

Small Cap Focus

Portfolio Update: Third Quarter 2019

During the third quarter, the Small Cap Focus Composite (the "Strategy") increased +2.72% net of fees, outperforming the Russell 2000 Index's decline of -2.40%. Equity markets have gone sideways since the first week in March as headline noise related to China trade talks, Federal Reserve interest-rate policy, Middle East tensions, and slowing global growth has driven an increase in market volatility. We are pleased that the higher-quality stocks we invest in have performed well in this environment as the portfolio is up +24.83% net of fees, compared to +14.18% for the Russell 2000 for the year.

Although the market was flat for the quarter, violent rotation between growth and value and large- and small-cap stocks lurked below the surface. The core portfolio's construction, which owns both growth and value stocks, smooths out the ride for investors when these significant rotations within the market occur.

	3 Months	YTD	Since Inception
Small Cap Focus (Gross)	+2.85%	+25.30%	+25.30%
Small Cap Focus (Net)	+2.72%	+24.83%	+24.83%
Russell 2000 Index	-2.40%	+14.18%	+14.18%

Inception date: December 31, 2018. Performance for periods of greater than one year is annualized.

Contributors and Detractors

The biggest contributors to performance were Visteon Corp. (+41.03%; "Visteon") and Teledyne Technologies Inc. (+17.58%; "Teledyne"). Visteon is a "value stock," and Teledyne is a "growth stock." The fact that the top two contributors came from two different "styles" is an example of how core portfolios offer a wider opportunity set for us to add value.

Visteon is a "quality cyclical" that designs and manufactures cockpit electronics for cars. Their new CEO, Sachin Lawande, came from Harmon International, which we owned many years ago before it was taken private. Mr. Lawande is transforming the auto cockpit business to an "all-digital cockpit" and likely to lead the technology required for connected car solutions. He started by improving credit worthiness, and then they won \$5.4 billion in new business. We believe Visteon is positioned to compete with Mobile Eye in the self-driving car space, and while there are still elements of cyclicity to the business, the market may be underappreciating the longer-term secular opportunity.

Teledyne is a skilled acquirer and a provider of enabling technologies for industrial growth markets that require advanced technology and high reliability. The knowledge-building culture at Teledyne is rooted by its founder, Henry Singleton, who is profiled in the book *The Outsiders* as one of the all-time great CEO's as measured by total shareholder return and his superior capital allocation decision making. The sharp focus on capital allocation still continues, and we are bullish on recent

Small Cap Focus THIRD QUARTER 2019 CONTRIBUTION REPORT *Ranked by Basis Point Contribution*

	Basis Point Contribution	Return
Top Contributors		
Visteon Corp.	+79	+41.03%
Teledyne Technologies Inc.	+58	+17.58%
West Pharmaceutical Services Inc.	+49	+13.44%
Exponent Inc.	+33	+20.19%
HealthEquity Inc.	+31	+22.88%
Bottom Detractors		
PTC Inc.	-64	-25.51%
Repligen Corp.	-23	-10.77%
NeoGenomics Inc.	-19	-12.82%
WPX Energy Inc.	-18	-7.98%
Catalent Inc.	-15	-12.48%

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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investments that we believe the stock market is not fully appreciating.

The two biggest detractors were PTC Inc. (-25.51%; "PTC") and Repligen Corp. (-10.77%; "Repligen"). PTC was an enterprise software company transforming into a leading "internet of things" software provider. The digital and physical worlds are converging to transform how we design, manufacture, operate, service, and experience "things," and PTC is a leader. The last couple quarters have been a bit sloppy, so momentum players bailed on the stock, driving it down. We still believe the shares will outperform longer term but may struggle to regain investor confidence near term until they start executing better.

Repligen remains one of our highest conviction holdings and is a beneficiary of the biotech revolution. They became a monopoly when they acquired Novozym Biopharma Sweden. Repligen is the go-to manufacturer of products used to enhance the increasingly complex biological and drug manufacturing process. Bioprocessing is required for biotech drug discovery, and they have a long runway for high growth. We believe weakness is associated with profit taking after an 88% run since the beginning of the year.

Portfolio Activity

We sold PTC Inc., which is facing near-term headwinds to harvest some losses, to reduce the portfolios' overweight to technology and growth. We also sold HealthEquity Inc. as the company made a bet-the-firm acquisition we are not convinced will result in value creation due to the price paid and debt increase.

We initiated new positions in Chart Industries Inc., Catalent Inc., and Omnicell Inc. Chart Industries is a \$2.2 billion industrial company in a unique position to benefit from the world's shift to natural gas as a preferred fossil fuel and its virtual pipeline to move it from places where natural gas is abundant to places where it is needed. Investments in new technologies are coming to market at just the right time as demand for smaller modular liquefied natural gas (LNG) systems replace large, expensive, complex baseload LNG trains. Chart Industries' board fired the old CEO and has an entirely new C-Suite that is implementing operational improvements and better capital allocation decisions.

Catalent is a \$7 billion healthcare company that was spun out from Cardinal Health. Its mission is to develop, manufacture, and supply products that help people live better, healthier lives. Catalent is a contract manufacturing organization (CMO) exposed to the trend in increased outsourcing due to more stringent FDA regulations and trends toward more specialized drugs with more complex manufacturing. Our timing was not perfect as it has been caught up in the growth-to-value rotation, but we are confident it will create significant value over the next several years.

Omnicell is a \$2.9 billion healthcare technology company that provides solutions designed to enable healthcare professionals to reduce medication errors and improve administrative controls. With hospitals facing increased reimbursement pressure, they will increasingly turn to providers like Omnicell to reduce costs and increase efficiency.

Outlook

Our outlook has not changed since our last letter: "We think the most likely outlook, based on what we know today, is higher volatility and lower (but positive) returns." We expect downward volatility to be driven by what appears to be a slowing U.S. and global economy and uncertainty around trade, Brexit, the Middle East, and the 2020 election. We expect upward volatility to be driven by progress on trade, better-than-feared corporate results, and an accommodative Federal Reserve.

TOP FIVE HOLDINGS AS OF 9/30/19

Company	% of Assets
Acadia Realty Trust	3.96%
Redwood Trust Inc.	3.93%
West Pharmaceutical Services Inc.	3.89%
Teledyne Technologies Inc.	3.74%
Pool Corp.	3.61%

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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We will stay focused on company-specific signals of wealth creation, driven by our determination of high management skill and savvy capital allocation. Further, we will look to exploit bouts of volatility to own these businesses when they are 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.

Sincerely,



Chris Faber
Portfolio Manager

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 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 2000 of the smallest U.S. equity securities in the Russell 3000 Index, based on a combination of market capitalization and current index membership. The Russell 2000 Index represents approximately 10% of the total market capitalization of the Russell 3000 Index.



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RMB Asset Management, LLC

Small Cap Focus Composite // Annual Disclosure Presentation

Organization | RMB Capital Management, LLC ("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 RMB Capital Management, LLC. 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 period April 1, 2005 through December 31, 2017. Verification assesses whether: (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis; and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Description | The Small Cap Focus Strategy reflects the performance of fully discretionary fee-paying 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 inception date of the Small Cap Focus Composite is December 31, 2018. The composite includes small cap equity portfolios invested in undervalued companies as suggested by 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. The composite excludes portfolios that have client-driven restrictions that hinder the investment strategy. An account is included in the Composite on the first day of the first full month following becoming fully invested. An account is removed from the Composite as of the last day of its last full month. Account performance is based on total assets in the account, including cash and cash equivalents. Results are based on fully discretionary accounts under management, including those accounts no longer managed by RMB. Valuations and returns are computed and stated in U.S. Dollars.

ANNUAL PERFORMANCE RELATIVE TO STATED BENCHMARK

Year End	Total Firm Assets* as of 12/31 (\$M)	Composite Assets		Annual Performance Results					
		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 (%)
2018	4,291.73	--	--	--	--	-11.01	N/A	N/A	N/A

Fees | The standard management fee is 0.500% of assets on the first \$1.0 million, 0.500% on the next \$2.0 million, 0.475% on the next \$2.0 million, 0.450% on the next \$5.0 million, 0.425% on the next \$15.0 million, and 0.400% over \$25.0 million. 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 are reduced by the portion of bundled fee that includes trading costs and all fees other than portfolio management. The net returns are reduced by all actual fees and transactions costs incurred. The percent of non-fee paying assets in the composite as of December 31, 2018 was 0%. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the Composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Minimum Value Threshold | There is no account minimum in the Small Cap Focus Composite.

Comparison with Market Indices | RMB compares its Composite returns to a variety of market indices such as the Russell 3000 and the S&P 500. 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 Core 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.

