is a very profitable business for Hubbell and management reacted quickly to adjust to the lower demand, but it was a surprise, nonetheless. Subsequent to the quarterly results, Hubbell hosted an investor day focused on the long-term secular drivers of demand for its products and services and highlighted the structural shift in its portfolio to higher margin, higher growth, higher ROIC business. We remain excited about the opportunity for long-term compounding from these trends. Hubbell ended the quarter with a 1.4% yield.

Kenvue Inc. (KVUE) was one of the bottom 5 performers this quarter, detracting 48bps from performance. Our investment thesis on KVUE is that its portfolio of iconic brands like Tylenol, Band-Aid, Johnson's, and Listerine had been starved of capital as a segment of faster-growing Johnson & Johnson (JNJ). As a standalone company, KVUE will be in a better position to focus on driving growth and long-term profitability. One year after the separation, KVUE has been more challenged than we had expected, but there was reason for optimism this quarter. The management team described its "Vue Forward" strategy, which requires up-front investment, but will free up $350 million of annual savings beginning in 2026, some of which will be reinvested in incremental brand investment on top of the already stepped-up investments. While this is encouraging, Kenvue is still in the early stages of its transformation and investors tend to be impatient, which we believe led to the underperformance after the announcement. KVUE ended the quarter with a 4.4% yield.

Portfolio Activity

During the quarter, we made a portfolio change that may seem somewhat subtle, but we believe is much more aligned with our long-term investment horizon and changing consumer preferences. We sold our investment in Altria Group Inc. (MO) and used the proceeds to initiate a position in Philip Morris International Inc. (PM). Our investment in Altria was heavily influenced by the company's attractive dividend yield (ending the quarter with a dividend yield of 8.5%) as well as its strong pricing power and low valuation. While all these factors are still true today, we believe the opportunity at Philip Morris is much more attractive in the longer term. Unlike Altria, which we believe is more dependent on continued price increases to offset secular decline in cigarette volumes, Philip Morris has long recognized that innovation is necessary to thrive over the long-term, even if it means disrupting its existing business. In fact, management regularly comments that they remain eager and fully committed to making cigarettes obsolete. Its acquisition of Swedish Match, which owns the Zyn nicotine pouch brand among other products, was a critical capital allocation decision that solidified the company's strategy to transition from combustible products to reduced risk nicotine products. Nicotine pouches are currently only 3-4% of the market, but growing rapidly, and Philip Morris' Zyn products are the clear market share leader. Strong demand has led to some production challenges in the U.S. that will likely last through year-end, which we believe is creating an opportunity to build a long-term position. PM ended the quarter with a 5.2% dividend yield.

Our goal is to keep turnover "low, but healthy," as stocks compete for a place in the portfolio. In addition to new buys and complete sales, we make position size changes based on the risk/reward and fundamental opportunities we see with existing holdings. This quarter, we used cash balances to increase our positions in Dow Inc. (DOW), Comcast Corp. (CMCSA), BlackRock Inc. (BLK), and Huntington Bancshares Inc. (HBAN).

Outlook

As mentioned last quarter, election years tend to be positive for stocks. Other than the election, investors will continue to be focused on the Federal Reserve, something that has been ingrained in our collective psyche since we witnessed the impact of excess liquidity beginning with the first round of Quantitative Easing in 2009. The Fed appears determined to break the back of inflation and is willing to do it at the cost of higher unemployment and lower economic growth. Thus, "higher for longer" remains the consensus. A high short-term treasury rate can act as a headwind for high dividend yielding stocks, especially when they offer positive real yields (nominal rates above inflation). However, if we are in for structurally higher rates, it could support a regime change favoring value stocks over growth stocks, something that we haven't seen in quite a while. Time will tell, but these market preferences tend to move in cycles and tend to last a long time. This backdrop, combined with our investments in what we believe are high quality companies with both income generation and capital appreciation potential, keep us optimistic about the prospects for the Strategy.

Rather than worrying about what we cannot control, we focus on identifying companies that we believe can beat market expectations for growth and returns on capital. 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 6/30/24	
Company	**% of Assets**
Merck & Co. Inc.	5.97%
Johnson & Johnson	5.36%
Verizon Communications Inc.	4.92%
Federal Realty Investment Trust	4.75%
Old Republic International Corp.	4.62%
BlackRock Inc.	4.49%
Chevron Corp.	4.48%
PepsiCo Inc.	4.25%
Texas Instruments Inc.	4.21%
JPMorgan Chase & Co.	3.99%

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 U.S. economy. The S&P 500 focuses on the large cap segment of the market and covers approximately 75% of U.S. 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 | 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 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

		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 1000® Value (%)	Composite 3-YR ST DEV (%)	Russell 1000® Value 3-YR ST DEV (%)	Composite Dispersion (%)
2023	6,235.5	167.4	455	7.10	6.57	11.46	N/A	16.51	0.38
2022	5,228.7	89.0	265	2.38	1.87	-7.54	N/A	N/A	N/A

** Composite dispersion is reported as N/A when the information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.*

Fees | *Effective March 2, 2022, Curi RMB Capital's management fee schedule for this Composite is as follows: 0.50% on the first $1.0 million, 0.5% on the next $2.0 million, 0.475% on the next $2.0 million, 0.45% on the next $5.0 million, 0.425% on the next $15.0 million, and 0.400% over $25.0 million. Net returns are computed by subtracting the highest applicable fee (0.50% 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 $100,000 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 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.*