Small Cap Core

Portfolio Update: Fourth Quarter 2020

During the fourth quarter, the Small Cap Core Equity Composite (the "Strategy") increased +28.99%, net of fees, compared to a +31.37% increase for the Russell 2000 Index.

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (Annualized)
Small Cap Core (Gross)	+29.25%	+19.49%	+19.49%	+13.71%	+13.57%	+11.65%	+11.82%
Small Cap Core (Net)	+28.99%	+18.39%	+18.39%	+12.63%	+12.47%	+10.56%	+10.71%
Russell 2000 Index	+31.37%	+19.96%	+19.96%	+10.25%	+13.26%	+11.20%	+8.70%

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.

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. Additionally, keeping only 2.49% in cash created an 87 basis point headwind for the Strategy. The team offset some of these headwinds by adding to several quality cyclicals over the last several months. These actions helped the Strategy capture 93% 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 86% 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 Small Cap Core	0.90	0.78	0.99	1.02	0.70	0.81
Morningstar U.S. Fund Small Blend	0.64	0.44	0.76	0.84	0.62	N/A
Russell 2000 Index	0.81	0.49	0.83	0.85	0.55	0.50

Sources: FactSet SPAR, Morningstar Direct

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Contributors and Detractors

The biggest contributors to performance were concentrated among the banking and healthcare sectors. We are pleased that two banks were top contributors. Last quarter banks were the biggest detractors, but we reiterated our positive thesis "that banks would outperform in a "V" shaped recovery because they are as cheap as they were in the financial crisis, but with a fraction of the credit risk." It is too early to take a victory lap, but we still believe banks may be in the early innings of sustained outperformance. Seacoast Banking Corp. of Florida (SBCF) increased +63.34%. SBCF is a Florida-focused bank that has reinvented itself following the global financial crisis. It sharpened its credit culture by getting more diversified, and invested in data, analytics, and technology to better serve existing customers, while also improving customer acquisition flow. SBCF is an early adopter in using analytics to optimize their omnichannel branch distribution and is adopting its business to thrive in the digital economy. Tri-Co Bancshares Inc. (TCBK) increased +44.99% and reported a very strong quarter exceeding what was priced into its shares. It is a northern California-focused community bank with a very strong deposit franchise and conservative credit culture.

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FOURTH QUARTER 2020 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
Seacoast Banking Corp. of Florida	+147	+63.34%
Repligen Corp.	+117	+29.67%
Omnicell Inc.	+110	+60.84%
CareDx Inc.	+109	+90.96%
TriCo Bancshares	+103	+44.99%
Bottom Detractors		
Allogene Therapeutics Inc.	-22	-33.07%
bluebird bioInc.	-9	-19.80%
Tabula Rasa Healthcare Inc.	-6	-12.99%
Neogen Corp.	-4	+1.29%
Columbia Sportswear Co.	-4	+0.30%

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.

Our healthcare holdings had a stellar year contributing 526 basis points of excess return for the year and have been consistent contributors all year. This quarter, Omnicell Inc. (OMCL, +60.84%) and CareDX Inc. (CDNA, +90.96%) made the list. Omnicell's technology minimizes mistakes associated with mis-dosing. Its new product, gen XT, is taking market share and its next generation XR2 offers a fully automated robotic drug dispensing solution. OMCL reported significant increases in customer wins and bookings, driving strong share price performance this quarter. CareDx is led by the former head of Novartis' Global Diagnostic business and is surrounded by a strong management team. CDNA is positioned as a leader in the >$3B transplant diagnostics market, with two commercialized tests that serve an unmet need for non-invasive detection of heart and kidney post-transplant rejection. There is a clear unmet need in heart and kidney transplants for high-cost patients, as current surveillance methods have huge limitations that are either invasive (biopsy) or inadequate (serum creatinine). Importantly, both tests have strong clinical validation and have secured reimbursement. In addition, there are active, multiple years of surveillance that leads to a recurring revenue model.

Healthcare offers some of the widest risk/reward payoff structures and so several detractors were also healthcare names, where our positive thesis has not yet played out. Allogene Therapeutics Inc. (ALLO, -33.07%) has assembled one of the top management teams in biotech, including the co-founder of Kite Pharma, the CMO from Kite Pharma and other senior managers from Pfizer Inc. and Amgen Inc. ALLO is attempting to improve existing CAR-T platforms (CAR-T stands for chimeric antigen receptor T-cell, a relatively new form of cancer therapy), which is a significant TAM (total addressable market) as demonstrated by the multi-billion dollar acquisitions of Kite Pharma and Juno Therapeutics . After a strong positive price reaction on early clinical data in the summer, the stock declined in 4Q due to concerns about the competitive landscape. Tabula Rasa Healthcare Inc. (TRHC, -12.99%) provides a highly valuable service that is aligned with current healthcare trends of moving toward quality of care and away from fee-for-service. Given the disruption in the PACE (Primary, Alternate, Contingency, and Emergency) market related to COVID and the lack of visibility of the expansion into new markets, we exited our position in the 4Q. Bluebird Bio Inc. (BLUE, -19.80%) 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.

Portfolio Activity

Most of the portfolio activity during the quarter related to sales of lower conviction names, risk control trims, and adds of smaller, value-type names where we redeployed proceeds from trims of several larger, growthier names. We sold Bright Horizons Family Solutions Inc. as it has outgrown our small cap mandate as well as reached our fair value target. We sold lower conviction names including Tabula Rasa, Proofpoint Inc., CVB Financial Corp., and Chesapeake Utilities Corp. We swapped out of Equity Commonwealth, a fairly valued defensive REIT, and re-invested the proceeds into Essential Properties Realty Trust Inc., a REIT with significant recovery potential as the economy re-opens.

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 471 basis points of excess return for the year. In other words, the portfolio return was 4.71% 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 small-cap core portfolio, approximately 50% of the Strategy owns small-cap value names and 50% growth. 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.

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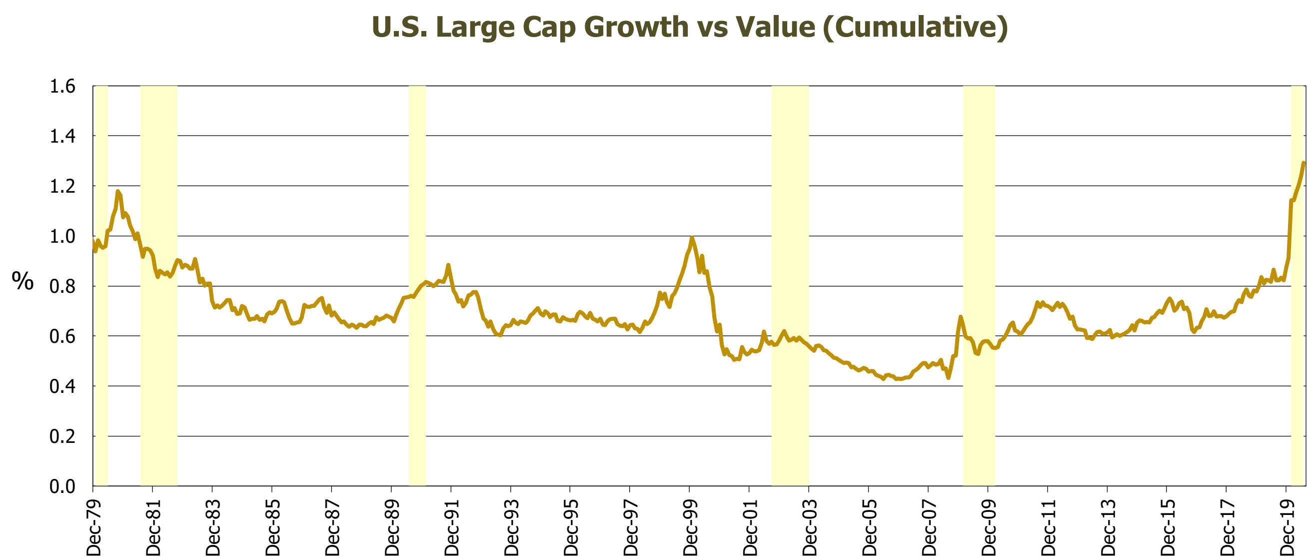

Source: RMB Research Core; Note: areas shaded in yellow denote recessions

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
Portfolio Manager

Jeff Madden
Portfolio Manager

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TOP TEN HOLDINGS AS OF 12/31/20	
Company	**% of Assets**
Seacoast Banking Corp. of Florida	3.27%
NeoGenomics Inc.	3.00%
EastGroup Properties Inc.	2.98%
Fair Isaac Corp.	2.92%
TriCo Bancshares	2.75%
Catalent Inc.	2.73%
Repligen Corp.	2.72%
Pool Corp.	2.66%
West Pharmaceutical Inc.	2.54%
MKS Instruments Inc.	2.48%

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.

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 U.S. 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.

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RMB Asset Management

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, 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 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

		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 2000 (%)	Composite 3-YR ST DEV (%)	Russell 2000 3-YR ST DEV (%)	Composite Dispersion (%)
2019	4,947.90	118.03	<5	28.91	27.57	25.52	13.97	15.71	0.34
2018	4,196.90	117.54	<5	-4.54	-5.40	-11.01	13.52	15.79	0.29
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%. 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 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*

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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 that the composite returns listed.*