Equity Income

Portfolio Update: Third Quarter 2024

During the quarter ending September 30, 2024, the Equity Income Composite (the "Strategy") returned +10.01% gross of fees (+9.88%, net of fees) compared to +9.43% for the Russell 1000® Value Index (the "Benchmark").

	3 Months	YTD	1 Year	Since Inception
Equity Income (Gross)	+10.01%	+17.92%	+27.87%	+9.80%
Equity Income (Net of IM fees)	+9.88%	+17.48%	+27.24%	+9.25%
Equity Income (Net of IM & WM Fees)	+9.62%	+16.64%	+26.03%	+8.18%
Russell 1000® Value Index	+9.43%	+16.68%	+27.76%	+6.94%

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 September 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 3.2%. This compares to the dividend yield of the Russell 1000® Value benchmark of 1.8% and the S&P 500 yield of 1.2%. Over the long-term, we believe the Strategy will maintain a total dividend yield roughly 1x – 2x the S&P 500 dividend yield (currently 2.6x).

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, three stocks maintained existing dividend policies: Dow Inc. (DOW), Huntington Bancshares Inc. (HBAN), and International Paper Co. (IP). The remaining stocks in the Strategy raised regular dividends by an average of 5.9% compared to the prior year. In addition to regular dividends, Diamondback Energy Inc. (FANG) declared a "special" dividend of $1.44/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 third quarter.

U.S. Equity markets experienced a broadening out of strength in the quarter, relative to the narrowness of the market during the first half of the year. The Magnificent Seven stocks[1], which have become an extreme example of market narrowness, underperformed the broader S&P500 index for the first time since the first quarter of 2022. The market shifted its preference for small caps over large caps and value over growth stocks. The Russell 2000® small cap index rose 9.27% compared to the 5.43% return of the S&P500, while the Russell 1000® Value Index Increased 9.43% compared to the Russell 1000® Growth Index of +3.19%. This was a trend reversal from the first half of the year, when large outperformed small and growth outperformed value. YTD, value has still trailed growth, with the Russell 1000® Value Index Increasing 16.68% compared to the Russell 1000® Growth Index gains of +24.55%. Nevertheless, these are strong returns that reflect the notion the Fed may have successfully orchestrated a soft landing as it begins the interest rate-cutting cycle.

The Fed's decision to cut the benchmark policy rate by 50bps from 5.25%-5.50% to 4.75%-5.00% was an important milestone for the markets this quarter. In response to the disruptions from the COVID-19 pandemic, the Fed dropped interest rates to zero in March of 2020. Two years later, beginning March 2022, the Fed began moving away from the COVID-era zero interest rate policy (ZIRP) to fight the stubborn inflation that it had famously described as "transitory." Over the subsequent 16 months, the Fed pressed on with rate increases to break the back of inflation, even in the face of

[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).

modest weakening in the employment situation. Now, with the Fed's preferred measure of inflation (the Core PCE) up only 2.7% YoY in August and the Unemployment Rate starting to tick up from lows of 3.4% in 2023 to 4.3% in July, the Fed has shifted its focus within its dual mandate from price stability to maximum employment. The strong September employment report, which arrived shortly after quarter-end, appeared to lend credence to the "soft landing" thesis.

Within the Russell 1000® Value Index, every sector increased during the quarter, except for Energy, which fell -3.6%. Crude oil prices declined 17% on demand concerns (weak global growth, particularly in China) and the prospects for increased output from OPEC+ oil producers as Saudi Arabia has signaled it intends to increase production even if it results in lower global prices. The best-performing sectors were Utilities (+18.4%) and Real Estate (+16.7%). Both of these sectors are typically associated with higher dividend income. The Fed's decision to embark on cutting rates has made these higher income areas more attractive to investors seeking yield. Among the electrical utilities, there is additional excitement about opportunities flowing from energy-hungry hyperscalers and data center operators, including the news that Constellation Energy Corp. (CEG) plans to reopen one of the reactors at Three Mile Island to satisfy a 20-year power purchase agreement with Microsoft Corp. (MSFT).

Contributors and Detractors

International Business Machines Corp. (IBM) was one of the top positive contributors this quarter, adding 88bps to performance. IBM is a household name, having been founded in 1911 and first entering the Dow Jones Industrial Average in 1932. At that time, IBM's best-selling products were punch cards and tabulating machines. The company has had to adapt a lot since then, and this quarter IBM displayed how it continues to adapt to the changing technology landscape. While transaction processing continues to be an important part of the business (it grew 16% this quarter), the market has been responding to IBM's successful pivot to consulting and software targeting investments in hybrid cloud and Artificial Intelligence. IBM is growing its software business through successful acquisitions and saw generative AI bookings double, from $1Billion last quarter to $2Billion this quarter. The company affirmed its outlook for mid-single digit revenue growth and increased its free cash flow guidance to over $12Billion. With a dividend yield of 3%, IBM's is one of the rare investments that can provide both dividend income and exposure to rapidly growing themes like AI, digital transformation, and hybrid cloud.

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THIRD QUARTER 2024 CONTRIBUTION REPORT

Ranked by Basis Point Contribution

	Basis Point Contribution	Average Weight
Top Contributors		
Blackrock Inc.	+94	4.67%
International Business Machines Corp.	+88	3.29%
Kenvue Inc.	+82	2.83%
RTX Corp.	+79	3.96%
Philip Morris International Inc.	+77	4.01%
Bottom Detractors		
Merck & Co. Inc.	-42	5.48%
Diamondback Energy Inc.	-36	2.83%
Chevron Corp.	-23	4.00%
EOG Resources Inc.	- 3	3.02%
Dick's Sporting Goods Inc.	- 3	2.88%

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.

Phillip Morris International Inc. (PM) was another positive contributor this quarter, adding 77bps to performance. A recent addition to the portfolio, PM has benefitted from both company-specific execution and from the favorable backdrop for higher yielding equities (the beginning of the Fed easing cycle discussed above). Focusing on the company-specific drivers, Philiip Morris International is succeeding in its strategy to dominate the market for reduced risk nicotine products. Reduced risk products now make up about 20% of volumes and about 40% of revenues. The company has a goal of generating more than 2/3 of its total revenues from smoke-free products by 2030. These products are safter than smokable products and carry higher gross margins than combustible products. Growth in heated tobacco and nicotine pouches (i.e. Zyn) are helping to drive positive volume growth in the face of secular decline in cigarette volumes. PM is targeting 6-8% revenue growth and 9-11% annual earnings growth through 2026 and finished the quarter with a 4.5% dividend yield.

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Merck & Co. Inc. (MRK) declined in the quarter, detracting -42bps from performance. Merck reported strong results, as Keytruda, the most widely used cancer immunotherapy drug, continued to deliver strong growth in the quarter (+16%). This drove double-digit topline growth and strong margin expansion at the firm level. The company also raised the revenue guidance for the year, but the stock reacted poorly to management's cautious commentary about Chinese demand for Gardasil (vaccine that protects against diseases caused by the HPV virus). While its vaccine doesn't appear to be losing share, volatility in demand from one of its largest distributors in China has investors cautious on the outlook. That said, management reaffirmed its long-term guidance for Gardasil, based on the low penetration rates, the opportunity in males, and growth beyond China. Merck continues to offer both solid growth and a 2.8% dividend yield, supporting our continued position in the stock.

Diamondback Energy Inc. (FANG) declined in the quarter, detracting -36bps from performance. In its quarterly results, the company delivered financial results above estimates for revenues, production, free cash flow, and earnings. More importantly, however, were some of the operational efficiency improvements driven by its culture of operational execution. Diamondback's crews are extremely efficient, and the company continues to improve its drilling cycle times. These efficiency gains are sustainable and will help the company add value to the Endeavor acquisition, which closed in September. Despite these operational improvements, shares are impacted by oil prices, which were down this quarter as described above. Investing in companies that are improving their operations and earnings power during more challenging times can prove to be a successful method for investing in cyclical companies. FANG ended the quarter with a regular quarterly dividend of $0.90/share (equating to a 2.1% annualized yield) and has also paid $4.69 in special dividends YTD.

Portfolio Activity

Our goal is to keep turnover "low, but healthy," as stocks compete for a place in the portfolio. During the quarter, we purchased two new companies: International Paper Co. (IP) and Target Corp. (TGT). We financed those purchases with reductions of our weights in Kenvue Inc. (KVUE), PepsiCo Inc. (PEP), Dicks Sporting Goods Inc. (DKS), and Dow Inc. (DOW).

International Paper Co. (IP) is one of the world's leading producers of corrugated packaging in a consolidating global industry. IP provides fiber-based packaging products for diverse consumer and industrial applications. This company sits in the "turnaround" portion of the corporate life cycle, requiring significant changes to reverse several years of falling margins. Our interest in this company stems from a recent CEO hire who we believe is likely to effect the necessary change. Andy Silvernail, who previously led IDEX Corporation (IEX), was appointed the CEO position at IP in May of this year. Silvernail's skills as an operator were developed while he was at Danaher Corp. (DHR), and subsequently at IDEX Corp. (IEX) where he successfully used 80/20 management techniques to drive over 500bps of margin expansion during his CEO tenure. We believe he has strong leadership skills and that the 80/20 approach is well-suited to reduce complexity, reset profitability, and begin to build a culture of productivity and continuous improvement at IP. Andy has also voiced commitment to the current dividend level, which reflected a 3.7% yield as of Sept. 30th.

Target Corp. (TGT) is one of the largest retailers in the U.S., operating over 1,900 stores across the country. Target sells a combination of "frequency" products like food & beverage, beauty and household essentials, as well as more "discretionary" categories like apparel, home furnishings and décor. For this reason, Target blurs the line between consumer staples and consumer discretionary. The company was a beneficiary of consumer spending on both staples and discretionary items during the pandemic. However, it struggled with too much of the wrong inventory as consumers shifted focus to spending on experiences, as well as increased "shrink" (theft, organized retail crime) and other missteps. With demand for higher margin discretionary items showing signs of life and shrink under control, we think the market will start to better appreciate the significant operational transformation the company has undertaken to modernize its stores to more efficiently serve today's omnichannel consumer. Target's dividend yield at the end of the quarter stood at 2.9%.

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Outlook

The election and interest rates have been front and center on investors' minds for most of this year. As far as the election goes, your guess is as good as ours. It is notable that control of the White House, the Senate, and the House of Representatives are all up in the air. This can lead to a lot of uncertainty and volatility that impacts not only the markets, but also consumer and business behaviors. There have been signs that people are taking a "wait and see" attitude towards big projects and purchases, and we wouldn't be surprised to hear more of that on Q3 earnings conference calls. When it comes to interest rates, with a 50bps Fed Funds rate cut now behind us and a strong September jobs report, the market is now anticipating a more modest path for future rate cuts, consistent with the "soft landing" scenario. Absent an exogenous shock, our best guess is that the Fed progresses towards the "neutral" rate where its policies are neither stimulative nor restrictive. The most recent Federal Reserve Summary of Economic Projections implies that the federal funds rate will decline from the current 4.75-5.00% down to somewhere around 3.25 – 3.50% by the end of 2025. There is no doubt that this is an unusual environment for rate cuts. Typically, the Fed cuts rates in response to soft economic conditions or to react to a shock. The normalization of rates with the backdrop of a soft landing would be unusual. If this is indeed the path, we believe it should lead to a continuation of the improved breadth experienced this quarter (a market where the other 493 stocks matter, not just the Magnificent 7). Nearer term, we are watching to see if the most interest sensitive parts of the economy like housing, commercial real estate and capital goods, will hold up to the weight of still relatively high interest rates, which have long and lagged effects on the economy.

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 9/30/24	
Company	**% of Assets**
Johnson & Johnson	5.42%
Merck & Co. Inc.	5.07%
Federal Realty Investment Trust	4.92%
Blackrock Inc.	4.91%
Verizon Communications Inc.	4.64%
Old Republic International Corp.	4.56%
RTX Corp.	4.07%
Texas Instruments Inc.	4.04%
Hubbell Inc.	4.04%
Philip Morris International Inc.	4.03%

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.*