SMID Cap Core

Portfolio Update: Third Quarter 2019

During the third quarter, the SMID Cap Core Composite (the "Strategy") increased +1.23% net of fees, outperforming the Russell 2500 Index's decline of -1.28%. 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 +23.22% net of fees, compared to +17.72% for the Russell 2500 for the year.

Although the market was flat for the quarter, violent rotations 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	1 Year	3 Years	5 Years	10 Years	Since Inception (Annualized)
SMID Cap Core (Gross)	+1.44%	+23.99%	+3.08%	+12.26%	+10.00%	+12.16%	+9.23%
SMID Cap Core (Net)	+1.23%	+23.22%	+2.24%	+11.31%	+9.04%	+11.17%	+8.27%
Russell 2500 Index	-1.28%	+17.72%	-4.04%	+9.51%	+8.57%	+12.22%	+8.69%

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

Two of the biggest contributors to performance were Visteon Corp. (+40.90%; "Visteon") and West Pharmaceutical Services Inc. (+13.46%; "West Pharmaceutical). Visteon is a "value stock," and West Pharmaceutical is a "growth stock." The fact that two of the top 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. Its 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 solution. 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 cyclicality to the business, the market may be underappreciating the longer-term secular opportunity.

West Pharmaceutical manufactures and sells packaging and delivery systems for injectable drugs and healthcare products. It is a natural monopoly as its products are designed into FDA approvals. After sitting down with management, we learned a lot about their innovative new products, which should be benefiting from growth in biologics. All new biologic approvals in 2017 included West Pharmaceutical products. West Pharmaceutical continues to execute its long-term strategy consistent with our positive thesis for the stock.

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

	Basis Point Contribution	Return
Top Contributors		
CyrusOne Inc.	+56	+37.93%
West Pharmaceutical Services Inc.	+36	+13.46%
Teledyne Technologies Inc.	+29	+17.57%
Tyler Technologies Inc.	+28	+21.52%
Visteon Corp.	+27	+40.90%
Bottom Detractors		
PTC Inc.	-45	-24.04%
Abiomed Inc.	-34	-31.71%
Diamondback Energy Inc.	-29	-17.33%
Exact Sciences Corp.	-20	-23.44%
Trimble Inc.	-19	-13.97%

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.

Two of the biggest detractors were PTC Inc. (-24.04%; "PTC") and Exact Sciences Corp. (-23.44%; "Exact Sciences"). PTC is 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 of 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.

Exact Sciences, a molecular diagnostics company currently focused on the early detection and prevention of colorectal cancer using its flagship test, Cologuard (a noninvasive, stool-based screening test for colon cancer), was one of the Strategy's largest detractors. Even though the company delivered a strong quarter and meaningfully raised guidance, the stock sold off during an indiscriminate sell off of growth stocks with significant appreciation during the year (Exact Sciences is now up +43.22% year to date). For the second quarter in a row, 14,000 first-time clinicians ordered Cologuard (well above the trend line of closer to 10,000, and not far off the fourth-quarter total of 15,000) as the new 100 reps hired by the company last year became more effective; operational improvements from the sales force (better targeting and more calls per rep), market access improvements, better messaging on coverage, and some initial benefits from a new Pfizer relationship. Also, the company submitted its application for an FDA label expansion to include ages 45–49 (~19,000 average-risk Americans in this age group today; expected to grow to ~20,000 by 2030). Since the American Cancer Society updated its guidelines last year, several payers have expanded their coverage to include ages 45–49, including Aetna, CareFirst, and Anthem FEP (Federal Employees Program). Exact Sciences expects a potential approval in 1H20. For all these reasons and a very attractive risk/reward profile, we are bullish on the company.

Portfolio Activity

Portfolio turnover was higher than usual this quarter as Medidata Solutions Inc. and Cypress Semiconductor Corp. were acquired earlier in the year, and we reluctantly sold our shares despite receiving substantial premiums—our preference is to own great businesses at attractive risk/reward profiles indefinitely. Rather than chasing stocks, our goal is to patiently wait for the stock market to provide an opportunity to buy at a discount to our estimated warranted value. The stock market volatility in the quarter gave us the opportunity to purchase both Bio-Techne Corp. ("Techne") and ServiceMaster Global Holdings Inc. ("ServiceMaster").

Techne is a leading producer of specialized proteins (cytokines, growth factors, etc.), antibodies, other biotechnology reagents, and related immunoassays. We are impressed by the track record of the relatively new CEO, Chuck Kummeth, and his refresh of the business strategy to expand from its core protein business to now include gene and cell therapy, tissue biopsy, and liquid biopsy. Techne is now 90% recurring revenue, serves all aspects of life sciences from basic, applied, and clinical research to diagnostics to biopharma development and production. But what we believe is most misunderstood by the stock market is the long-term asset reinvestment opportunity for immuno-oncology (IO)—arguably one of the biggest breakthroughs in cancer research history. By way of background, cytokines are molecular messengers that allow the cells of the immune system to communicate with one another to generate a coordinated, robust, but self-limited response to a target antigen (virus, bacteria, parasites, etc.). In general, IO maps out cytokines and exploits their vast signaling networks to develop treatments for the immune system as opposed to medieval standards of care, including surgery, radiotherapy, and chemotherapy. Techne literally created the cytokine reagent market, and Kummeth is in the enviable position to create significant wealth by reinvesting into organic growth opportunities, such as GMP manufacturing capabilities and Asia expansion, as well as continued strategic acquisitions, which are synergistic to current intellectual property and leverage distribution capabilities.

ServiceMaster provides residential and commercial services primarily in the U.S., including pest control, termite control, home restoration, and cleaning services. Terminix is their largest brand, accounting for 93% of sales, and is the largest pest control brand in the industry. Central to our investment thesis, ServiceMaster has new management led by CEO, Nikhil Varty, who has an impressive wealth creation track record. Varty immediately unlocked value by spinning out Frontdoor Inc. (legacy home service business) and making changes to Terminix, including a better effort to improve retention rates and customer service levels and better empowering their technicians to serve the customer. The new management team is now focused on reinvigorating organic growth at Terminix. Prior to Varty, Terminix lost market share, resulting in anemic organic growth despite the pest industry growing at roughly 3%. The company delivered 4.1% organic growth on its most recent quarter (after our purchase), supporting our belief that the company can now grow at industry levels and beyond with renewed focus on the commercial business. The focus on long-term asset reinvestment is the right capital allocation decision given that the firm's economic returns are significantly higher than its equity discount rate. And we do not believe the market fully appreciates the runway on further operating margin improvement and long-term asset reinvestment opportunity.

In further portfolio activity during the quarter, we sold Nordstrom Inc. and Cantel Medical Corp. due to investment thesis violations and HealthEquity Inc. because the risk/reward profile became compressed.

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.

We will stay focused on company-specific signals of wealth creation, driven by 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

Jeff Madden
Portfolio Manager

TOP TEN HOLDINGS AS OF 9/30/2019

Company	% of Assets
Bright Horizons Family Solutions Inc.	3.01%
West Pharmaceutical Services Inc.	3.01%
American Financial Group Inc.	2.83%
Copart Inc.	2.71%
Equity Commonwealth	2.50%
Markel Corp.	2.45%
Jack Henry & Associates Inc.	2.07%
Vail Resorts Inc.	2.06%
CyrusOne Inc.	1.99%
Teledyne Technologies Inc.	1.92%

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.

SMID Cap Core

RMB Asset Management, LLC

SMID Cap Core 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 SMID Cap Strategy (formerly named IronBridge SMID Cap Core Equity Composite) product reflects the performance of fully discretionary fee-paying equity accounts, which have an investment objective of long-term growth that 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 RMB Capital's proprietary economic return framework. The composite excludes portfolios that have client-driven restrictions that hinder the investment strategy. Beginning January 1, 2015, the composite excludes portfolios under $2 million. Prior to that date, the composite excluded portfolios under $5 million. For comparison purposes is measured against the Russell 2500 index. The inception date of the SMID Cap Composite is March 31, 2004 and the Composite was created on March 31, 2004. Beginning January 1, 2015, this composite has no significant cash flow policy. Until December 31, 2014, accounts were removed from the composite when significant cash flows occur, for the month of the flow and the month after. Significant cash flows were defined as 50% or more of the account value. Exceptions were made for flows that take the form of in-kind transfers, when the transfers are balanced according to our own investment model. In those instances, there is no material difference to the portfolio's weights after the flow, and thus no hindrance to the implementation of the investment strategy. This cash flow policy went into effect January 1, 2008. Prior to that date, significant cash flows were defined as 50% of the account value or $15 million.

ANNUAL PERFORMANCE RELATIVE TO STATED BENCHMARK

		Composite Assets		Annual Performance Results					
Year End	Total Firm Assets* as of 12/31 ($M)	USD ($M)	# of Accounts Managed	Composite Gross-of-Fees (%)	Composite Net-of-Fees (%)	Russell 2500 (%)	Composite 3-YR ST DEV (%)	Russell 2500 3-YR ST DEV (%)	Composite Dispersion (%)
2018	4,291.73	175.89	<5	-4.12	-4.91	-10.00	13.23	14.10	0.00
2017	3,610.61	310.59	5	14.68	13.67	16.81	10.64	12.14	0.28
2016	2,833.76	448.67	9	3.33	12.33	17.59	12.04	13.67	0.23
2015	3,230.87	775.77	9	0.07	-0.82	-2.90	11.47	12.42	0.21
2014	4,796.43	994.30	8	4.74	3.81	7.07	11.03	11.67	0.28
2013	6,201.31	1,712.59	16	32.46	31.30	36.80	15.06	15.63	0.15
2012	6,022.19	1,612.27	26	13.84	12.83	17.88	17.78	18.97	0.09
2011	6,080.24	1,427.15	30	-1.75	-2.64	-2.50	20.98	23.40	0.13
2010	9,151.98	1,528.88	26	26.69	25.57	26.71	24.01	26.80	0.25
2009	7,415.09	1,626.00	24	28.09	26.89	34.39	21.71	24.25	0.40
2008	3,903.59	893.21	21	-33.17	-33.79	-36.79	18.11	19.37	0.12
2007	4,587.61	922.67	12	11.43	10.44	1.38	10.55	11.52	0.19

**Effective June 24, 2017, RMB Capital combined with IronBridge Capital Management. Firm AUM prior to 2017 includes only IronBridge assets. Going forward, firm AUM includes the combined assets of RMB Capital and IronBridge Capital. Prior to the combination, IronBridge Capital Management had been independently verified for the periods December 31, 2003 – December 31, 2016.*

***Fees** |The standard management fee is 0.90% of assets annually, which is also the highest applicable fee. Net returns are computed by subtracting the highest applicable fee (0.90% on an annual basis, or 0.075% monthly) on a monthly basis from the gross composite monthly return, and the resulting monthly net figures are compounded to calculate the annual net return. In 2009, one account paid a performance fee that exceeded the usual highest applicable fee, at 0.96%. That fee level is used to compute the 2009 net figure, which is 26.89%. 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 net returns are reduced by all actual fees and transactions costs incurred. The percent of non-fee paying assets in the composite is 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** | The account minimum in the SMID Cap Core Composite is currently $2.0 million. Prior to January 1, 2015, the composite excluded portfolios under $5.0 million.*

***Comparison with Market Indices** | RMB 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 SMID Cap Core composite is the Russell 2500 Index, which for comparison purposes is fully invested and includes the reinvestment of income. 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 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 that the composite returns listed.*