U.S. Alpha

Portfolio Update: Fourth Quarter 2019

During the fourth quarter, the U.S. Alpha Equity strategy (the "Strategy") increased +6.41% gross of fees (+6.16% net of fees), underperforming the Russell 3000 Index's +9.10% return. For the year, the Strategy increased +26.02% gross of fees (+24.84% net of fees), underperforming the Russell 3000 Index's increase of +31.02%. Cash was the most significant headwind in 2019 and, from a traditional attribution perspective, Information Technology and Financials detracted from performance while Energy, Industrials, and Healthcare were positive. The goal of the Strategy is long-term growth of capital and excess risk-adjusted returns (i.e., alpha), and from that perspective, we feel good about the strong absolute return delivered in 2019, while also acknowledging we are taking less risk than the Russell 3000, as defined by portfolio beta. Since inception (12/31/14), the Strategy has protected capital in down markets, outperforming the Russell 3000 in 73% of the months when the index had a negative return (11 out of 15) and 100% of the time during negative return quarters (3 out of 3). Although the Strategy did not outperform during the "risk on" stock market of 2019, 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.

	3 Months	YTD	1 Year	3 Years	5 Years	Since Inception (Annualized)
U.S. Alpha (Gross)	+6.41%	+26.02%	+26.02%	+17.23%	+13.41%	+13.41%
U.S. Alpha (Net)	+6.16%	+24.84%	+24.84%	+16.11%	+12.31%	+12.31%
Russell 3000 Index	+9.10%	+31.02%	+31.02%	+14.57%	+11.24%	+11.24%

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.

Distinguishing luck from skill for an investment manager is a challenging task. Over the short-term, returns tend to follow a random walk – skill and luck blend together. But over the long-term, skill becomes more evident. To that end, the data in Exhibit 1 shows that the Strategy now has a five-year performance track record which compares favorably to 310 institutional peers for compounding of capital (Absolute Annualized Return = 13.41% gross of fees, 7th percentile), while incurring less risk (Beta = 0.88, 21st percentile) and delivering attractive risk-adjusted returns (Sharpe Ratio = 1.11, 1st percentile).

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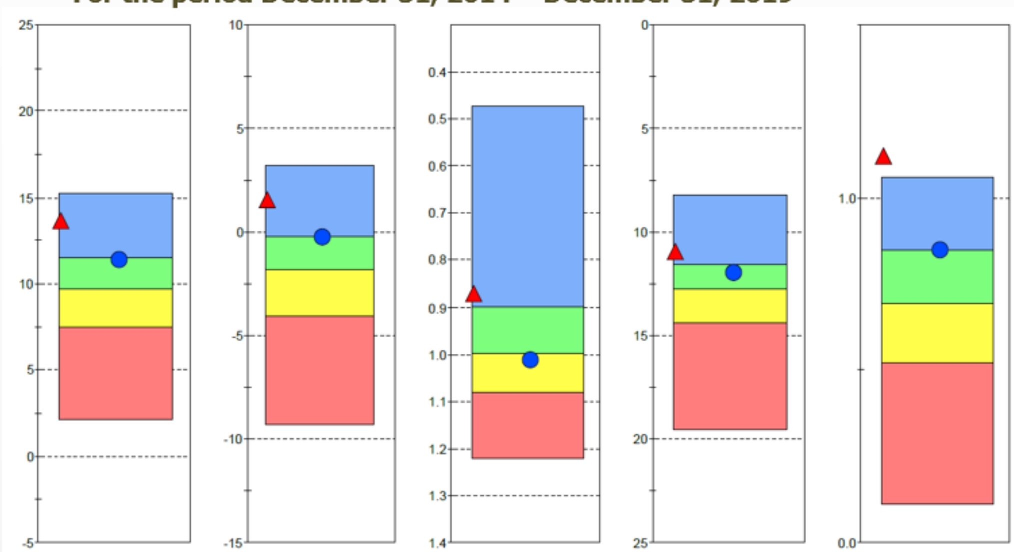
Exhibit 1.

U.S. Alpha Strategy vs. PSN All Cap Universe
For the period December 31, 2014 – December 31, 2019



	Rate of Return	Excess Return	Beta	Standard Deviation	Sharpe Ratio
High (0.95)	15.05	3.04	0.48	8.36	1.05
First Quartile	11.30	-0.37	0.90	11.69	0.84
Median	9.53	-1.95	1.00	12.92	0.68
Third Quartile	7.28	-4.18	1.09	14.50	0.51
Low (0.05)	1.90	-9.47	1.23	19.71	0.10
Mean	9.29	-2.25	0.97	13.05	0.66
Valid Count	310	310	310	310	310

	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank
▲ U.S. Alpha	13.41	7	1.39	9	0.88	21	11.13	18	1.11	1
● Russell 3000	11.24	25	-0.39	25	1.02	55	12.13	37	0.84	25

Source: PSN

Performance for periods shown greater than one year is annualized. Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. An investment cannot be made in an index. Please see the full disclaimer in the Appendix.

Generally, we expect benchmark performance to be median – or to hover around the 50th percentile. As shown above, the Russell 3000 Index is in the 25th percentile for the five-year period, indicating that a majority of managers underperformed the benchmark over that time.

What a difference 12 months can make. We entered the year with a severe hangover of "risk-off" selling of equities and widening of credit spreads triggered by quantitative tightening, slowing global growth (China and Europe), and the specter of protracted trade wars. Fast forward to the end of the year, and all of these concerns (and more) dissipated, and U.S. and Global equity markets soared. A remarkable reversal of the Federal Reserve's ("the Fed") monetary policy from hawkish to dovish early in the year ignited the stock market rally and three interest rate cuts by the Fed, along with continued accommodation by other major Central Banks, provided the fuel to keep it going. Uncertainty was further diminished with a "phase-one" trade deal with China, weaker-than-expected headwind from impeachment, a final Brexit vote in the U.K. to proceed with withdrawal from the E.U., and a resilient U.S. economy. And there is reason to believe the economy is even stronger than conventional measurements suggest (see Outlook).

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Contributors and Detractors

Our top performer for the quarter was First Republic Bank ("First Republic"), 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.

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FOURTH QUARTER 2019 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
First Republic Bank	+104	+21.67%
Microsoft Corp.	+89	+13.82%
Johnson & Johnson	+71	+13.53%
Visa Inc.	+64	+9.42%
Amphenol Corp.	+61	+12.42%
Bottom Detractors		
Markel Corp.	-22	-3.28%
IDEXX Laboratories Inc.	-14	-3.97%
Ecolab Inc.	-13	-2.30%
Roper Technologies Inc.	-4	-0.53%
Jack Henry & Associates Inc.	-1	+0.02%

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.

Microsoft Corp. ("Microsoft"), best known for its Windows operating system, was the Strategy's second-biggest contributor and is a productivity software powerhouse that has made the move to the cloud (Azure) and more of a subscription-based revenue model. Under the leadership of CEO Satya Nadella, the culture of the company has been reset. Nadella elaborates in the 2018 letter to shareholders, "Our culture enables us to pursue our mission with a growth mindset. It's a continuous practice of learning, renewal and having the courage to confront our own fixed mindsets. Collectively, we are moving from a group of people who know it all to a group of people who want to learn it all." The high managerial skill of Nadella and renewal of a knowledge-building culture are paying off as the company delivered strong organic growth in the quarter headlined by Azure, which grew 66% year over year, and we believe is well positioned for explosive growth in the future.

Markel Corp. ("Markel"), a niche specialty insurance underwriter, was the Strategy's biggest detractor. Although the stock price was slightly down during the quarter (-3.28%), the company reported solid insurance results with the combined ratio better than expected. Moreover, the stock price return during the quarter was in line with the broader insurance industry return that tends to sell off during risk-on time periods, as was the case in the fourth quarter. 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, recently summarized the firm's competitive advantage: "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."

Ecolab Inc. ("Ecolab"), a best-in-class specialty cleaning chemical company with a heavy focus on customer service, was the Strategy's third-largest detractor. The company reported organic growth which decelerated sequentially, which management attributes to a pricing focus and expects organic growth to accelerate from here, particularly in 2020. Although Ecolab has "staple" characteristics, it is truly a science-based company, with a Vitality Index of 30% (sales from products introduced in the prior five years), 1,600 people in the Research & Development organization, and 8,200 patents. Moreover, the company has seen that positive change accelerates when economic and environmental goals come together as highlighted in the 2018 letter to shareholders, "… through our unique blend of technology, expertise and on-site service, we helped our customers save 188 billion gallons of water and reduce energy use by 19 trillion BTUs. By using recycled plastics and reusing packaging, we reduced our customers' plastic use by 54 million pounds."

Portfolio Activity

There were no new positions or complete sales in the portfolio. 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. As we like to remind ourselves, pick right for the long term, and then the best thing to do is usually nothing (action through non-action).

Outlook

My *Journal of Wealth Management* article, "The World has Changed: Investing in the New Economy," highlights how a transition to the New Economy restructures how value is created and requires a different mindset for investment analysis:

> The higher proportion of investments in intangible assets versus tangible assets that is common today is emblematic of a structural change in value creation. Investor experience in the "New Economy" is that today's digital network effects and other changes are providing a different path for big winners. In contrast with the "Old Economy," investors have found that in the New Economy, the speed of change is faster and the risk–reward profiles are wider, with greater upside but also greater downside. Many firms on the wrong side of digital network effects are headed to the graveyard, regardless of past business success.
>
> The deterioration in the usefulness of generally accepted accounting principles (GAAP) accounting in general, and price/ earnings ratio (P/E) and price/book ratio (P/B) in particular, pose a significant problem for investors. With a focus on what has not changed, investors can find a sizable opportunity; that is, the long-term life-cycle performance of firms is driven by the interplay of managerial skill (especially for nurturing a firm's knowledge-building proficiency) and competition.

During the quarter, Fed Chairman Jerome Powell gave a speech at an annual convention of economists, where the theme was integrating old and new economies. Powell highlighted research by David Byrne and Carol Corrado that shows that reported GDP growth would have been half a percentage point higher over a decade if the full scope of the digital economy had been incorporated (https://www.federalreserve.gov/econres/feds/files/2019049pap.pdf). "How should we value the luxury of never needing to ask for directions?" he asked. "Or the peace tranquility afforded by speedy resolutions of those contentious arguments over the trivia of the moment?" The point is the Fed Chairman is now thinking differently as to why the longest economic expansion in our nation's history persists yet productivity gains are muted and GDP growth is steady but not exceptional.

Although the conventional measurements of productivity and GDP suggest a paradox, the stock market's vote is that the New Economy is firing on all cylinders, and there is no shortage of reasons why the U.S. may stay in "late cycle" for longer than expected. Positive signals for future healthy U.S. economic growth include: intangible asset investment, higher disposable income and employee compensation, 3.6% unemployment (lowest since 1969), lukewarm inflation, strong consumer confidence, supportive leading economic indicators, narrowing credit spreads, strong housing, share repurchases, and deregulation. However, it is important to note that the 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.

Two major risks are the upcoming 2020 election and current valuation levels of companies. 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.

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Regarding current Democratic candidates, we believe Biden is more market friendly than Bernie Sanders or Elizabeth Warren, but Biden holds a slim lead to win the Democratic nomination, and the general election is up for grabs. The stock market will start to price odds of a Democrat winning back the White House more so as the 2020 election gets closer. However, given the historically low level of the real, after-tax U.S. equity discount rate and traditional valuation metrics being higher than historical averages, we expect stock market returns to continue to be more modest going forward with likely higher volatility, which we believe 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 of individual stock returns—to quantitative tightening (QT) and higher dispersion which 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 80th percentile relative to the past decade.

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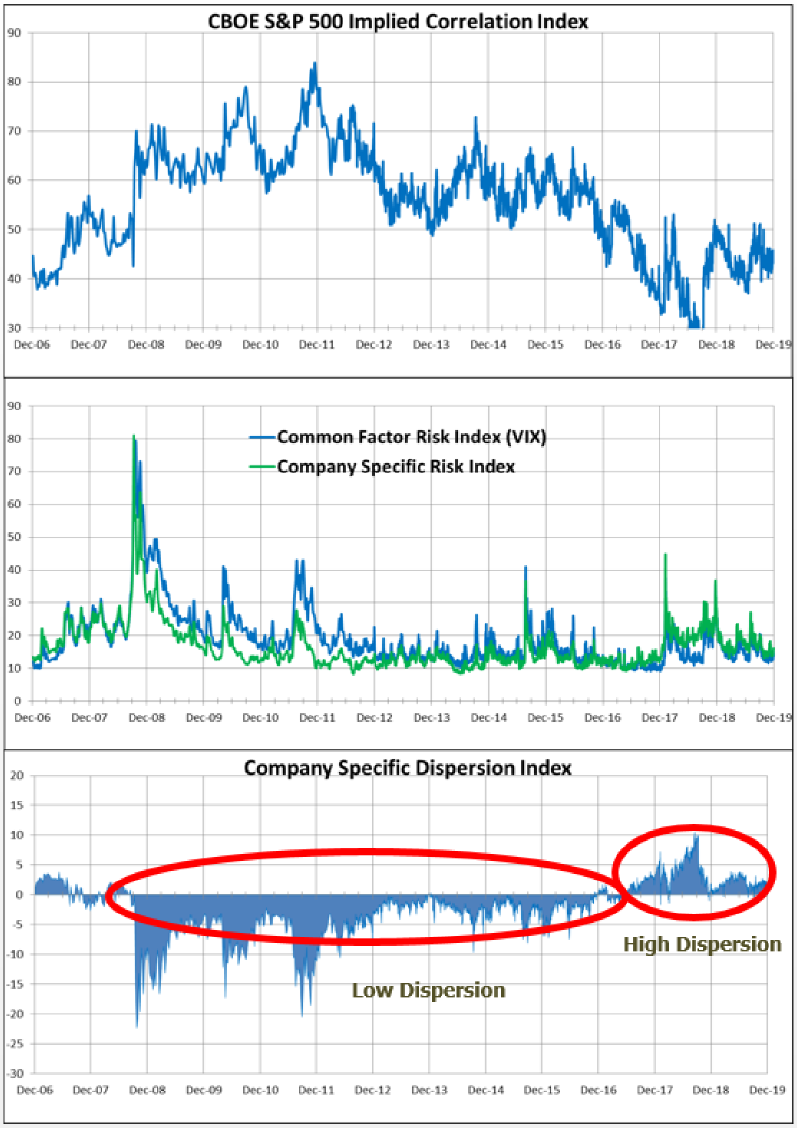
Exhibit 2.



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 80% percentile over the last 10 years

Source: CBOE / RMB Research Core

Higher dispersion of individual stock returns increases the opportunities for the 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 quantitative easing (2009 to 2018), we believe the reverse will be true in the absence of easy money conditions. We believe 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.

Finally, I encourage investors in the Strategy, and those intellectually curious, to read the *Journal of Wealth Management* article noted earlier 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).

Sincerely,

Jeffrey B. Madden

Jeffrey B. Madden
SVP, Portfolio Manager

TOP FIVE HOLDINGS AS OF 12/31/19	
Company	**% of Assets**
Visa Inc.	6.97%
Microsoft Corp.	6.85%
Amazon.com Inc.	6.28%
Johnson & Johnson	5.71%
Markel Corp.	5.57%

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

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, 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 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	4,196.90	7.21	<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.*