SMID Cap Core

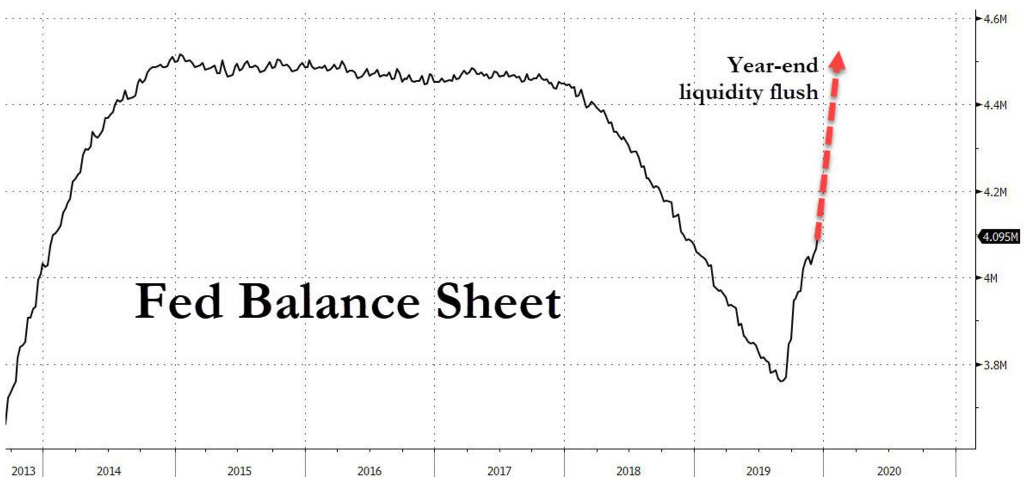
Portfolio Update: Fourth Quarter 2019

During the fourth quarter, the SMID Cap Core Composite (the "Strategy") increased +6.73% net of fees, compared to the Russell 2500 Index's increase of +8.54%.

Many things went right this quarter. Brexit uncertainty was clarified. A preliminary trade deal was agreed to between China and the U.S., 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 market[1]. 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 SMID-cap strategy increased +31.51% net of fees, outperforming the +27.77% return for the Russell 2500 despite the powerful "risk-on" rally in the fourth quarter, which we believe was temporary.

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (Annualized)
SMID Cap Core (Gross)	+6.95%	+32.61%	+32.61%	+13.39%	+10.58%	+12.52%	+9.55%
SMID Cap Core (Net)	+6.73%	+31.51%	+31.51%	+12.45%	+9.64%	+11.53%	+8.58%
Russell 2500 Index	+8.54%	+27.77%	+27.77%	+10.33%	+8.93%	+12.58%	+9.12%

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.

[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.

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Contributors and Detractors

SMID Cap Core FOURTH QUARTER 2019 CONTRIBUTION REPORT *Ranked by Basis Point Contribution*	Basis Point Contribution	Return
Top Contributors		
Fair Isaac Corp.	+49	+23.47%
First Republic Bank	+48	+21.70%
WPX Energy Inc.	+44	+29.89%
Copart Inc.	+39	+13.65%
MKS Instruments Inc.	+34	+19.60%
Bottom Detractors		
ServiceMaster Global Holdings Inc.	-25	-30.68%
SAGE Therapeutics Inc.	-22	-46.83%
Tabula Rasa Healthcare Inc.	-20	-12.37%
Acadia Realty Trust	-15	-8.24%
Proofpoint Inc.	-14	-11.00%

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.

The biggest contributors to performance were Fair Isaac Corp. (FICO, +23.47%) and First Republic Bank (FRC, +21.70%). FICO is a financial technology software company with a powerful network effect and intangible assets. They have acquired a lot of proprietary data over decades, which cannot be easily duplicated. With the massive technology leaps with big data, computing power, the cloud, and artificial intelligence, FICO has been undergoing an "innovation renaissance" over the last decade. Positioned as a natural monopoly, it is empowering organizations to automate, improve, and connect credit decisions across their business. FICO delivered another solid quarter driven by acceleration in their innovative Scores business which helps businesses more quickly approve credit for customers. First Republic Bank is a private bank with a specialty in jumbo mortgages, commercial lending, and wealth management. Management delivered a strong third-quarter driven by record loan originations and indicated that its loan pipeline remains "very strong", and that investors should expect more of the same for the fourth quarter. At the company's recent Investor Day, management highlighted other impressive outcomes of its "disruptively superior client service" including 98% retention of all existing clients and tangible book value per share CAGR (after dividends) of 15% for the last decade. Moreover, the credit quality record is exceptional – since 1985, the company's cumulative net loan losses have been 0.13% of loans, and its average annual net loan losses since 2000 have been about one-seventh of the average of the top-50 banks. We expect the company's track record of wealth creation will persist and exceed stock market expectations given the high managerial skill of First Republic and the company's exceptional client service culture.

Two of the biggest detractors were Tabula Rasa Healthcare Inc. (THRC, -12.37%) and Proofpoint Inc (PFPT, -11.00%). THRC provides a highly valuable service that is aligned with current healthcare trends of moving toward quality of care and away from fee-for-service. After demonstrating its value-add in the PACE program (which is still growing significantly), we think TRHC can expand into new markets (commercial payers, Medicare), with strong barriers to entry, high recurring revenue and retention rate and a scalable model. The stock reacted negatively to a quarterly earnings miss associated with the cancellation of a contract that resulted from the merger between CVS and Aetna. The contract was never part of our longer term thesis and we believe the market over-reacted to earnings noise and THRC will fight back as the market refocuses growth opportunities in adjacent markets. PFPT develops e-mail security software and has been recognized by Gartner as the dominant player for the Secure E-mail Gateway market. Although the company delivered a strong quarter across key metrics (revenue, billings, operating margin and free cash flow), the stock was weak in response to guidance for 2020 which was slightly below analyst expectations. Management has a track record of being conservative when providing initial fiscal year guidance and we remain bullish on the company.

Portfolio Activity

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Portfolio turnover is low. We believe low turnover is an outcome of being early with genuine company insights and having a patient temperament. Moreover, low turnover allows for deferred tax gains to compound in an efficient manner. We that being said, we do sell when there is an investment thesis violation or when the risk reward profile is no longer attractive. Thesis violations were encountered with SAGE Therapeutics Inc., ServiceMaster Global Holdings Inc., and ABIOMED Inc. and the holdings were sold opportunistically. Ionis Pharmaceuticals Inc. and Littlefuse Inc. were sold when their risk reward profiles became compressed during the stock markets ascent, so we took advantage of the "risk on" environment. We reallocated the proceeds of all the sales to higher conviction holdings in the portfolio. The net effect of our sells and buys modestly reduced the average market cap of the portfolio as well as reduced the growth relative to value mix of the portfolio to keep the portfolio more aligned with the core mandate.

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 30% 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

Jeff Madden
Portfolio Manager

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

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TOP TEN HOLDINGS AS OF 12/31/2019	
Company	**% of Assets**
American Financial Group Inc.	3.19%
Equity Commonwealth	2.62%
Markel Corp.	2.61%
Copart Inc.	2.60%
West Pharmaceutical Services Inc.	2.59%
Fair Isaac Corp.	2.52%
First Republic Bank	2.51%
Vail Resorts Inc.	2.37%
Jack Henry & Associates Inc.	2.26%
Teledyne Technologies Inc.	2.23%

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 (%)
2018	4,196.90	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.*