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Portfolio Update: Second Quarter 2019

During the second quarter of 2019, the RMB International strategy (the "Strategy") declined -2.14% net of fees, while the MSCI EAFE Index rose +3.68% and MSCI EAFE Small Cap Index appreciated +1.71% as measured in USD. Through the first six months of the year, the Strategy gained +9.99% net of fees, and the MSCI EAFE and the MSCI EAFE Small Cap indexes rose +14.03% and +12.55%, respectively.

	Quarter	YTD	1 Year	Since Inception
International Strategy	-2.14%	+9.99%	-13.07%	-10.95%
MSCI EAFE Index	+3.68%	+14.03%	+1.08%	-0.81%
MSCI EAFE Small Cap Index	+1.71%	+12.55%	-6.35%	-4.64%

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.

Global equity markets continued to recover from a weak end of 2018 through the first half of 2019. The resurfacing concerns over the China–U.S. trade war contributed to a short correction in May, yet the support came from continued accommodative policies of central banks and signs of progress in trade negotiations seen in June. The U.S. market has reached new record highs in the second quarter, supported by the Federal Reserve's communications of potential interest rate cuts. European shares have also performed strongly as the European Central Bank remained open to further monetary policy easing. Even the U.K. shares have advanced despite the resignation of Prime Minister Theresa May and looming Brexit-related uncertainty. Japanese equities were among the worst performers in developed markets, yet the yen has appreciated. Emerging market shares also lagged their developed-market peers as trade disputes weighed particularly on Chinese and South Korean equities.

Contributors and Detractors

Two of the Strategy's largest contributors for the quarter were SAP SE ("SAP") and HeidelbergCement ("Heidelberg"). German SAP is Europe's largest software company and one of the world's largest providers of enterprise application software with a broad set of solutions for various industry verticals. SAP's shares posted strong performance following affirmation of a strong start for 2019 during the Q1 2019 report in April. A combination of strength in cloud activities and resilience in sales of traditional on-premise software, as well as a meaningful improvement in profitability, have reiterated a superior long-term profitable growth of SAP's business model. We continue to believe that SAP remains a primary beneficiary of the structural rise in ERP (enterprise resource planning) and CRM (customer relations management) solutions spending; it remains among the core long-term holdings of the Strategy.

German HeidelbergCement is a global producer of construction materials, including cement, aggregates, ready-mix, and asphalt. Its operations span from Europe to North America, Asia-Pacific, and Africa, making it a broad exposure to global infrastructure and construction spending. The gain in Heidelberg's shares was driven by a strong Q1 report delivered in May, which has reiterated healthy demand across all Heidelberg's key markets and improving margins. Heidelberg has confirmed a strong pricing development through 2019 and continued internal cost reduction and a divestment program aimed at improving return of capital and optimization of shareholder returns. We continue to see a very attractive risk-reward in Heidelberg's shares considering a combination of improving fundamentals and low valuation.

The Strategy's largest detractors from quarterly performance were Glanbia PLC ("Glanbia") and Aeon Delight Co. ("Aeon"). Glanbia is a global nutritional solutions company with a focus on protein and supplements for sports and everyday consumption as well as manufacturing of cheese through joint ventures. Glanbia's shares have retracted following a very strong FY2018 and Q1 2019 performance on concerns of an unexpected volume decline in one of its operating segments, Glanbia Performance Nutrition. Yet strong performance of other segments has been generally ignored. Our analysis suggests

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that a decline in volume has primarily occurred within the core sports performance-focused segment. Weaker sales of the Specialty (sport nutrition stores like GNC) and mass channels have been primarily caused by the movements in inventory and not by deterioration of Glanbia's competitive position. We continue to see Glanbia as a primary beneficiary of structural growth in the global nutritional market and see the recent price weakness as an attractive buying opportunity for the long term.

Aeon is the Japanese provider of facility management services, including building maintenance, cleaning, repairs, entrance control, and security—just to name a few. Aeon's shares have been under pressure following the news release of improper financial reporting at one of its non-core subsidiaries, Kajitaku, which has delayed the release of annual financial results until the end of June. Kajitaku was a small operation engaged in the installation of copy machines at various points of sales, and its importance to Aeon Group was low. Yet the concerns about the potential magnitude of the financial impact as well as fears of delisting Aeon's shares from the Tokyo Stock Exchange under the scenario of not meeting the financial reporting deadline have put significant pressure on its stock price. Aeon provided a full-year financial report at the end of June, which included a restatement related to Kajitaku. We believe that this is an isolated incident and continue to see an attractive risk-reward in Aeon Delight's shares, particularly following their steep price correction through the beginning of 2019.

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SECOND QUARTER 2019 CONTRIBUTION REPORT

Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
SAP SE (SAP GR)	+67	+20.15%
Atos SE (ATO FP)	+43	+17.70%
HeidelbergCement AG (HEI GR)	+42	+15.02%
Smurfit Kappa Group PLC (SKG ID)	+32	+11.39%
Cancom SE (COK GR)	+29	+17.93%
Bottom Detractors		
Glanbia PLC (GLB ID)	-74	-16.26%
Aeon Delight Co. Ltd. (9787 JP)	-67	-23.33%
Ryanair Holdings PLC Sponsored ADR (RYAAY US)	-53	-14.46%
Mitie Group PLC (MTO LN)	-53	-18.39%
Seven & I Holdings Co. Ltd. (3382 JP)	-23	-9.62%

Based on a representative account. The performance presented above is sourced through the Factset Research Systems Inc. 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. 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.

Portfolio Activity

Other than minor trading activity in existing positions, the Strategy sold two holdings during the second quarter. Luxoft Holding Inc. (LXFT) was divested following its acquisition by DXC Technology Co. Mitie Group PLC (MTO LN) was sold following the strong indications of a rising operating risk profile as reflected by RMB internal company-wide systems.

We continue to see an extended period of volatility, driven by a combination of geopolitical uncertainty, extended valuations, and decelerating rates of growth. We remained concerned that many global companies, particularly in the large-cap spectrum, are over-earning, over-levered, and priced for perfection. Hence, we remain selective in allocating the Strategy's assets to less appreciated companies with attractive underlying business models.

Outlook

At the end of Q2 2019, the Strategy's holdings remain substantially undervalued, as reflected in an estimated 30.2% and 5.3% weighted average discount to intrinsic value and earnings power value (EPV), respectively, for the Strategy's holdings. The discount to intrinsic value is an all-encompassing measure of the margin of safety. We derive our estimates of intrinsic value by applying a required rate of return between 8% and 12% as well as by utilizing conservative assumptions of normalized profit and growth. The Strategy held 33 positions with a 34.4% concentration in the top 10 names. Our bottom-up, research-driven preference for fundamentally sound, undervalued businesses run by management teams with an objective to increase enterprise value has led to a higher concentration in industrials and information technology. The Strategy has entered the second half of 2019 with a relatively low exposure to consumer staples and communication services. The Strategy remains underinvested in energy. Geographically, outside the U.S., the Strategy maintained the highest exposure to Japan with a 21.7% concentration, followed by Germany and Ireland with 14.1% and 12.4% respective weights.

Our investment process is designed to benefit from market volatility, which creates a disconnect between market prices and underlying fundamentals. Through a combination of fundamental screening and foreign company visits, we believe we maintain an attractive list of quality investment candidates with durable and growing business models, and we patiently wait for an opportunity to acquire them with an appreciable margin of safety during temporary market corrections. During the second quarter, we visited Australia and New Zealand for company visits and hosted meetings with numerous European, Japanese, and Southeast Asian management teams in our California and Chicago offices. Our investment process is rooted in in-depth, fundamental analysis, combined with conservatism around valuations and patience in order to realize an appreciable margin of safety. The current market environment is favorable for such approach, and we continue to exercise patience in search of the most attractive risk-reward.

In our view, the Strategy's holdings offer an appreciable level of normalized return on invested capital (ROIC) and return on equity (ROE), low financial leverage, and superior implied earnings and cash flow growth when compared to both the large- and small-cap international equity universe. We own a broad range of franchises of different sizes across various geographies, ranging from a global dialysis center operator to a Japanese facilities maintenance service provider and an Irish bank, providing the Strategy with a respectable diversification by type of business, company size, regional source of cash flows, and types of catalysts. The Strategy remains well positioned from a quality and valuation standpoint and offers an appreciable margin of safety.

Thank you for your continued confidence and support for RMB and the RMB International strategy.

TOP 10 HOLDINGS AS OF 6/30/19

Company	% of Assets
Glanbia PLC (GLB ID)	4.22%
Fresenius Medical Care AG & Co. KGaA (FME GR)	4.00%
Rubis SCA (RUI FP)	3.78%
SAP SE (SAP GR)	3.55%
Autoliv Inc. (ALV)	3.43%
Ryanair Holdings PLC (RYAAY)	3.27%
Olympus Corp. (7733 JP)	3.13%
Orix Corp. (8591 JP)	3.02%
Atos SE (ATO FP)	3.02%
Smurfit Kappa Group PLC (SKG ID)	3.01%

Based on a representative account. Holdings are subject to change.

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