

Small Cap Focus

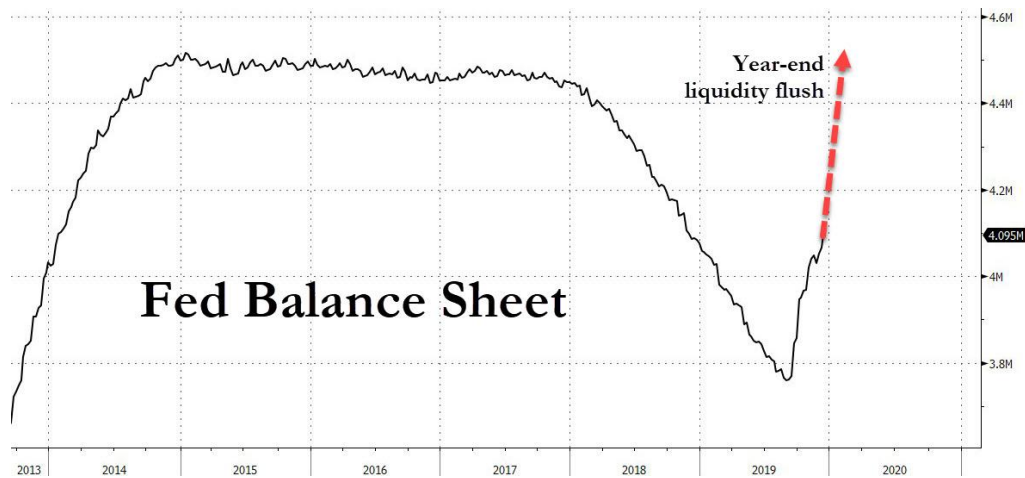
Portfolio Update: Fourth Quarter 2019

During the fourth quarter, the Small Cap Focus Composite (the "Strategy") increased +5.43% net of fees, compared to a +9.94% increase for the Russell 2000 Index.

Many things went right this quarter. Brexit uncertainty was clarified, a preliminary trade deal was agreed to between China and the U.S., and GDP, employment, and wage growth continued to surprise to the upside. All these events contributed to a strong finish to the year for equities.

Perhaps the most dramatic boost to equities came from the massive market stimulus by the Federal Reserve to smooth out liquidity issues that negatively impacted the Repo market¹. The Fed added \$100 billion per month to their balance sheet which, at the current pace of purchases, will effectively reverse two years' worth of balance sheet normalization by March. This sparked a powerful "risk-on" rally in the market.

Exhibit 1.



Source: Zerohedge.com, "Is The Market Up This Week? Just Ask The Fed's Balance Sheet" 12/13/2019

While the Fed claimed the repo liquidity provisions are not quantitative easing (QE), credit spreads plummeted, liquidity increased, and high risk assets out-performed low risk assets in typical QE induced "risk-on" fashion. Consistent with our thesis in last quarter's paper "When Quality Lags", lower quality stocks outperformed higher quality and provided a significant headwind for the strategy this quarter. However, for the year, the Strategy increased +31.60% net of fees, outperforming the +25.52% return for the Russell 2000 despite the powerful "risk-on" rally in the fourth quarter, which we believe was temporary.

	3 Months	YTD	Since Inception
Small Cap Focus (Gross)	+5.56%	+32.27%	+32.27%
Small Cap Focus (Net)	+5.43%	+31.60%	+31.60%
Russell 2000 Index	+9.94%	+25.52%	+25.52%

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

¹ A *repo* refers to one party lending out cash in exchange for a roughly equivalent value of securities, often Treasury notes, creating a *market* to allow companies that own securities, but are short on cash, to cheaply borrow money.

Small Cap Focus

Contributors and Detractors

The biggest contributors to performance were NeoGenomics Inc. (+53.00%) and WPX Energy Inc. (+29.74%). NeoGenomics is a leader in gene-based cancer testing, which is a requirement for clinical trials and personalized medicine. They have assembled a “one-stop shop” high-complexity oncology reference lab able to offer customers a comprehensive low-cost, high-quality service menu spanning every major category within precision oncology testing. NEO reported another “beat and raise” quarter and continues to track to our positive investment thesis. WPX is an oil-focused, low-cost operator that has strategically transformed its portfolio to focus on two basins, while reducing leverage. With acreage in the low-cost Delaware and Williston basins, WPX’s break-even price is lower than peers and will enable the company to be profitable, even in lower price environments. WPX benefitted from the increase in oil prices from \$55 to \$62 per barrel this quarter as well as announcing the acquisition of Felix Energy, what we believe to be one of the highest quality Delaware Basin operations.

Two of the biggest detractors were Argo Group International Holdings Ltd. (-5.95%) and Neogen Corp. (-4.19%). ARGO, a specialty P&C company, which we believe will exceed relatively low expectations as capital is allocated effectively organically and externally (M&A, Capital return). ARGO’s Investments in technological artificial intelligence initiatives is delivering faster quote responses that has led to winning more profitable business at a lower cost of acquisition. This quarter, several insurance companies increased their reserves for payout inflation, which the market reacted negatively to in the short-term. We believe this sets the stage for a stronger pricing environment, which we believe will lift the shares over the longer term.

NEOG provides solutions for animal and food safety. It is a beneficiary of increased food safety regulations. It likes to say they protect consumers “from inside the farm gate to food on the plate.” Management has been making what we consider to be good acquisitions, adding to their product portfolio and geographic distribution capabilities. NEOG is in a position to grow its genomic business, targeted animal breeding. Their global strategy has increased their international revenues to approximately 50% of sales, making them more sensitive to currency fluctuations and trade tariffs. This quarter, both impacted quarterly earnings, but we believe they continue to execute well on their longer-term business strategy.

Portfolio Activity

There were no purchases and sales in the portfolio this quarter, though Medidata Solutions Inc. (MDSO) was acquired by Dassault Systèmes. For tax sensitive accounts, there was some tax-loss harvest sales, but those securities will be re-purchased in the first quarter as tax laws allow.

Small Cap Focus

FOURTH QUARTER 2019 CONTRIBUTION REPORT

Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
NeoGenomics Inc.	+74	+53.00%
WPX Energy Inc.	+64	+29.74%
Seacoast Banking Corp.	+52	+20.79%
Kadant Inc.	+41	+20.33%
Fair Isaac Corp.	+43	+23.45%
Bottom Detractors		
Acadia Realty Trust	-34	-8.24%
Proofpoint Inc.	-32	-11.06%
Tabula Rasa Healthcare Inc.	-26	-11.40%
Neogen Corp.	-13	-4.19%
Argo Group International Holdings Ltd.	-13	-5.95%

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.

TOP FIVE HOLDINGS AS OF 12/31/19

Company	% of Assets
West Pharmaceutical Services Inc.	3.95%
Teledyne Technologies Inc.	3.79%
Redwood Trust Inc.	3.78%
Pool Corp.	3.59%
American Financial Group Inc.	3.45%

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.



RMB
Asset Management

Small Cap Focus

Outlook

In terms of market outlook, we are more comfortable thinking in terms of decades rather than quarters due to our unwavering confidence that, over the long-term, the pursuit of legitimate wealth creation within the capitalist system has a built-in market mechanism which incentivizes capital allocation to fund advances in productivity and innovation. When functioning properly, this leads to higher standards of living for all. Companies that deliver on this promise tend to create wealth for their shareholders. Those that do not tend to cease to exist, leaving the system stronger and people healthier and wealthier on average.

As we begin a new decade, it is important to recognize that greater global economic freedom and the broader adoption of market-based economies have continued to deliver rising standards of living over the past ten years. According to the World Bank,² "The gap in basic living standards is narrowing, with an unprecedented number of people in the world escaping poverty, hunger and disease." During this decade "extreme world poverty fell more than half, from 18.2% to 8.6%." Additionally, "Global life expectancy increased by more than 3 years. Death rates from air pollution declined by almost a fifth." This has been the track record of capitalism since the beginning of the industrial revolution. Our outlook for the next decade remains as optimistic as ever and we believe equities will reflect wealth created with positive returns for equity owners and particularly owners of higher quality equities.

So, for 2020, we anticipate something more down to earth than the 32% gain of last year. Our market derived discount rate research tells us we should expect something close to 7% from smaller companies, though returns may be higher or lower depending on how much gas is left in the tank for the economy and corporate earnings. Returns will also get bounced around by further trade negotiations, details around Brexit, election year rhetoric, and Fed policy as it relates to balance sheet growth and interest rates. We believe the quantitative easing in the fourth quarter was temporary as it related specifically to the challenges of the Repo market. We suspect regulations may be modified so that the Fed is not put in a position to engage in QE activities while the economy and the rest of the markets are functioning fine. As Fed operations revert to normal, we would expect recent gains from lower quality, less liquid companies to give back some of their performance providing an environment for higher quality companies to resume their outperformance.

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

² *The Wall Street Journal*, "The 2010s Have Been Amazing", <https://www.wsj.com/articles/the-2010s-have-been-amazing-11576540377>



Small Cap Focus

RMB Asset Management

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, 2018. 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.



RMB
Asset Management

115 South LaSalle Street, 34th Floor, Chicago, Illinois 60603 P 312.993.5800 rmbassetmanagement.com

Small Cap Focus

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.



RMB
Asset Management

115 South LaSalle Street, 34th Floor, Chicago, Illinois 60603 P 312.993.5800 rmbassetmanagement.com