

Small Cap Core

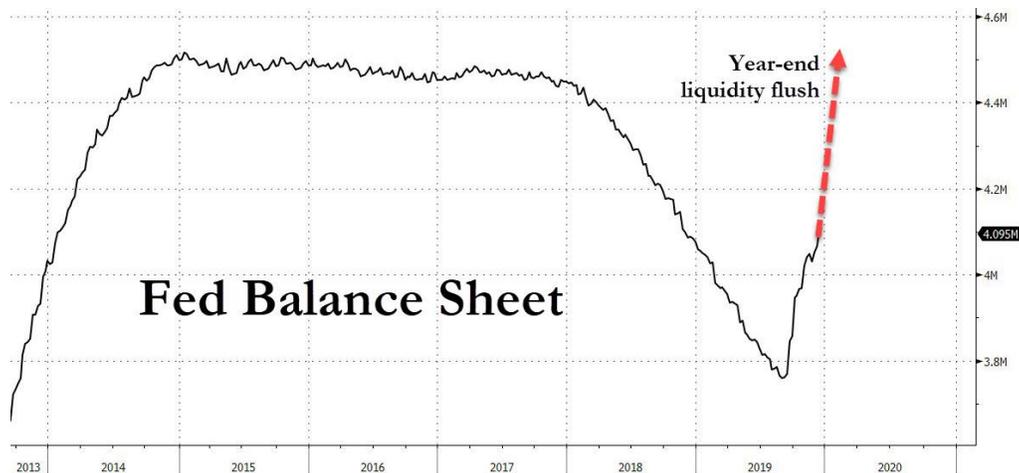
Portfolio Update: Fourth Quarter 2019

During the fourth quarter, the Small Cap Core Equity Composite (the "Strategy") increased +6.33% 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 small-cap strategy increased 27.57% 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	1 Year	3 Years	5 Years	10 Years	Since Inception (Annualized)
Small Cap Core (Gross)	+6.62%	+28.91%	+28.91%	+11.19%	+9.38%	+12.10%	+11.46%
Small Cap Core (Net)	+6.33%	+27.57%	+27.57%	+10.10%	+8.31%	+11.00%	+10.35%
Russell 2000 Index	+9.94%	+25.52%	+25.52%	+8.59%	+8.23%	+11.83%	+8.18%

Inception date: April 30, 1999. 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

The biggest contributors to performance were NeoGenomics Inc. (NEO, +52.90%) and Fair Isaac Corporation (FICO, +23.30%). NEO 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 the major categories within precision oncology testing. NEO reported another beat and raise quarter and continues to track to our positive investment thesis. 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.

Two of the biggest detractors were Tabula Rasa Healthcare Inc. (THRC, -12.40%) and Centennial Resource Development Inc. (CDEV, -31.17%). 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. CDEV is a low cost oil and gas producer which has levered up to increase production into falling prices. We were wrong on this stock as we believed management would maintain the pristine balance sheet it had when we purchased the shares. We sold CDEV at a loss and moved on to better ideas.

Portfolio Activity

Portfolio turnover is typically low. We sold Centennial Resource Development Inc. because its leverage increased above levels where we were comfortable. We also sold Jack Henry & Associates Inc. since it has become too large for our small cap mandate at over \$11b in market cap. We first purchased Jack Henry 12 years ago when it was a \$2 billion market cap company. JKHY is a prime example of why we buy small companies – so they can become large companies. JKHY is one of the many small companies that have “graduated” to mid and larger cap RMB strategies.

We reallocated proceeds across the portfolio into higher conviction names including Catchmark Timber Trust Inc., Seacoast Banking Corp., EnerSys, Veracyte Inc., Iovance Biotherapeutics Inc., Exponent Inc., Stifel Financial Corp., MKS Instruments Inc. and Chesapeake Utilities Corp. 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.

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FOURTH QUARTER 2019 CONTRIBUTION REPORT

Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
NeoGenomics Inc.	+61	+52.90%
Fair Isaac Corp.	+43	+23.30%
Seacoast Banking Corp.	+40	+20.78%
WPX Energy Inc.	+39	+29.75%
ITT Inc.	+35	+20.92%
Bottom Detractors		
Centennial Resource Development Inc.	-22	-31.17%
Tabula Rasa Healthcare Inc.	-20	-12.40%
Acadia Realty Trust	-16	-8.24%
Argo Group International Holdings Ltd.	-16	-5.95%
Proofpoint Inc.	-14	-11.06%

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.



RMB
Asset Management

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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 28% 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

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 12/31/19

Company	% of Assets
West Pharmaceutical Services Inc.	3.13%
TriCo Bancshares	2.94%
American Financial Group Inc.	2.63%
Pool Corp.	2.54%
EastGroup Properties Inc.	2.54%
Seacoast Banking Corp.	2.54%
Equity Commonwealth	2.49%
Argo Group International Holdings Ltd.	2.45%
Investors Bancorp Inc.	2.31%
Columbia Sportswear Co.	2.26%

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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Small 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 Small Cap Strategy (formerly named IronBridge Small Cap Core Equity Composite) product 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 Composite is April 30, 1999 and the Composite was created on March 31, 2002. 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. Beginning January 1, 2015, the composite excludes portfolios under \$2 million. Prior to that date, the composite excluded portfolios under \$5 million. Beginning on January 1, 2018, accounts are included in the composite on the first day of the first full month the account is under management. Prior to 2018, an account was included in the Composite on the first day of the first full month following becoming fully invested and an account was 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	Composite Assets			Annual Performance Results					
	Total Firm Assets* as of 12/31 (\$M)	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	4,196.90	117.54	<5	-4.54	-5.40	-11.01	13.52	15.79	0.28
2017	3,610.61	453.90	6	11.70	10.59	14.65	11.58	13.91	0.30
2016	2,833.76	723.21	7	15.06	13.93	21.31	13.20	15.76	0.16
2015	3,230.87	684.92	10	-0.98	-1.97	-4.41	12.61	13.96	0.17
2014	4,796.43	714.83	5	7.46	6.39	4.89	12.01	16.59	0.25
2013	6,201.31	868.35	8	34.58	33.27	38.82	15.56	16.45	0.22
2012	6,022.19	1,077.20	14	14.24	13.12	16.35	18.67	20.20	0.23
2011	6,080.24	1,012.15	17	-2.65	-3.62	-4.16	23.42	24.99	0.17
2010	9,151.98	1,205.67	19	24.47	23.25	26.85	26.19	27.69	0.23
2009	7,415.09	1,106.92	20	25.70	24.27	27.18	23.71	24.84	1.06
2008	3,903.59	946.99	26	-30.64	-31.35	-33.79	18.82	19.85	0.34
2007	4,587.61	1,169.63	24	10.78	9.68	-1.57	13.07	13.16	0.42

* 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 1% of assets annually, which is also our highest applicable fee. Net returns are computed by subtracting the highest applicable fee (1% on an annual basis, or 0.083% 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 in the composite paid a fee higher than the usual highest applicable fee, at 1.16%. That fee level is used to compute the 2009 net figure, which is 24.27%.

Minimum Value Threshold | The account minimum in the Small Cap Core product is currently \$2 million. Prior to January 1, 2015, the composite excluded portfolios under \$5 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 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.

