

# Small Cap Focus

## Portfolio Update: Fourth Quarter 2024

During the quarter ending December 31, 2024, the Small Cap Focus Composite (the "Strategy") returned -2.78%, net of fees compared to a +0.33% return for the Russell 2000® Index (the "Benchmark").

Performance	Quarter	YTD	1 Year	3 Years	5 Years	Since Inception (12/31/2018)
<b>Small Cap Focus Composite</b> (net of IM fees)	-2.78%	+14.21%	+14.21%	+1.78%	+10.39%	+13.66%
<b>Small Cap Focus Composite</b> (net of IM & WM fees)	-3.02%	+13.12%	+13.12%	+0.79%	+9.31%	+12.55%
<b>Russell 2000® Index</b>	+0.33%	+11.54%	+11.54%	+1.24%	+7.40%	+10.23%

*Inception date: December 31, 2018. 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 September 30, 2024. Investment management 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. These fees vary by client and for this presentation the highest possible wealth management fees has been applied in these calculations.*

The quarter experienced heightened market volatility. The election of President Trump initially triggered a sharp rise in equity performance, with small-cap companies outperforming large-cap counterparts (+8.2% vs. +5.0%, respectively from November 5 - November 8). Investors interpreted the Trump victory as a catalyst for faster domestic economic growth, driven by expectations of reduced regulations, lower capital gains taxes, and corporate tax cuts—factors generally more advantageous to smaller firms.

Within the Russell 2000® index of smaller companies, investors swiftly adjusted their expectations regarding industries likely to benefit or face challenges under the new administration. Industries that demonstrated statistically significant positive price performance included Energy Equipment, Consumer Finance, Banks, Construction and Engineering, Machinery, Electronic Equipment, Trucking and Transport, Hotels and Restaurants, Cryptocurrencies, and speculative technology. Conversely, sectors such as Housing, Real Estate Investment Trusts (REITs), Utilities, Food Products, Beverages, Textiles, Alternative Energy, and industries heavily reliant on substantial government spending experienced statistically significant declines.

Election-related price shocks were significant, as expected. Nonetheless, the Strategy's dual diversification portfolio construction process effectively mitigated the impact of the anticipated above-average volatility. During election week, the Strategy underperformed by 65 basis points—a result we find acceptable given the portfolio's deliberate, underweight speculative technology and slight tilt toward benefiting from lower interest rates.

As the holiday season gathered pace, Federal Reserve Chairman Powell dampened the festive mood with a shift to a more restrictive monetary stance. On December 18, the Fed voiced concerns about "persistent inflation" and signaled a more cautious approach to future rate cuts. This pivot reduced the likelihood of the "benign inflation" scenario, which we had identified as advantageous for stocks in general but especially small companies compared to larger ones.

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## Contributors and Detractors

Contributors benefited from a combination of better-than-expected company specific execution, as well as anticipated positive tailwinds from the new administration.

Curtiss-Wright Corp. (CW) specializes in advanced engineering solutions for aerospace, defense, industrial and power generation markets. CW had another solid quarter demonstrating accelerating strength in its electronics defense markets, improved operational execution and increasing demand for its small modular nuclear technology. CW is expected to benefit from the Trump administration's defense spending priorities as well as increased demand for small modular nuclear power.

Fair Issac Corp. (FICO) is a trusted leader in credit scoring and analytics, empowering individuals and businesses with insights to make informed financial decisions. FICO reported another solid quarter with a solid beat from their Scores business demonstrating strength in pricing power.

Stock Yards Bancorp Inc. (SYBT) is a highly respected financial institution known for its personalized service, community focus, and comprehensive banking and wealth management solutions. SYBT reported solid third quarter results but most of the outperformance was driven by an improving outlook for banks as a result of the election outcome.

Portfolio detractors experienced headwinds from rising interest rates and/or disappointing company specific quarterly reports.

Monolithic Power Systems Inc. (MPWR) provides high performance, semiconductor-based power electronics solutions. It has been a huge contributor to performance over the last two years. Though highly diversified, investors have focused on MPWR's Artificial Intelligence opportunity because of its 100% market share with NVIDIA Corp.'s (NVDA) first generation Hopper AI product. MPWR had a blow-out quarter, but management was not certain as to its market share for NVDA's next generation Blackwell AI product. This spooked the market, and the shares sold off significantly (-33%). As one of the Strategy's largest positions it detracted -139 basis points from performance. We have spoken with management and are comfortable that even though we do not have any information regarding Blackwell market share (likely significantly smaller), that MPWR's current opportunities support owning MPWR even at 0% market share for Blackwell.

Eagle Materials Inc. (EXP) is a regional quasi-monopoly provider of cement and gypsum wallboard. EXP has also been a very strong contributor to relative performance over the years, but slightly missed on earnings mostly due to weather related issues (two hurricanes). We are confident EXP is a high-quality cyclical sensitive to the construction and housing markets but recognize that continued higher interest rates may be a headwind for near-term share performance.

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#### FOURTH QUARTER 2024 CONTRIBUTION REPORT

Ranked by Basis Point Contribution

	Basis Point Contribution	Average Weight
<b>Top Contributors</b>		
Fair Isaac Corp.	+46	5.52%
Curtiss-Wright Corp.	+43	5.11%
Range Resources Corp.	+43	2.72%
Stock Yards Bancorp Inc.	+34	2.58%
West Pharmaceutical Services Inc.	+27	3.16%
<b>Bottom Detractors</b>		
Monolithic Power Systems Inc.	-139	3.21%
Eagle Materials Inc.	-67	5.17%
Bright Horizons Family Solutions Inc.	-63	2.65%
EastGroup Properties Inc.	-50	3.49%
Exponent Inc.	-44	1.76%

*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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## Portfolio Activity

Our turnover is typically low. Most of our sales were related to risk control trims as some of our big winners this year approached the strategy's size limitations. Risk control trims include Fair Isaac Corp. (FICO), Curtis-Wright Corp. (CW), and Carpenter Technology Corp. (CRS). We sold to zero Citizens Financial Group Inc. (CFG) to swap into smaller and more attractive banks Triumph Financial Inc. (TFIN) and Wintrust Financial Corp. (WTFC). We sold Aspen Technology Inc. (AZPN) to zero when it received, what we believe was a fair takeover offer from Emerson Electric Co. (EMR). We sold Digimarc Corp. (DMRC), a speculative technology company, since it has changed its strategy for value creation three times within the last four years.

In addition to the aforementioned purchases of Wintrust Financial and Triumph Financial, we initiated three new positions in Merit Medical Systems Inc. (MMSI), Clearwater Analytics Holdings Inc. (CWAN), and Texas Roadhouse Inc. (TXRH). Merit Medical Systems specializes in disposable medical devices and equipment. We have been closely following MMSI for the past two years and noted improved execution more recently. When we asked management about the change, the CEO highlighted the evolution from a founder-led, smaller company to a larger company driven by the recruitment, training and development of strong senior management. In addition, MMSI recently received approval for a new product that should drive strong revenue growth and margin expansion that is not yet reflected in guidance. As a result, we believe that MMSI will continue to increase returns on investment (ROI) and exceed current market expectations.

Clearwater Analytics is a proprietary cloud-based platform that automates and streamlines investment accounting, compliance, and performance reporting for institutional investors. It fits within our "niche software" playbook. After speaking with management, we developed higher conviction in its competitive position and increasing total addressable market. We believe its value creation pattern of accelerating cash flow return on investment's is supported by its disruption of the existing enterprise based legacy technology will enable CWAN to continue to compound wealth.

Finally, we added Texas Roadhouse which fits our "skilled operator" pattern of sustainable value creation. TXRH has a unique owner/operator management culture lead by "Roadies". The culture and skills stand out in an environment where rising labor and food costs, rising interest rates and shifts in consumer behavior have made it extremely challenging for the restaurant industry. Notable peer bankruptcies in 2024 include Red Lobster and TGI Fridays. As weaker competitors exit the market, we believe skilled operators like TXRH may continue to take share and profitably grow.

## Outlook

In our last two quarterly outlooks we noted "Interest rates may emerge as the pivotal factor likely to shape investment returns for the remainder of the year...". That has proven to be true, and we believe will likely remain true as we look forward to 2025.

Current Fed Funds expectations imbedded in the interest rate futures markets forecast a decline from 4.5% to 3.8% rate by the end of the year, and a terminal rate of 3% by the end of 2028. This represents a slower glidepath and higher terminal rate than previous expectations. "Persistent inflation" is the reason for the Fed's more cautious approach.

If the "benign inflation" scenario re-emerges, we anticipate that the Federal Reserve may resume a more aggressive rate-cutting trajectory. This would likely result in a similar bullish broadening of the market to what we observed in Q3 2024, with smaller companies outperforming larger ones. However, if inflation persists above the Fed's target and longer-term interest rates continue to rise, we believe a more challenging near-term investment environment may arise. While it is unclear which scenario will ultimately unfold, we feel prepared for either outcome.

We also expect continued volatility in industries that stand to benefit or face headwinds from the incoming Trump administration's policy priorities. As Mick Jagger aptly reminds us, "You can't always get what you want," and there is significant uncertainty surrounding what compromises President Trump might make to achieve his objectives. Potential developments in tariffs, regulatory reforms, and tax policy remain difficult to predict.

To navigate these uncertainties, we believe our dual-diversification portfolio construction process may help minimize factor risks while relying on skilled management teams that can adapt swiftly to changing conditions. Our approach remains

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focused on owning high-quality companies that allocate capital effectively to create value. We believe this disciplined strategy provides the most controllable path to delivering excess returns for our clients.

Thank you for your commitment to the Strategy.

Sincerely,



Chris Faber  
Portfolio Manager

## TOP TEN HOLDINGS AS OF 12/31/24

<b>Company</b>	<b>% of Assets</b>
Curtiss-Wright Corp.	4.87%
Watsco Inc.	4.83%
Kadant Inc.	4.79%
Eagle Materials Inc.	4.62%
Fair Isaac Corp.	3.90%
EastGroup Properties Inc.	3.41%
Carpenter Technology Corp.	3.40%
West Pharmaceutical Services Inc.	3.40%
AptarGroup Inc.	3.32%
RBC Bearings Inc.	3.08%

*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<sup>®</sup> is a subset of the Russell 3000<sup>®</sup> Index, representing about 8% of the

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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 Curi 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. The Russell 3000® Index is a capitalization-weighted stock market index that seeks to be a benchmark of the entire U.S. stock market. The indexes do not reflect investment management fees, brokerage commissions, or other expenses associated with investing in equity securities.

**Basis Point (bps):** A unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

## **Life Cycle Stages**

**Rockets:** These are hyper-growth, early-stage companies which consume a lot of capital as they try to execute their business model. Typically, they are innovative with new products, new services, or new business processes that may threaten the status quo of existing larger companies. Upside potential may be huge, but so is downside risk. Volatility is high, and results are often binary.

**Golden Goodies:** These are Rockets that have survived and proven that they have viable long-term business models. They have historically tended to grow faster than the overall market and need to beat the fade in returns by continuing to fend off competitive threats. These have a history of being classic asset compounders and will continue to create wealth for as long as they can beat that fade.

**Falling Angels:** These are Golden Goodies whose growth rates have slowed because they have become so large or their economic returns have been falling because of competitive threats or an inability to find reinvestment opportunities at current high rates of return.

**Corks:** These are mature companies where the economic returns approximate the cost of capital. Asset growth does not add or destroy value, so improving the level of economic return is critical to their success.

**Turn Arounds:** These distressed companies are the victims of overcapacity, weak competitive position, or poor capital allocation. In order to be successful, they must divest the lower return segments of their overall business.

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## RMB Asset Management

Small Cap Focus 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 Small Cap Focus Strategy 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 Strategy seeks to maintain a concentrated portfolio of approximately 40 securities. The inception date of the Small Cap Focus Composite is December 31, 2018 and the Composite was created on December 31, 2018. The composite includes small cap equity portfolios invested in undervalued companies as suggested by Curi 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.

### Composite Assets

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 (%)
2023	6,235.5	354.2	754	20.63	19.48	16.93	20.03	21.11	0.88
2022	5,228.7	279.2	670	-22.46	-23.08	-20.44	23.30	26.02	0.94
2021	6,277.6	309.9	528	28.55	27.65	14.82	19.80	23.35	0.99
2020	5,240.6	207.5	388	23.35	21.47	19.96	N/A	N/A	2.24
2019	4,947.9	97.9	253	32.23	31.26	25.52	N/A	N/A	0.79

\* 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** | The standard management fee is 0.750% of assets on the first \$2.0 million, 0.700% on the next \$2.0 - \$5.0 million, 0.650% on the next \$5.0 million, 0.600% on the next \$10.0 - \$20.0 million, and 0.550% over \$20.0 million. Net returns are computed by subtracting the highest applicable fee (0.35% 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. Net returns are computed by subtracting the highest applicable fee (0.75% 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 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. 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 in the Small Cap Focus Composite.

**Comparison with Market Indices** | Curi RMB Capital 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 Focus 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.