SMID Cap Core

Portfolio Update: Second Quarter 2020

During the second quarter, the SMID Cap Core Equity Composite (the "Strategy") increased +25.79%, net of fees, compared to a +26.56% increase for the Russell 2500 Index. The end of the longest bull market in history was replaced by the shortest bear market in history! The Russell 2500 bounced back in response to an unprecedented six trillion dollars of fiscal and monetary stimulus.

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (Annualized)
SMID Cap Core (Gross)	+26.04%	-5.63%	+2.38%	+9.18%	+8.30%	+12.03%	+8.85%
SMID Cap Core (Net)	+25.79%	-6.02%	+1.52%	+8.26%	+7.37%	+11.05%	+7.89%
Russell 2500 Index	+26.56%	-11.05%	-4.70%	+4.08%	+5.41%	+11.46%	+8.04%

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.

In terms of fiscal stimulus, Congress passed the two trillion dollar Coronavirus Aid, Relief and Economic Security (CARES) Act for families and business hurt by COVID-19. The act provides direct payments of $1200 to individuals, and $350 billion in loans that do not have to be paid back to small businesses to cover payroll and rent. The CARES Act also allows for interest on mortgage obligations to be delayed without penalty, debt relief on existing loans, $500 billion in aid to corporations, and expands coverage of telehealth, for online heath care. In terms of monetary stimulus, the Federal Reserve committed four trillion dollars of monetary support and ramped up lending directly to states, cities, and businesses. It also backstopped the commercial credit market, supporting "riskier bonds" (i.e. bailing out illiquid ETFs and structured credit funds). Six trillion dollars of stimulus ignited a powerful "risk-on" rally, as evidenced by the 435 basis point (bps) decline in credit spreads (BAML), from 1065 to 630. Typically, credit spreads range between 350bps - 550bps during an economic expansion.

As expected[1], the risk-on trade drove a "dash for trash," which was a headwind for relative performance, given our higher quality portfolio bias. The portfolio increased +26.04%, gross of fees, lagging the benchmark for the quarter, still leading the benchmark by 542 basis points YTD.

Whether this is really a new bull market or just a bear market rally is hard to say. One could argue since the economy was so strong and the recession was self-induced with lock downs, that the economy should bounce back rigorously, as per the "V" shaped recovery. The new bull market camp can point to several economic statistics that suggest a "V" recovery is playing out. Thus, a short recession justifies a short bear market. Indeed, seven out of ten bull market indicators we monitor register as positive. But one could also argue the improvement in several economic statistics is a result of six trillion dollars in stimulus, which cannot be sustained without eventually destroying the value of the U.S. dollar. Gold is the insurance against a dollar collapse, and gold has been hitting new highs recently.

Regardless of whether this is a bear market rally, a new bull market, or whether the economic recovery is likely to be a V, W, L, U, a square root or Nike swoosh, it is clear that change is upon us. This change relates to how and where we work, the increasingly important integration of technology into all parts of the economy, how we socialize, the delivery of healthcare, and the prioritization of faster, more efficient drug discovery. These changes are leading to faster adoption curves for many technology and healthcare businesses, while accelerating the demise of highly leveraged, less competitive businesses in retail, entertainment, restaurants, and travel. Bankruptcies have started to accelerate, despite the massive credit made available by the Federal Reserve. It is all part of the creative destruction process that drives the economy as businesses and investors re-allocate capital to adapt to the changing needs of society.

[1] See our paper, "The Long-Term Case for High-Quality Portfolios"

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Contributors and Detractors

The biggest contributors to performance were mostly companies that will likely continue to benefit from faster adoption curves as a result of the COVID Pandemic. West Pharmaceutical Services Inc. (WST, +48.97%) manufactures packaging and delivery systems for biologics and is a natural monopoly designed into FDA approvals. Catalent Inc. (CTLT, +41.22%) is a contract manufacturing organization (CMO) for drugs, exposed to the movement to increased outsourcing due to more stringent FDA regulations and trends toward more specialized drugs with more complex manufacturing processes.

The top detractor was insurance company American Financial Group Inc. (AFG, -8.43%) as insurance companies are being impacted by investor concerns regarding potential business interruption liability claims from closings due to COVID-19. Additionally, insurance companies may find it difficult to grow book value in an interest rate environment expected to offer yields below inflation. Brink's Co. (BCO, -11.83%), which securely moves cash from businesses to banks and among banks, was also a larger detractor. It has been skillfully consolidating the industry, but investors are concerned that the market is moving toward a cashless society, and many retailers and small businesses will disappear, thus creating a structural headwind for Brinks. Our current thinking is the market is over-reacting to the near term fears and not giving enough credit for longer-term opportunities and Brinks remains a high conviction idea.

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SECOND QUARTER 2020 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
West Pharmaceutical Services Inc.	+172	+48.97%
Catalent Inc.	+124	+41.22%
Fair Isaac Corp.	+106	+35.53%
MarketAxess Holdings Inc.	+100	+50.85%
Bio-Techne Corp.	+87	+39.43%
Bottom Detractors		
American Financial Group Inc.	-28	-8.43%
The Brink's Co.	-12	-11.83%
Carlisle Companies Inc.	-9	-4.03%
Graco Inc.	-8	-1.15%
Markel Corp.	-5	-0.51%

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.

Portfolio Activity

As mentioned in last quarter's letter, the COVID-19 shock created both new risks and new opportunities. The Strategy is adapting to reflect both. As a reminder, the RMB Research Core Team immediately reviewed current Strategy holdings and our watch list companies and grouped them into four buckets: 1) **The Power-Through Bucket**, 2) Th**e Recover Quick Bucket** 3) **The Recover Slow Bucket**, and 4) **Change Leaders**. And we took action to the benefit of our clients.

While our turnover is typically low, it has been a little higher for the first half of the year, and trading (new buys, sell to zero, trim of existing holdings or top off of existing holdings) has contributed to 358 basis points of excess return year-to-date (i.e. the opportunity cost of not taking any action). Furthermore, the hit rate is 72% (52 out of 72 decisions added value defined by excess return relative to the benchmark). The knowledge inventory was leveraged through a balance of adding to existing holdings and new buys; the latter is a function of having actionable work prepared in advance.

During the quarter, we took advantage of the sudden stock market reversal to "risk on" and sold Seattle Genetics Inc. (SGEN) after a 40% return year-to-date and compressed risk reward profile. Other "growth" holdings we trimmed for valuation reasons include Jack Henry & Associates Inc. (JKHY), Tyler Technologies Inc. (TYL), Teleflex Inc. (TFX), MarketAxess Holdings Inc. (MKTX), Catalent Inc. (CTLT), West Pharmaceutical Services Inc. (WST), Fair Issac Corp. (FICO), and IDEXX Laboratories Inc. (IDXX). In addition, we used the upward volatility to sell Wolverine World Wide Inc. (WWW) and Cullen/Frost Bankers Inc. (CFR) as we believe their businesses will be slow to recover. We reinvested much of the sale proceeds into more cyclical businesses that we believe have a chance to recover quickly, including Martin Marietta Materials Inc. (MLM), Visteon Corp. (VC), Steel Dynamics Inc. (STLD), ServisFirst Bancshares Inc. (SFBS), The Brink's Co. (BCO), and Pinnacle Financial Partners Inc. (PNFP).

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Our cash position is nearly 5%, and we believe markets will remain volatile and we want to have some dry powder to continue to take advantage of potential market sell-offs related to COVID, economic, and election uncertainties.

Outlook

We are big fans of the letters of Howard Marks from Oaktree, so we will borrow from one of his more recent ones where he reminded investors that, "***The ability to deal intelligently with uncertainty is one of the most important skills***."

In our thirty years of investing, we must admit that this is one of the most uncertain moments in our career. We believe our dual diversification portfolio construction process intelligently handles uncertainty by owning just enough high-quality businesses across all industries and lifecycles to handle big, unpredictable shocks, and still outperform over the long term.

While there is always uncertainty, right now it feels like there is a lot more than our standard run-of-the-mill uncertainty around the economy, interest rates, currency, oil, and the geopolitical landscape. What widens the potential outcomes for multiple asset classes is the magnitude of the amount of government intervention, the magnitude of debt and monetary stimulus applied in such a short period of time. The six trillion dollars in additional government support essentially ushered in a new era of policy recommendations such as MMT (Modern Monetary Theory), which proposes deficits do not matter, "universal basic income", which subscribes that all citizens should receive government assistance for basic living needs, and a break in the independence of the Central Bank, as it directly lent to companies and states and bought public market private assets. We are trying to comprehend what the longer-term implications of these crisis policies might be, understand how "temporary" they might be, and how they might affect systematic risk.

No one can predict how much more government intervention may be forthcoming. The government literally mandated a global recession/depression via the lockdowns. Most recently the government mandated that banks could not pay dividends or buy back shares. How will the government deal with a resurgence of COVID or a new strain? More lockdowns? No lockdowns? Central banks have never provided this much capital to markets in such a short period of time and they have committed to do "whatever it takes" to keep markets functioning, without regard for potential price distortion or financial asset bubbles. This could cause an equity melt-up, or it could end in tears, or it may thread the needle of just enough capital to bridge the economy to the other side. We just don't know. The Fed does not know. President Trump does not know. Joe Biden does not know. Nobody knows. In the near term, it appears there is more government and fed stimulus on the way, which should support equity valuations, but we suspect there may also be some bouts of fear along the way creating more volatility and opportunity for active managers to add value.

Perhaps the biggest unknown that investors will need to pay attention to is the election in less than five months. Executive compensation, corporate tax rates, as well as banking, environmental, and many other business regulations may be set to dramatically change. Our job as stewards of our client's capital is not to judge the politics but to understand what changes to the rules could mean for winners and losers in the competition for capital. As we mentioned before, our distinctive portfolio construction process is meant to handle the significant amount of economic and political uncertainty that awaits investors, as the pandemic and political uncertainties unfold throughout the rest of this year. We suspect elevated uncertainty may lead to greater volatility in the second half of the year and if the market sells off, we will be ready, just like last time.

We will continue to strive to own great businesses, managed by great business managers who allocate capital in ways that create value for clients, employees, communities and ultimately shareholders. We are grateful to be part of the capital allocation process and are excited about the continued opportunities to add value for our clients.

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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 6/30/20

Company	% of Assets
West Pharmaceutical Services Inc.	3.42%
Fair Isaac Corp.	3.08%
Vail Resorts Inc.	2.67%
Catalent Inc.	2.64%
Copart Inc.	2.57%
Bio-Techne Corp.	2.45%
EastGroup Properties Inc.	2.44%
First Republic Bank	2.44%
Repligen Corp.	2.37%
Alexandria Real Estate Equities Inc.	2.32%

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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RMB Asset Management

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, 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 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 (%)
2019	4,947.90	178.96	<5	32.61	31.50	27.77	13.52	14.58	0.98
2018	4,196.90	175.89	<5	-4.12	-4.91	-10.00	13.24	14.10	0.14
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	13.33	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. Prior to 2018, internal dispersion was calculated using the equal weighted standard deviation for the accounts in the Composite the entire year. Risk measures presented are calculated using gross-of-fees performance. 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.*