SMID Cap Core

Portfolio Update: Fourth Quarter 2020

During the fourth quarter, the SMID Cap Core Equity Composite (the "Strategy") increased +24.91%, gross of fees (+24.74%, net of fees), underperforming the +27.41% increase for the Russell 2500 Index. During the year, the Strategy increased +25.78% gross of fees (+24.88% net of fees), sizably outperforming the Russell 2500 Index's return of +19.99%.

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (Annualized)
SMID Cap Core (Gross)	+24.91%	+25.78%	+25.78%	+16.95%	+15.76%	+12.43%	+10.45%
SMID Cap Core (Net)	+24.74%	+24.88%	+24.88%	+16.02%	+14.80%	+11.47%	+9.49%
Russell 2500 Index	+27.41%	+19.99%	+19.99%	+11.33%	+13.64%	+11.97%	+9.74%

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.

The high-quality nature of the Strategy allowed us to also protect capital during the sudden and violent "risk-off" stock market experienced in the early days of the pandemic. And superior stock selection and opportunistic buying allowed the Strategy to withstand the extreme "risk on" stock market environment, which has been relentless since the stock market bottom on March 23rd. From a traditional attribution perspective, stock selection drove the majority of excess return during 2020, led by holdings in the health care, industrial, real estate and communication services sectors. The largest sectors of underperformance were information technology and consumer discretionary.

The fourth quarter was the best quarter ever for small-cap companies. In our last quarterly update, we pointed out that, "Currently, our research suggest smaller companies are attractively priced relative to larger companies by a magnitude not seen since 1999." But even we were surprised by the +31% increase in the Russell 2000 small-cap index.

Stocks were ignited by the approval of several COVID-19 vaccines during the quarter. Additionally, better than expected earnings, the passage of stimulus 2.0, and a promise by the Federal Reserve to continue QE and keep real interest rates negative for the foreseeable future provided fuel for another rally, benefitting higher risk assets from the smallest of small caps to Bitcoin.

As a high quality portfolio, the Strategy tends to lag in strong, risk-on markets, given the Strategy's lower beta, greater liquidity, and lower leverage. The team offset some of these headwinds by adding to several quality cyclicals over the last several months. These actions helped the Strategy capture 91% of the record upside move this quarter. The Strategy performed in line with expectations, given it takes significantly less risk than the benchmark and captured 85% of the record decline in the first quarter.

In academia, one of the preferred measures to evaluate investment returns per unit of downside risk is the Sortino Ratio, where any ratio above 0 is considered "good". The higher the ratio, the better for those who care about preserving capital in down markets. Given the record market decline in the first quarter and the record advance in the fourth quarter, the Strategy was put to the test and we are happy to report it passed in a very robust manner, as noted in Table 1.

Table 1

Sortino Ratio						
As of 12/31/2020	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**15 Year**	**Since Inception**
RMB SMID Cap Core	1.25	1.03	1.21	1.13	0.76	0.80
Morningstar U.S. Fund Mid Blend	0.73	0.58	0.88	0.98	0.66	N/A
Russell 2500 Index	0.82	0.57	0.90	0.97	0.63	0.65

Sources: FactSet SPAR, Morningstar Direct

SMID Cap Core

Contributors and Detractors

SMID Cap Core FOURTH QUARTER 2020 CONTRIBUTION REPORT *Ranked by Basis Point Contribution*		
	Basis Point Contribution	**Return**
Top Contributors		
Pinnacle Financial Partners Inc.	+119	+81.66%
Visteon Corp.	+105	+81.33%
Digimarc Corp.	+92	+111.79%
Repligen Corp.	+87	+29.88%
Brink's Co.	+82	+75.75%
Bottom Detractors		
bluebird bio Inc.	-5	-19.80%
Royal Gold Inc.	-5	-5.48%
Columbia Sportswear Co.	-3	+0.46%
Jack Henry & Associates Inc.	-1	-0.10%
Watsco Inc.	-1	+0.28%

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.

Pinnacle Financial Partners Inc. (PNFP, "Pinnacle Financial", +81.66%), a financial holding company headquartered in Nashville Tennessee, qualifies as the Strategy's largest contributor during the quarter. The company reported a strong third quarter, driven by strong fee income. Management foreshadowed a repurchase program, signaling conviction in the business. Moreover, we spoke with management in March and were impressed by both the managerial skill and adaptability of the business in the face of an uncertain environment. We increased our position at an attractive entry as the year unfolded, which was rewarded during the fourth quarter.

Digimarc Corp. (DMRC, "Digimarc", +111.79%), the inventor of a revolutionary platform that enables a more efficient, reliable and economical means of automatic identification, qualifies as the Strategy's third-largest contributor during the quarter. Central to our investment thesis is our belief that the company has intellectual property, allowing it to become the "Barcode of Everything" expedited by the adoption of its technology in massive markets, such as retail and recycling. So, it was bullish to see an activist investor come to the same conclusion and purchase a significant portion of the company during the quarter; a major catalyst for monetizing the intellectual property. Moreover, we spoke with management in March and concluded that the company could thrive during and beyond the pandemic, given its focus on supply chain safety. We increased our position during the depths of the bear market in March, which was rewarded during the fourth quarter.

Bluebird Bio Inc. (BLUE, -19.80%), a pioneering gene therapy clinical biotechnology company, was the Strategy's biggest detractor. The company announced a significant delay to its sickle cell disease (SCD) program due to an unexpected FDA request. While the delay is disappointing, we still currently own a small weight, given the potential upside.

Jack Henry & Associates Inc. (JKHY, "Jack Henry", -0.10%), a leading provider of core processing solutions for banks and credit unions, was another big detractor for the Strategy during the quarter. Although the company delivered solid results during the quarter, fiscal year 2021 guidance was less than Wall Street analysts were expecting. Management tends to under promise and over deliver. We expect the same this year, as the underlying demand environment remains strong. We have owned the company in our Small Cap and SMID strategies for over 10 years and have a regular dialog with management. In a recent conversation, CFO Kevin Williams shared the importance of maintaining the corporate philosophy, which is printed on the back of all 6,200 employee business cards: "Do the right thing, do whatever it takes, and have fun."

Portfolio Activity

We sold Teleflex Inc. (TFX), an innovative medical device company, given a compressed risk reward profile, after owning the company for over five years; the company delivered a strong 24.69% annualized return during our ownership. The cash raised from the Teleflex sale, and trims to other "growth" winners in the Strategy, were re-allocated into three high conviction "value" businesses. Algonquin Power & Utilities Corp. (AQN) masquerades as a regulated utility, but the company is a leader in renewable energy through its portfolio of long-term contracted wind, solar, and hydroelectric generating facilities. Watsco Inc. (WSO) is ostensibly a boring company as the largest distributor of air conditioning, heating and refrigeration equipment and related parts and supplies in the HVAC/R industry. But the business is exciting to us, given the long-term asset reinvestment opportunity to further consolidate a fragmented industry and gain contractor efficiency with technology. Royal Gold Inc. (RGLD) provides exposure to precious metals without many of the risks of investing in traditional metal producers.

For the year, we feel great about actively taking advantage of the volatility within the market. While our strategy typically has lower turnover, the higher volatility created more opportunities to actively add value. The value-add of all trades contributed 727 basis points of excess return for the year. In other words, the portfolio return was 7.27% higher this year than it would have been if the team had done nothing and held the same portfolio for the year.

We attribute this success to our team having worked together for many years, investing in a proprietary research platform that allows us to share insights/opportunities in real time, our learning culture and disciplined investment framework that demands proof of capital allocation consistent with long term value creation.

Outlook

Two of the biggest investor uncertainties, vaccine availability and election outcomes, are now known. These two milestones potentially bode well for small caps and value stocks, which we believe have not been popular with investors. Small caps typically outperform in early cycle bull markets, particularly when the government is applying both monetary and fiscal stimulus.

With a vaccine roll-out currently under way, the economy is pulling out of recession and returning to growth. A Democratic blue wave increases the odds of more fiscal stimulus as it relates to state bailouts, more stimulus checks, infrastructure spending, green energy spending, and other job creating government spending programs. The Federal Reserve has made it clear that they plan to continue to keep rates low even if inflation accelerates above 2%.

Today, investors remain crowded into mega cap growth strategies. At one point this year, Apple's market cap exceeded the value of the entire Russell 2000. Valuations for favored growth names have moved into the stratosphere as investors seek exposure to thematic baskets of unresearched stocks via purchases of ETF's. As investors that have been in the market for multiple cycles, we see signs of bubbles created by excess liquidity from the Federal Reserve, in the behavior of Robinhood and Bitcoin traders, the return of the SPAC's and recent IPO valuations and frequency. We see risk in the large-cap growth sector of the market, but there may be opportunity where very few are looking in terms of the smaller cap value part of the market.

As a core strategy, we try to balance the portfolio between value and growth companies. We do not prefer which category leads the market in the shorter term because we believe there are opportunities in both over the longer term. As the chart below shows, "Growth" vs. "Value" can be quite volatile, requiring exquisite skill in the timing of re-balancing. The RMB Small Cap Core portfolio structure minimized the requirement for timing and provided smoother performance over time – better Sortino Ratios. Those who allocate between growth and value will need to do some serious soul searching as to whether its time re-allocate from a decade's worth of winners (growth) to a decade's worth of losers (value). We believe our approach helps our investors to own great businesses at favorable prices in both camps, lessening the requirement to make the tough decision around timing a re-allocation.

SMID Cap Core

Source: RMB Research Core; Note: areas shaded in yellow denote recessions

That being said, what does keep us up at night, as we peer into 2021, is the possibility that what is good for the economy may turn out to be bad for stocks and bonds. Why? Stocks are valued at extreme levels on any measure except when compared against bond yields. Bulls justify today's lofty valuations by pointing out that interest rates are near zero. As students and prolific users of discounted cash flow valuation, the point is well taken. Low interest rates justify higher valuations (P/E's). It is simple math. So, the biggest risk we see to the markets, given higher growth expectations (potentially above 5% GDP), is an unforeseen increase in the 10-year treasury (currently ~1%), pressuring valuations (lower P/E's). In other words, strong economic growth could drive higher inflation and ultimately higher interest rates, resulting in lower P/E's and stock prices. The team has dusted off its inflation playbook and has been gradually adding to inflation beneficiaries among our Material and REIT holdings.

If a good economy turns out to be bad for stocks, downside protection/risk control (which index-linked products do not offer), will be critical and savvy investors will start to pay attention to Sortino Ratios for sure. If so, we will be prepared to take advantage of the downside volatility, as we did early this year. As always, the companies we invest in demonstrate high managerial skill in capital allocation, which creates value for customers, employees, communities, and shareholders.

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	Jeff Madden
Portfolio Manager	Portfolio Manager

SMID Cap Core

TOP TEN HOLDINGS AS OF 12/31/20	
Company	**% of Assets**
Copart Inc.	2.82%
Repligen Corp.	2.67%
Fair Isaac Corp.	2.65%
Catalent Inc.	2.64%
STORE Capital Corp.	2.58%
Vail Resorts Inc.	2.46%
West Pharmaceutical Services Inc.	2.38%
EastGroup Properties Inc.	2.29%
Pinnacle Financial Partners Inc.	2.21%
Bio-Techne Corp.	2.19%

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.

The opinions and analyses expressed in this newsletter 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 presentation. 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 newsletter. The information and data in this presentation does not constitute legal, tax, accounting, investment or other professional advice. Past performance is not indicative of future results, and there is a risk of loss of all or party of your investment. This information is confidential and may not be reproduced or redistributed to any other party without the permission of RMB Capital.

Investment Terms: **Beta** is a measure of a stock's volatility in relation to the overall market. If a stock moves less than the market, the stock's beta is less than 1.0. High-beta stocks are supposed to be riskier but provide higher return potential; low-beta stocks pose less risk but also lower returns. The **Sortino Ratio** is a variation of the Sharpe ratio that differentiates harmful volatility from total overall volatility by using the asset's standard deviation of negative portfolio returns—downside deviation—instead of the total standard deviation of portfolio returns. The price-earnings ratio (**P/E ratio**) relates a company's share price to its earnings per share. A high P/E ratio could mean that a company's stock is over-valued, or else that investors are expecting high growth rates in the future.

An investment cannot be made directly in an index. The index data assumes reinvestment of all income and does not bear 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 the strategies. The benchmarks are shown for comparison purposes and are fully invested and include 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 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 strategies include small- to mid-cap equity portfolios. The strategies may 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 S&P 500 is widely regarded as the best single gauge of the United States equity market. It includes 500 leading companies in leading industries of the US economy. The S&P 500 focuses on the large cap segment of the market and covers approximately 75% of US equities.

While "high-quality" has no single, strict industry definition, we define high-quality stocks as those that we believe offer more reliability and less risk based on a set of clearly defined fundamental criteria including hard criteria (e.g., balance sheet stability, operating efficiency, enterprise life cycle) and soft criteria (e.g., management credibility). We define well-managed companies as those that intentionally grow assets when their economic return on capital is above the cost of capital, are willing to shrink assets when economic return is below the cost of capital, and actively seek to improve economic return when it is approximately equal to the cost of capital.

SMID Cap Core

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, 2019. 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.*