SMID Cap Core

Portfolio Update: Second Quarter 2019

During the second quarter, the SMID Cap Core Composite (the "Strategy") increased +5.91% gross of fees (+5.70% net of fees), outperforming the Russell 2500 Index's increase of +2.96%. In our first-quarter letter, we indicated our expectation for "higher volatility and lower (but positive) returns ... Such an environment creates opportunities for active managers to add value." This played out in the second quarter. Within five trading days in May, the Russell 2500 increased 4% for the quarter, and by the end of May, it was down nearly 8% from the high! Downward volatility was driven by a breakdown in trade negotiations with China and new tariff threats toward Mexico. Upward volatility was driven by relief that tariffs had been avoided for Mexico, a more dovish sounding Federal Reserve (the "Fed"), and a slightly more amenable tone to the U.S. and China trade talks.

Increasingly noisy markets create opportunities for skilled active managers tuned into company-specific signals. The Strategy has outperformed the Russell 2500 by +298 bps year to date and +487 bps over the last year. On a net of fees basis, the outperformance is +249 bps and +401 bps, respectively.

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (Annualized)
SMID Cap Core (Gross)	+5.91%	+22.23%	+6.64%	+12.56%	+8.70%	+13.58%	+9.30%
SMID Cap Core (Net)	+5.70%	+21.74%	+5.78%	+11.61%	+7.77%	+12.58%	+8.32%
Russell 2500 Index	+2.96%	+19.25%	+1.77%	+12.34%	+7.66%	+14.44%	+8.94%

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.

Contributors and Detractors

The biggest contributors to performance were HEICO Corp. (HEI +40.73%) and Copart Inc. (CPRT +23.41%). HEICO sells replacement parts to the airline industry and is one of the finest businesses given the owner-operator nature of the company (i.e., a public company ran with a *private*, long-term compounding of wealth mindset). The company posted another "beat and raise" quarter given an exceptional business environment and market-share expansion. With HEICO's competitive advantage and mid-single-digit share of its core market, we expect capital to be compounded for many years to come at HEI.

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 delivered strong organic growth 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. Moreover, we recently met with the CFO and feel confident in the ability for Copart to disrupt all of Western Europe over the next 20 years.

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SECOND QUARTER 2019 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
HEICO Corp. (HEI)	+71	+40.73%
Copart Inc. (CPRT)	+67	+23.41%
Bright Horizons Family Solutions Inc. (BFAM)	+59	+18.69%
Cypress Semiconductor Corp. (CY)	+50	+49.57%
Repligen Corp. (RGEN)	+47	+45.83%
Bottom Detractors		
Nordstrom Inc. (JWN)	-46	-27.36%
Wolverine World Wide Inc. (WWW)	-30	-22.64%
CommVault Systems Inc. (CVLT)	-21	-23.35%
Steel Dynamics Inc. (STLD)	-20	-13.75%
WPX Energy Inc. (WPX)	-17	-12.20%

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'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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The biggest detractors were Nordstrom Inc. (JWN -27.36%) and Wolverine World Wide Inc. (WWW -22.64%). Nordstrom is an omni-channel retailer of apparel, footwear, accessories, and cosmetics targeted to middle- to upper-income customers. The combination of difficult macro headwinds and poor execution by management on its loyalty program and digital marketing plan resulted in missed expectations. The company has been successful with their local market strategy in the L.A. market, which is just now rolling out to NYC with the opening of its flagship store in October. We expect this to be a major catalyst in the second half of the year along with inventory being in decent shape (down 5.3%). We will be monitoring sales/comps closely in the second half of the year as the company is poised to drive margin expansion given low inventory levels *if* they execute to plan.

Wolverine World Wide is a manufacturer of a broad range of footwear and apparel with roots going back to 1883. In recent years, it has been creating value by driving productivity initiatives and successfully executing an ambitious transformation. Currently, it is attempting to pivot to growth and double sales in China by 2020. Recent trade tensions have scared many investors out of the stock. We believe WWW's current share price implies very little growth from China, providing a free option on more constructive trade negotiations and very little downside if talks break down.

Portfolio Activity

We initiated new positions in Digimarc Corp. (DMRC) and Columbia Sportswear Co. (COLM). Both new purchases are currently owned by our Small Cap Core strategy, thus leveraging our knowledge inventory of high-conviction, fully vetted, new ideas for SMID Cap Core. We sold Gartner Inc. (IT) and Black Knight Inc. (BKI) as the risk/reward profile for both stocks became compressed.

Outlook

The last time we reported to investors, we wrote, "We think the most likely outlook, based on what we know today, is higher volatility and lower (but positive) returns." There is really no change to that outlook. We expect downward volatility to be driven by trade uncertainty and what appears to be a slowing economy. We expect upward volatility to be driven by progress on trade, better-than-feared corporate results, and an accommodative Fed.

We expect passive portfolios to experience higher volatility and lower absolute returns as the free ride from quantitative easing seems to have come to an end. We continue to believe the market is transitioning to a better environment for active managers to add value as the liquidity cycle is normalizing and company-specific dispersion is widening.

Smaller-cap companies are particularly sensitive to changes in liquidity, which may explain the Russell 2000's underperformance relative to larger-cap names over the last year (as shown below).

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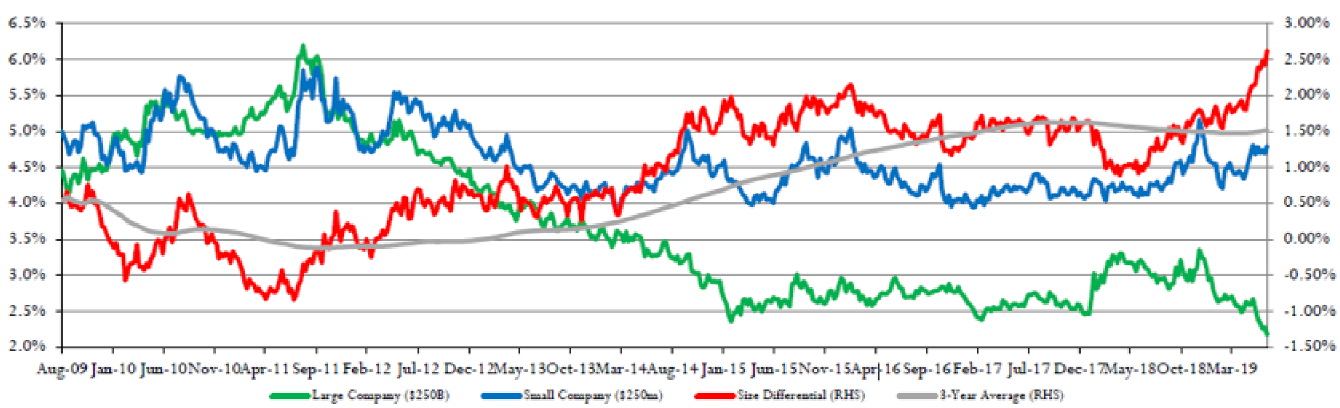
Russell vs. S&P – 99th Percentile in the Last Year

Source: Bloomberg.

This may be an opportunity for investors to consider adding to smaller companies if they believe the Fed will continue to provide just enough liquidity to keep markets in the green, and if the U.S. economy is stronger than the bond market's low rates and inverted yield curve imply.

Our own work suggests small caps have not been this attractive relative to large caps since 1999 and are currently priced to deliver 250 bps higher return than large caps.

U.S. Size Differential



Source: RMB Asset Management – Research Core.

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We believe there will be plenty of noise to continue to drive volatility, including trade talks, Fed rate speculation, Brexit, Middle East tensions, the approach of the 2020 elections, and more. Throughout all of these factors driving anticipated volatility, we will stay focused on company-specific signals of wealth creation driven by high management skill and savvy capital allocation selling at attractive upside potential compared to downside risk.

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

TOP TEN HOLDINGS AS OF 6/30/2019

Company	% of Assets
Bright Horizons Family Solutions Inc. (BFAM)	3.59%
American Financial Group Inc. (AFG)	2.69%
West Pharmaceutical Services Inc. (WST)	2.65%
Copart Inc. (CPRT)	2.52%
Fair Isaac Corp. (FICO)	2.44%
Equity Commonwealth (EQC)	2.36%
Markel Corp. (MKL)	2.25%
Vail Resorts Inc. (MTN)	2.02%
IDEX Corp. (IEX)	2.00%
PTC Inc. (PTC)	1.94%

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.

Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. The opinions and analyses expressed in this letter are based on RMB Capital Management, LLC's ("RMB Capital") research and professional experience, and are expressed as of the date of our mailing of this letter. Certain information expressed represents an assessment at a specific point in time and is not intended to be a forecast or guarantee of future performance, nor is it intended to speak to any future time periods. RMB Capital makes no warranty or representation, express or implied, nor does RMB Capital accept any liability, with respect to the information and data set forth herein, and RMB Capital specifically disclaims any duty to update any of the information and data contained in this letter. The information and data in this letter does not constitute legal, tax, accounting, investment, or other professional advice. The information provided in this letter should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in the Strategy at the time you receive this letter or that securities sold have not been repurchased. The securities discussed do not represent the entire Strategy and in the aggregate may represent only a small percentage of their holdings. It should not be assumed that any securities transaction or holding discussed was or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. A complete list of security recommendations made during the past 12 months is available upon request. An investment cannot be made directly in an index. The index data assumes reinvestment of all income and does not account for 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 your account. The Russell 2500 Index combines a portion of mid-cap stocks with small-cap stocks – forming a "SMID" (small/mid) cap segment of stocks from the Russell 3000 Index. Mid-cap has been one of the highest performing segments of the Russell 3000 Index and repositioning these stocks – which by way of their market values receive larger weights within the Russell 2500 Index than in the Russell 1000 Index – can result in significant impacts in terms of index volatility and returns.