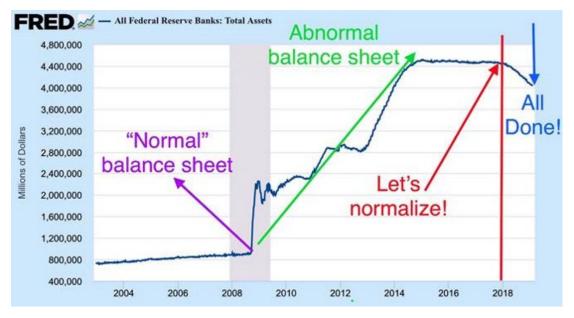
Portfolio Update: First Quarter 2019

During the fourth quarter, the SMID Cap Core Composite (the "Portfolio") returned +15.32% (+15.09% net of fees), compared to +15.82% for the Russell 2500 Index. The strong start to the year coincides with a more dovish tone by Federal Reserve Chairman Jerome Powell. Mr. Powell pivoted from signaling a hawkish path on interest rates and quantitative tightening (QT), that seemed to be on auto pilot, to a dovish path that emphasized flexibility, and perhaps even reducing interest rates. Additionally, he signaled an intention to end QT earlier than planned and maintain a larger balance sheet at the Federal Reserve ("the Fed").

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (Annualized)
SMID Cap Core (Gross)	+15.32%	+15.32%	+8.53%	+12.56%	+7.94%	+14.87%	+9.02%
SMID Cap Core (Net)	+15.09%	+15.09%	+7.64%	+11.60%	+7.00%	+13.86%	+8.06%
Russell 2500 Index	+15.82%	+15.82%	+4.48%	+12.56%	+7.79%	+16.23%	+8.88%

Inception date: March 31, 2004. 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.



Source: Federal Reserve Economic Data (FRED) - Federal Reserve Bank of St. Louis

The chart above shows getting back to "normal" will not be easy, as doing so too quickly brought on the worst fourth quarter in 10 years. Whereas, the Fed's pivot produced the best first quarter in 10 years. What are investors to make of such volatile market behavior? Jamie Dimon, Chairman and CEO of JPMorgan Chase, wrote in his 2018 annual letter to shareholders, "What we have been experiencing is now the *new normal of liquidity*—and that we should be prepared for it to be even worse in truly difficult times." It is a powerful reminder of just how important central banks have become in terms of the valuation of financial assets in today's investment environment. With nearly \$10 trillion of debt yielding negative interest rates, markets still have a long way to go to get to normal. The positive side of this increased volatility is that it creates opportunities for active managers to add value.



Contributors and Detractors

The biggest contributors to performance were Fair Isaac Corp. (FICO, +45.35%) and Copart Inc. (CPRT, +26.81%). FICO's motto is that it transforms business by "making every decision count." FICO's decision management solutions combine trusted advice, world-class analytics, and innovative applications to give organizations the power to automate, improve, and connect decisions across their business. FICO's transition to a cloud-based recurring revenue model as well as pricing power is driving higher expectations for cash flow growth. CPRT is a leader in vehicle remarketing services, focusing primarily on vehicles deemed a "total loss" by insurance companies. Damaged vehicles are increasingly being totaled, as the cost of repairing vehicles continues to increase. The stock performed well in Q1 as investors cheered progress on its international strategy. Copart is in the early days of disrupting the inefficient process for remarketing totaled vehicles in Germany where the company has the opportunity to replicate the success achieved in the U.S. market.

The biggest detractors to performance were Markel Corp. (MKL, -4.03%) and Abiomed Inc. (ABMD, -12.00%). Markel, a diverse holding company that serves and operates in a variety of niche markets and activities, was the Portfolio's biggest detractor. Its businesses include property and casualty (P&C) insurance underwriting, P&C fronting business, insurance-linked business, internal investing, and an amalgamation of non-insurance businesses that serve a variety of niches. We

SMID Cap Core FIRST QUARTER 2019 CONTRIBUTION REPORT Ranked by Basis Point Contribution

	Return		
Top Contributors			
Fair Isaac Corp. (FICO)		+100	+45.35%
Copart, Inc. (CPRT)		+62	+26.81%
IDEX Corp. (IEX)		+51	+20.56%
Alexandria Real Estate Equ	uities Inc. (ARE)	+49	+24.48%
Proofpoint Inc. (PFPT)		+47	+44.59%
Bottom Detractors			
Abiomed Inc. (ABMD)		-14	-12.00%
Markel Corp. (MKL)		-9	-4.03%
Nordstrom Inc. (JWN)		-7	-3.98%
FLIR Systems Inc. (FLIR)		-5	-9.70%
RPM International Inc. (RI	PM)	-4	-0.61%

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 Portfolio. Holdings listed might not have been held for the full period. To obtain a copy of RMB's calculation methodology and a list of all holdings with contribution analysis, please contact your service team. The data provided is supplemental. Please see important disclosures at the end of this document.

believe Markel is skilled in underwriting risk, investing, and allocating capital. Recent underperformance at MKL is primarily related to under-reserving missteps within Markel CATCo (acquired in 2015), which is one of Markel's primary insurance-linked businesses where Markel stands as the largest industry player. As a consequence of the reserving issues, Markel took the appropriately conservative step to write off the entire goodwill and intangible assets associated with the business. The company has a culture of learning and adapting, and the experience at Markel CATCo was detailed at length in their 2018 shareholder letter. Consequently, we feel that Markel will rectify and optimize this platform for a better customer experience, which, in turn, will reward shareholders over time.

Abiomed, a medical device company that makes products that are designed to enable the heart to rest, heal, and recover by improving blood flow and/or performing the pumping function of the heart, qualifies as the Portfolio's second-biggest detractor during the quarter. The company positively preannounced Q3 results and raised fiscal year 2019 guidance in January. However, later in the quarter, the FDA released a "Dear Doctor" letter warning that interim results from a post-approval study (PAS) of Impella RP showed higher mortality rates than premarket clinical studies. It would appear that these higher mortality rates are due to doctors using the device on sicker patients than those included in the premarket clinical study. It is important to note that this does not change management's estimate of the addressable market for RP as management only included patients that met the protocol of the clinical studies. In addition, RP only comprises 10,000 patients compared to 221,000 for the left side. ABMD is led by a strong management team with a large and growing addressable market combined with a strong competitive position. We believe ABMD has a superior product, exclusive and expanding FDA approvals backed by clinical trials, publications and inclusion in guidelines, secured reimbursement, and it provides very strong education and training along with customer support. As a result, we continue to own the company.



Portfolio Activity

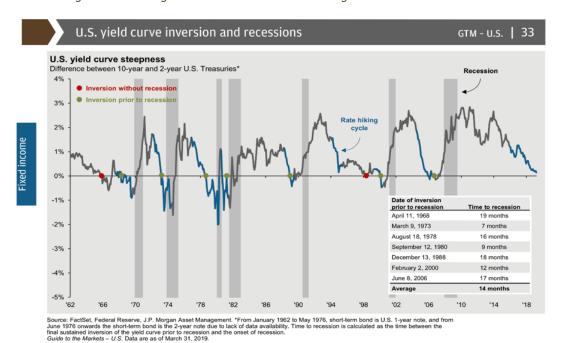
Portfolio turnover has typically been low. We engaged in three sells and two buys. We sold Snap-On Inc. (SNA), Neurocrine Biosciences Inc. (NBIX), and Alexander & Baldwin Inc. (ALEX). All three were sold after significant price appreciation during the quarter, which compressed the risk-reward profiles of both stocks.

We took advantage of the market volatility to initiate positions in Tabula Rasa HealthCare Inc. (TRHC) and FLIR Systems Inc. (FLIR). THRC is disrupting the field of medical safety. They created a medication safety platform that provides analytics for patients taking multiple drugs and data on drug-on-drug interactions, which is vastly superior to current options that only compare one drug to another. In addition, TRHC provides a medication risk score (1-50) that highlights higher-risk patients so the pharmacists and doctors can monitor them. This next-generation technology has helped reduce hospital visits and deaths associated with dangerous prescription drug combinations. FLIR is the recognized leader in commercial infrared cameras and components with ~60% market share. The company is poised to leverage its technology beyond Military into many large verticals such as Automotive, Marine, Security, and Industrial Thermography (oil/gas applications, home heating inspections, etc.). Moreover, we believe the new CEO, James Cannon, is in the early innings of instituting financial discipline and operational excellence, which will translate into structural change for the profitability of the company that the stock market is not fully appreciating.

Outlook

In our previous letter, we identified the two biggest known risks to the downside: 1) The Fed goes too far with monetary tightening, and 2) President Trump goes too far with tariffs and trade wars. While we acknowledged the possibility, we did not believe they were probable. We suggested that we could see significant upside if Mr. Powell and Mr. Trump act in ways that serve their own best interests. With hindsight, it is clear that the biggest risk (the Fed goes too far) is off the table. Additionally, the risk of an all-out trade war seems lower as the tone of trade negotiations with China has been positive. We believe these are reasons to remain bullish.

However, the coast is not yet clear. Recently, the yield curve inverted, which, as shown below, historically is a warning to investors that economic growth is slowing and recession risk is in increasing.



Source: J.P.Morgan Asset Management



We are not convinced a recession is imminent. While being mindful of Sir John Templeton's warning that "the four most dangerous words in investing are 'This time is different,' "we believe this time *really* is different. What is different is that, globally, central banks have never tried to unwind 10 years of quantitative easing. Europe's slow growth and negative bond yields are acting like a force of gravity, potentially distorting U.S. bond yields and possibly the yield curve. We are not dismissive of the inverted yield curve's message, but we are cognizant that price discovery is not as robust in capital markets today as it once was due to the interference of central bankers. We are still in uncharted waters as central banks try to normalize.

We will get a lot more information as it relates to the strength of the economy from companies as they report their firstquarter earnings in the coming weeks. Our belief is that tax and regulatory reform has stimulated U.S. growth. While earnings comparisons will be difficult, due to the boost last year from lower tax rates, the underlying growth and outlook reported by companies should remain strong enough to support modestly higher stock prices.

We think the most likely outlook, based on what we know today, is higher volatility and lower (but positive) returns. As mentioned above, such an environment creates opportunities for active managers to add value. Consider that over the last 12 months, at one point, the market was up +18%, and at another point, it was down -10%; however, the return from the Russell 2500 was only up +5%, yet the Small Cap portfolio delivered +8%. Elevated volatility and dispersion helps active managers like us add value for clients in two ways. We can sell companies we no longer want to own for the long term into upward volatility, and we can buy companies we want to own for the long term into downward volatility. By contrast, a passive investor just experienced high volatility but only a miniscule return.

If we are wrong on our assessment of the inverted yield curve, and it is truly signaling economic trouble ahead, we are comforted by the fact that the higher-quality bias to the Portfolio could potentially have a positive impact on performance since the Portfolio has outperformed in down markets 85% of the time.

Thank you for your commitment to the Portfolio. Should you have any questions regarding your investment, please do not hesitate to reach out to us.

TOP TEN HOLDINGS AS OF 3/31/2019	
Company	% of Assets
Bright Horizons Family Solutions Inc. (BFAM)	3.03%
Copart Inc. (CPRT)	2.74%
IDEX Corp. (IEX)	2.61%
American Financial Group Inc. (AFG)	2.53%
Fair Isaac Corp. (FICO)	2.47%
West Pharmaceutical Services Inc. (WST)	2.34%
Teleflex Inc. (TFX)	2.32%
Alexandria Real Estate Equities Inc. (ARE)	2.22%
Vail Resorts Inc. (MTN)	2.08%
Markel Corp. (JKHY)	2.06%

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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