U.S. Alpha

Portfolio Update: Third Quarter 2019

During the third quarter, the U.S. Alpha strategy (the "Strategy") increased +0.99% gross of fees (+0.94% net of fees), slightly underperforming the Russell 3000 Index's +1.16% return. For the year, the Strategy increased +18.43% gross of fees (+18.22% net of fees), underperforming the Russell 3000's +20.09% return. From a traditional attribution perspective, stock selection was positive, particularly in communication services, healthcare, financials, and information technology, while consumer discretionary was the lone detractor. Allocation was a significant headwind, given the overweight in healthcare (second-worst performing sector) and no ownership in real estate and utilities—both sectors are interest-rate surrogates and tend to appreciate with a decline in interest rates, as was the case during the quarter.

	3 Months	YTD	1 Year	3 Years	Since Inception (Annualized)
U.S. Alpha (Gross)	+0.99%	+18.43%	+2.40%	+15.42%	+12.69%
U.S. Alpha (Net)	+0.94%	+18.22%	+2.23%	+14.96%	+12.06%
Russell 3000 Index	+1.16%	+20.09%	+2.92%	+12.83%	+9.84%

Inception date: December 31, 2014. 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.

The goal of the Strategy is long-term growth of capital, and from that perspective, we feel good about the strong absolute return delivered thus far in 2019 while also acknowledging we are taking less risk than the Russell 3000 as defined by portfolio beta. That said, long-term growth of capital also requires preservation of capital during inevitable stock market declines. In addition, we are organized with a deeply researched "wish list" of high-quality businesses we want to own *at the right price*.

Exuberant investors in the burgeoning private market were reminded that "the right price" matters, or as succinctly stated by Warren Buffett—"Price is what you pay. Value is what you get." A review of the 170 companies trading on U.S. exchanges that are IPOs in 2019 shows the majority are now trading below the price at their first open[1]. Outlier negative price returns since IPO are exemplified by previous unicorns (term used to describe private market firms with valuations over $1 billion), such as Uber Technologies Inc. (-25%), Slack Technologies Inc. (-40%), and Lyft Inc. (-50%). And then there is WeWorks, aborting its plans to go public as potential investors balked at the company's prior valuation of $47 billion as they focused on losses that totaled more than $1.6 billion last year and a long list of governance issues. Potential investors slashed its expected valuation by roughly two thirds, erasing $30 billion or more given poor governance and the concern that WeWorks is a fast-growing office leasing company with large losses, rather than the tech-like "physical social network" that the founder pitched it to be.

No doubt, excess liquidity is fueling overvaluation in the private market, but we believe there is also another reason for the overvaluation—namely, intangible assets. The largest unicorn IPOs this year such as Uber, Lyft, Peleton etc. are digital platform business models, which are, by definition, dominated by intangible assets. Moreover, biotech companies make up more than a quarter of the year's IPOs so far, and none of them are expected to reach profitability over the next three years, yet there is significant potential value associated with intellectual property[2]. In our experience, getting the right price requires both patience and genuine insight. But an analysis of intangible assets that yields genuine insight is both more important *and* difficult to do in the New Economy. "The World has Changed: Investing in the New Economy," an article I recently published in the *Journal of Wealth Management,* frames the problem:

[1] Winck, B. 2019. "The Batch of Companies IPOing in 2019 is the Least Profitable since the Tech Bubble, Goldman Sachs Finds." *Business Insider: Markets Insider* (September 2019): https://markets.businessinsider.com/news/stocks/ipo-market-new-public-companies-least-profitable-since-tech-bubble-2019-9-1028534694
[2] The Bespoke Report – Equity Market Pros & Cons. September 27, 2019.

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> Corporate America has pivoted toward intangible assets. Yet corporate financial reporting has not changed in over 100 years. Consider that the Financial Accounting Standards Board ruled in 1974 that R&D expenditures be expensed except for acquired R&D, with a similar treatment for advertising expenditures. This makes no economic sense … the accounting rule makers have avoided issuing comprehensive rules, partly due to the lack of precision in estimating the amortization schedule (life) of intangible assets. The irony of the ruling's timing is that Intel's first commercially available microprocessor was invented in 1971, which set the stage for the intangible asset revolution.

As highlighted in the "Commitment to Our Investors" section (below), we employ an economic return framework to minimize accounting distortions and convert analysis of intangible assets into long-term cash flow forecasts, and we require twice the upside versus downside for all investments. I encourage investors in the U.S Alpha strategy, and those intellectually curious, to read the *Journal of Wealth Management* article to more fully understand our thinking for generating excess shareholder return via a portfolio of firms with skills attuned to the New Economy (The World has Changed: Investing in the New Economy).

Contributors and Detractors

Alphabet Inc. (+12.79%)—the world's leading search engine and one of the top Internet destinations online, delivering relevant advertising on its own site and on its network of third-party websites—was the Strategy's biggest contributor. Net revenue year-over-year growth reaccelerated off a weaker first-quarter 2019—the company's core drivers remain intact, and the company posted strong operating margins for the second sequential quarter. We continue to believe growth prospects remain solid in the long term given the firm's formidable network effect and massive digital advertising total addressable market, which remains at low penetration rates. Also, a margin of safety is provided with a sum-of-the-parts analysis beyond the search platform, including YouTube (we estimate to be worth up to $150 billion), "other bets," such as Waymo—a leader in autonomous driving cars (we estimate to be worth up to $75 billion), and a roughly $100 billion cash position.

Markel Corp. (+8.47%; "Markel"), a niche specialty insurance underwriter, was the Strategy's second-largest contributor. Markel has expanded their capital allocation opportunity set beyond insurance and insurance float investing, which we believe the stock market is not fully appreciating. Markel Ventures, their wholly owned businesses segment, provides the company with additional avenues to allocate excess capital, and their track record is leading to an increasing amount of business owners desiring Markel as a long-term partner. Tom Gayner, CIO and Co-CEO of Markel, summarized the firm's competitive advantage on a recent earnings call: "Markel enjoys some spectacular competitive advantages, mainly a group of talented, dedicated, and creative people and a long-term time horizon as we make business decisions. Those factors have combined to produce wonderful economic results over a long period of time, and we continue to believe that we'll continue to do so."

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THIRD QUARTER 2019 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
Alphabet Inc.	+52	+12.79%
Markel Corp.	+48	+8.47%
Jack Henry & Associates Inc.	+47	+9.25%
West Pharmaceutical Services Inc.	+44	+13.42%
Teledyne Technologies Inc.	+33	+17.56%
Bottom Detractors		
Amazon.com Inc.	-55	-8.32%
Illumina Inc.	-47	-17.37%
Johnson & Johnson	-35	-6.42%
Charles Schwab Corp.	-27	-8.02%
Union Pacific Corp.	-13	-3.66%

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.

Illumina Inc. (-17.37%), the dominant leader in DNA sequencing with greater than 90% market share, was the Strategy's second-biggest detractor during the quarter. The company pre-announced a slightly cautious outlook for both the population genomics and direct-to-consumer opportunities. The company is early in the adoption curves for both of these end markets, so near-term volatility is to be expected. Moreover, we remain confident in the competitive position of the business, which is addressing a massive opportunity—the genomic revolution. The CEO, Francis deSouza, summarized the opportunity at the J.P. Morgan Healthcare Conference earlier this year, "We are at the very beginning… the ubiquity and impact of genomics will dwarf everything we've seen to date." He mentioned three statistics that underscore his point: less than 0.01% of species have had their genomics sequenced, less than 0.02% of human genomes have been sequenced, and less than 1% of variants in the human genome have been fully characterized. These low percentages represent an enormous long-term opportunity for the company.

Amazon.com Inc. (-8.32%; "Amazon"), a leader in two large and rapidly growing markets—eCommerce and Cloud Services, was the Strategy's biggest detractor. Even though the company delivered total sales growth of 21% year over year, which exceeded estimates, the stock was weak given concerns of lower GAAP operating profit guidance due to investments in one-day shipping, higher sales and marketing, and increased infrastructure investments. We believe management continues to make the right capital allocation decision to aggressively reinvest into the business and that the Amazon platform is still in the early innings of increased operating leverage.

Portfolio Activity

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 Bio-Techne Corp. ("Techne"), 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, serving 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.

Even though we continue to admire Charles Schwab's owner-operator culture and "Through Clients' Eyes" business strategy, we sold our position given our concern that the online brokerage and investment advisory industries will face more intense competition going forward. Our concern about lack of price rationality was further confirmed (after we sold our position) with Charles Schwab's recent decision to end commissions for online trading, following the loss leadership examples of Silicon Valley start-up Robinhood, J.P. Morgan, and Interactive Brokers. Also, the company remains highly interest-rate sensitive with roughly 50% of revenues coming from net interest income of client cash balances, which is primarily generated from the spread between deposits held on the firm's balance sheet and money market funds. We believe the more competitive environment will make it increasingly difficult for the company to decouple from the high interest-rate sensitivity (factor risk), and we prefer higher idiosyncratic (uncorrelated) risk and asymmetrically skewed pay-off structures such as Techne.

Outlook

A recent *Wall Street Journal* article, "The 99% Get a Bigger Raise," highlights bullish economic news from the Bureau of Economic Analysis not covered by mainstream media: "The revisions show that employee compensation rose 4.5% in 2017 and 5% in 2018—some $4.4 billion and $87.1 billion more than previously reported. The trend has continued into 2019, with compensation increasing $378 billion or 3.4% in the first six months alone. Wages and salaries were revised upward to 5.3% from 3.6% in May year over year. And in June, wages and salaries grew at an annual rate of 5.5%, which is a rocking 4.1%

after adjusting for inflation." Overall, hard-working Americans are now more self-sufficient, *relying less on the U.S. government*, and we believe Corporate America should be applauded. The Business Roundtable, an association of CEOs of America's largest companies, recently reframed the purpose of corporations as *stakeholder* value, not solely *shareholder* value. More specifically, the Business Roundtable now says that customer value, investing in employees, fair and ethical supplier relationships, and care for the community and environment are also the purpose and responsibility of a business, in addition to long-term shareholder value. Moreover, we believe Corporate America's new commitment to long-term win/win partnerships with all constituents of the firm, including employees, creates persistence of fundamentals and is bullish for the stock market.

As previously communicated, the future performance of the stock market is now much more dependent on the health of Corporate America and the U.S. economy as opposed to the Fed, which is quickly depleting its accommodative toolkit. Corporate America continues to demonstrate resilience—the U.S. is in its longest expansion, and there is no reason why the U.S. will not remain in "late cycle" status for an extended period of time. Positive signals for future healthy U.S. economic growth include: higher disposable income and employee compensation, 3.5% unemployment (lowest since 1969), lukewarm inflation, strong consumer spending, supportive leading economic indicators, increased productivity, share repurchases, and deregulation.

Two major risks, which demand investor attention, include trade uncertainty between the U.S. and China and the upcoming 2020 election. The trade war is important given the high economic linkages between the two countries and has continued to drag along with no concrete progress or end in sight. The stock market's rally after President Trump's election victory in 2016 says that the market would prefer Trump over a Democratic candidate in 2020. Regarding current Democratic candidates, we believe Biden is more market friendly than Warren, but Warren is now coming on strong and neck and neck against Trump to win the general election if she wins the nomination. The market will start to price odds of a Democrat winning back the White House more so as the 2020 election gets closer. Of course, the impeachment inquiry only adds to uncertainty, feedstock to fuel higher volatility.

We do not believe the bond market rally is signaling a near-term recession in the U.S. as opposed to simply a more dovish stance by all major central banks across the world, with 16 central banks lowering interest rates in the third quarter. However, given the historically low level of the real, after-tax U.S. equity discount rate and traditional valuation metrics being slightly higher than historical averages, we expect stock market returns to continue to be more modest going forward with likely higher volatility, which we are positioned to exploit.

Although the Fed has reversed to a far more dovish stance on monetary policy, we still expect a continuation of higher volatility as the stock market is on autopilot (80% passive investment and quantitative funds) and uncharted territory approaches with the inevitable pivot from quantitative easing (QE)—characterized by high equity correlations and low dispersion—to quantitative tightening (QT) and higher dispersion of individual stock returns. Higher dispersion is helpful for investors who are able to select undervalued (attractive risk-reward) stocks due to distinct company-specific reasons (i.e., not factor or systematic risk). The following chart shows dispersion is at the 90th percentile relative to the past decade.

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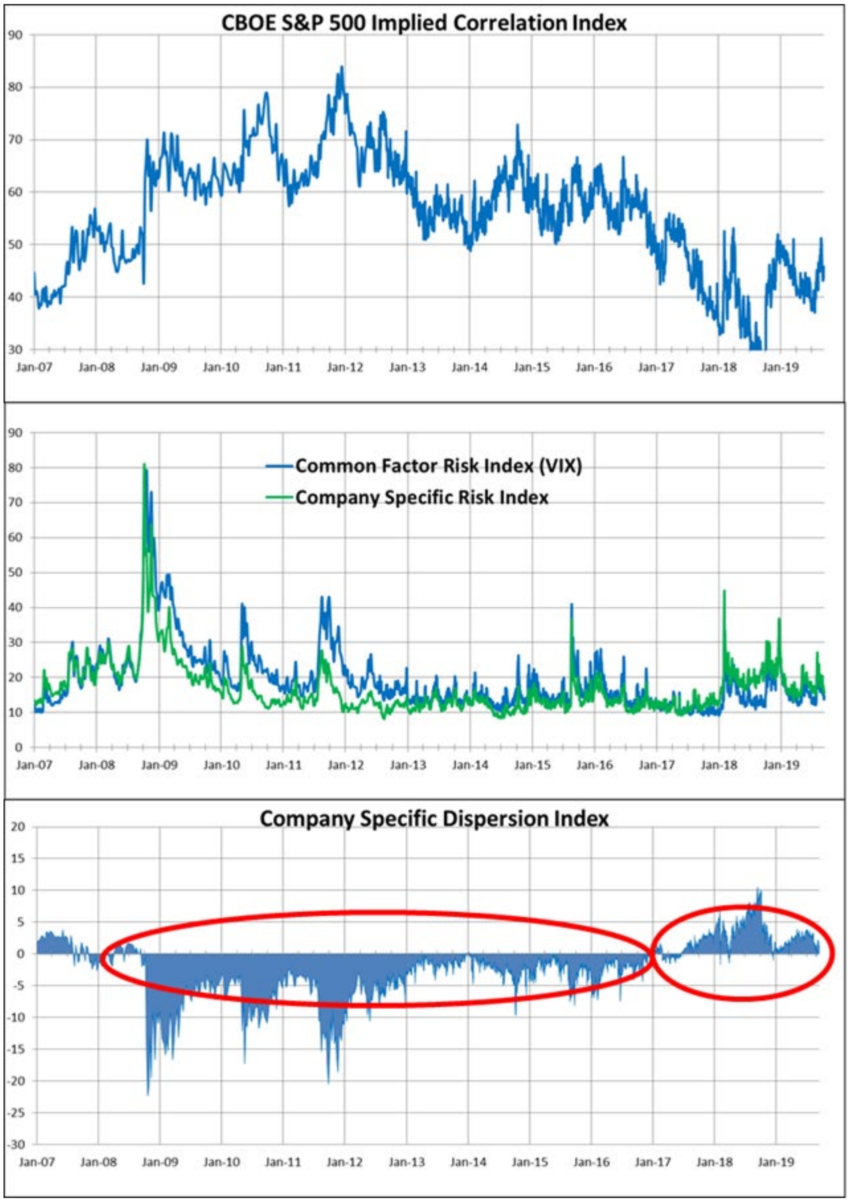

A Higher Implied Correlation Index Indicates Higher Common Factor Risk Relative to Company Specific Risk

Common Factor Risk cannot be Diversified Away. Company Specific Risk can be Diversified.

While the VIX has been Recently Trending up, Company Specific Risk as measured through Option Prices is Trending Up Faster

Dispersion has been rising since late 2016, and is currently at the 90% percentile over the last 10 years.

Source: CBOE/RMB Research Core.

We welcome higher dispersion and continue to believe the current environment is well suited for our "non-consensus" strategy. As a byproduct of our high-quality focus, we avoid speculative credit and low-liquidity risk companies. While this proved to be a headwind for high-quality managers during QE, we believe the reverse will be true during QT. We are positioned to exploit increased volatility in the near term with roughly 9% cash levels and anticipate our concentrated portfolio of high-quality businesses to continue to generate above-market returns over the long term.

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Commitment to Our Investors

It has taken us much time and thoughtful evaluation from lessons learned over 20 years of investing to arrive at the following principles:

- Invest with a long-term owner's mindset and exploit short-term renters
- Focus on causation—high managerial skill, knowledge-building cultures, and distinct, adaptable capabilities
- Employ an economic return framework to minimize accounting distortions and convert analysis of intangible assets into long-term cash flow forecasts
- Require twice the upside versus downside for all investments
- Eschew the tyranny of benchmarks in favor of a concentrated portfolio of our highest-conviction investments
- Focus on the investment process, not the outcome
- Invest a significant portion of personal capital alongside our clients

We have been and will continue to be unwavering in applying these principles.

Sincerely,

Jeffrey B. Madden
SVP, Portfolio Manager

TOP FIVE HOLDINGS AS OF 9/30/19	
Company	**% of Assets**
Visa Inc.	6.69%
Microsoft Corp.	6.34%
Amazon.com Inc.	6.18%
Markel Corp.	6.04%
Jack Henry & Associates Inc.	5.45%

Holdings are subject to change. Portfolio characteristics are intended to provide a general view of the entire portfolio, or Index, at a certain point in time. Characteristics are calculated using information obtained from various data sources. Past performance is not indicative of future results, and there is a 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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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 3000 measures the performance of the largest 3000 U.S. companies, representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually. The S&P 500 focuses on the large-cap segment of the market and covers approximately 75% of U.S. equities. High-quality investing is an investment strategy based on a set of clearly defined fundamental criteria that seeks to identify companies with outstanding quality characteristics. The quality assessment is made based on soft (e.g., management credibility) and hard criteria (e.g., balance-sheet stability).

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RMB Asset Management, LLC

U.S. Alpha 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 U.S. Alpha Strategy (formerly named IronBridge U.S. Alpha Equity Composite) product reflects the performance of fully discretionary fee-paying equity accounts, consists of all portfolios invested in our concentrated, all-cap equity strategy that seeks long-term growth of capital. The strategy invests in the equities of high-quality U.S. companies across the market capitalization spectrum, employing intensive fundamental and qualitative analysis to identify investment opportunities among companies with long-term track records of wealth creation and attractive valuations. Portfolios within this composite typically invest in 20-30 companies. The composite excludes portfolios under $500 thousand. For comparison purposes is measured against the Russell 3000 index. The inception date of the composite is December 31, 2014. The composite was created on January 21, 2016.

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 3000 (%)	Composite 3-YR ST DEV (%)	Russel 3000 3-YR ST DEV (%)	Composite Dispersion (%)
2018	4,291.73	5.82	<5	3.36	2.33	-5.24	10.79	11.18	0.08
2017	3,610.61	6.73	<5	23.75	22.72	21.13	10.76	11.90	N/A
2016	2,833.76	2.69	<5	8.50	7.58	12.73	N/A	N/A	N/A
2015	3,230.87	1.66	<5	7.33	6.43	0.48	N/A	N/A	N/A

**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, 2014 – December 31, 2016.*

Fees | *The standard management fee is 1.00% on the first $250,000, 1.00% on the next $750,000, 0.95% on the next $2 million, 0.90% on the next $2 million, 0.80% on the next $5 million, and 0.75% on the next $15 million.. 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 as of December 31, 2018 was 100%. 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 currently no account minimum in the U.S. Alpha Composite.*

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 U.S. Alpha Equity composite is the Russell 3000® Index, which for comparison purposes is fully invested and includes the reinvestment of income. The index consists of the 3000 largest publicly listed U.S. companies, representing about 98% of the U.S. equity market. 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.*