

# Strategy Overview – Third Quarter 2020

## Tax-Exempt Fixed Income

The Tax-Exempt Fixed Income strategy is a portfolio of intermediate maturity, investment-grade fixed income securities issued by state and local governments throughout the United States. The strategy focuses on state and local general obligation (GO) and essential-service revenue bonds (REV). Bonds are laddered by maturity with portfolio duration maintained in the short to intermediate range. The strategy offers effective risk management while providing income exempt from federal taxes.

### Investment Philosophy

Our long-term, fundamental fixed income philosophy is centered on capital preservation and generating after-tax income

#### Bond Portfolios Provide:

- Asset diversification
- Volatility control
- Income generation
- Liquidity

#### Our Process:

- Based on a consistent, disciplined investment approach
- Effective management of portfolio risk attributes

#### Portfolio Approach

- Our clients' assets are positioned in our top selections and effectively diversified
- Acquiring securities of well established issuers provides consistency and liquidity

### Strategy Overview

#### Performance Objective

- Stable, federal tax-free income generated from portfolio of short and intermediate-term bonds
- Maintain a low volatility portfolio consistent with the benchmark index

#### Investment Approach

- Market driven, relative value strategy
- Bias toward state and local general obligation and essential-service revenue bonds
- Focused on strong geographic regions with economic stability and favorable demographics

#### Portfolio Profile

- Maintain a liquid portfolio with municipal bonds rated Single-A or higher
- Non-callable bonds or bonds with narrow call windows
- Laddered exposures maturing in 10 years or less
- Diversified by issuers, geographical locations, and revenue sources

Statistics	RMB Tax-Exempt Fixed Income <sup>1</sup>	ICE BofAML 1-10 Year Municipal Index
<b>Number of Holdings*</b>	956	9,240
<b>Average Yield</b>	0.63%	0.65%
<b>Average Duration</b>	4.38	3.54
<b>Average Coupon</b>	4.16%	4.76%
<b>Average Credit Rating</b>	AA+	AA-
Maturity Distribution*		
<b>0-3 Years</b>	24.50%	31.55%
<b>3-5 Years</b>	21.40%	23.91%
<b>5-7 Years</b>	23.70%	19.65%
<b>7+ Years</b>	30.40%	24.89%
Quality Distribution*		
<b>AAA</b>	26.95%	14.73%
<b>AA</b>	70.13%	52.04%
<b>A</b>	1.29%	16.56%
<b>BBB</b>	0.00%	7.30%
<b>No Rating</b>	1.63%	9.37%
Municipal Bond Type*		
<b>General Obligation</b>	81.98%	33.84%
<b>Revenue Bonds</b>	14.89%	51.47%
<b>Certificate Participation</b>	0.00%	0.00%
<b>Pre-Refunded</b>	2.02%	14.67%
<b>Other</b>	1.11%	0.03%

Source: APX, Bloomberg, Barclays. Data as of September 30, 2020.

\*Only evaluated on municipal bond holdings. Does not include mutual funds.

<sup>1</sup> RMB Tax-Exempt Fixed Income Composite.

Performance	Q3 2020	YTD	1 year	3 years	5 years	10 years	Since Inception <sup>1</sup>
RMB Tax-Exempt Fixed Income Composite (net of fees)	+0.68%	+3.52%	+4.14%	+3.08%	+2.28%	+1.67%	+2.25%
ICE BofAML 1-10 Year Municipal Index	+0.94%	+2.91%	+3.70%	+3.12%	+2.65%	+2.65%	+3.42%

<sup>1</sup>Strategy Inception: April 1, 2005.

Performance is net of the RMB Asset Management's management fee charged to client accounts and transaction costs. Performance presented is not net of RMB's Wealth Management advisory fee (if applicable). Performance for periods longer than one year is annualized. Data is as of September 30, 2020. These materials are confidential and may not be reproduced or redistributed to any other party. Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment.

# Tax-Exempt Fixed Income Strategy

## RMB Asset Management

Tax-Exempt Fixed Income Strategy // 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 was 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 composition presentation. The Tax-Exempt Fixed Income composite has been examined for the period of April 1, 2005 through December 31, 2015. The verification report is available upon request. RMB AM maintains a complete list and description of composites, which are also available upon request.

**Description** | The Tax-Exempt Fixed Income Strategy reflects the performance of fully discretionary bond accounts, which have an investment objective of providing clients with regular income and capital preservation and, for comparison purposes, is measured against the ICE BofAML 1-10 Year Municipal Index and the Barclays 5-Year Muni Bond index. The product is primarily invested in high-quality municipal bonds that are pre-refunded, escrowed to maturity, or general obligations. The Tax-Exempt Fixed Income Composite was created on April 1, 2005. An account is included in the Composite on the first day of the first full month the account is under management. 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

### 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 (%)	Barclays 5-YR Muni Bond Index (%)	ICE BofAML 1-10YR Municipal Index (%)	Composite 3-YR ST DEV (%)*	Barclays 5-YR Muni Bond Index 3-YR ST DEV (%)	ICE BofAML 1-10YR Municipal Index 3-YR ST DEV (%)	Composite Dispersion (%)
2019	4,947.9	343.6	183	5.05	4.73	5.45	5.28	1.60	2.00	1.74	0.36
2018	4,196.9	201.1	124	1.87	1.55	1.69	1.69	2.05	2.57	2.24	0.18
2017	3,610.6	194.9	117	2.36	2.05	3.14	2.83	2.08	2.59	2.22	0.24
2016	3,047.5	159.6	106	-0.52	-0.82	-0.39	-0.05	1.96	2.43	2.15	0.31
2015	3,706.0	195.8	224	1.83	1.51	2.43	2.12	1.45	2.10	1.90	0.37
2014	3,312.9	164.6	216	2.61	2.29	3.19	3.58	1.11	2.11	1.95	1.16
2013	3,248.5	127.2	199	0.13	-0.18	0.81	0.16	0.96	2.35	2.19	0.49
2012	2,585.9	153.9	195	1.05	0.77	2.97	2.98	0.92	2.38	2.18	0.41
2011	2,218.0	148.0	170	2.33	2.04	6.95	6.80	1.37	3.28	2.94	1.09
2010	1,881.9	181.5	198	1.48	1.18	3.39	2.97	N/A	N/A	N/A	0.40
2009	1,613.9	186.3	210	3.79	3.51	7.41	6.67	N/A	N/A	N/A	0.90
2008	1,113.6	151.5	212	4.75	4.45	5.79	5.08	N/A	N/A	N/A	0.90
2007	1,420.6	123.9	174	4.53	4.22	5.13	5.05	N/A	N/A	N/A	0.30
2006	1,070.2	62.6	88	3.12	2.82	3.34	3.63	N/A	N/A	N/A	0.10
2005**	811.9	66.4	104	1.13	0.94	2.13	N/A	N/A	N/A	N/A	N/A

\*The 3 year ex-post standard deviation is not presented prior to 2011 because it is not required. \*\* Results shown for the year 2005 represent partial period

performance from April 1, 2005 through December 31, 2005.

**Fees** | Effective January 1, 2011, RMB's asset management fee schedule is as follows: 0.35% on the first \$3.0 million, 0.325% on the next \$2.0 million, 0.300% on the next \$5.0 million, 0.275% on the next \$15.0 million, and 0.250% over \$25.0 million. Actual asset management fees charged by RMB may vary. 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 means it is net of transaction costs but gross of asset management fees, custodian fees and withholding taxes. The payment of actual fees and expenses would reduce gross returns. The compound effect of such fees and expenses should be considered when reviewing gross returns. The net returns are reduced by all actual fees and transactions costs incurred. The composite includes accounts that pay asset-based pricing for trading expenses. The maximum fee is 15 basis points per year; however, many accounts pay lower amounts due to household break-point relief. Returns for those accounts prior to 3/1/19 do not reflect the deduction of asset-based pricing, and are therefore gross of trading expenses. These accounts represent approximately 66% of composite assets. In addition to an asset management fee, some accounts pay a wealth management fee based on the percentage of assets under management to RMB Capital. The annual composite dispersion is an asset-weighted standard deviation calculated 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** | Prior to 2016, the composite had a minimum value threshold of \$100,000 to be included in the composite. After 2016, the composite minimum changed to \$500,000.

**Comparison with Market Indices** | RMB compares its Composite returns to the market indices ICE BofAML 1-10 Year Municipal Index, an unmanaged index that tracks the performance of 1-10 year investment-grade municipal bonds, and the Barclays 5-Year Muni Bond Index, an index representative of major municipal bonds of all quality ratings with an average maturity of five years. 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 index do not include any transaction costs, management fees, or other 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 in the Composite. Benchmark returns presented are not covered by the report of independent verifiers.

**Other** | Past performance is not indicative of further results, and there is a risk of loss of all or part of your investment. 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. Total Firm Assets as of 12/31 for the years 2010, 2011, and 2012 have been revised to exclude assets from personal trading accounts that were included in previously reported figures.