

Small Cap Core

Portfolio Update: First Quarter 2021

During the first quarter, the Small Cap Core Equity Composite (the "Strategy") increased +10.01%, gross of fees (+9.79%, net of fees), compared to a +12.70% increase for the Russell 2000 Index.

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (Annualized)
Small Cap Core (Gross)	+10.01%	+10.01%	+78.46%	+16.55%	+15.79%	+11.72%	+12.16%
Small Cap Core (Net)	+9.79%	+9.79%	+76.93%	+15.43%	+14.68%	+10.63%	+11.05%
Russell 2000 Index	+12.70%	+12.70%	+94.85%	+14.76%	+16.35%	+11.68%	+9.19%

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.

This was one of the most eventful and interesting quarters we can recall in our 20+ years of managing portfolios. During the first three months of this year, investors digested the resolution of a contested Presidential Election, a riot on Capitol Hill, runoff elections in Georgia with national implications, the partisan passage of one of the largest stimulus bills on record, and a Federal Reserve committed to driving investors toward risk taking by committing to negative real interest rates for the foreseeable future.

In terms of the market, the quarter was defined by 1) an excessive investor appetite for risk, 2) continued small cap leadership, and 3) a violent rotation from growth to value. Safer, higher quality bonds delivered their worst quarterly performance on record. It is important to understand these factors, as there are implications for future returns.

Excessive Appetite for Risk

Two new investment species evolved and one endangered species flourished from the financial soup of excess liquidity: "Meme Stocks", "Non Fungible Tokens" (NFT's), and Special Purpose Acquisition Companies (SPACs). What each one of these vehicles have in common is the abandonment of fundamental analysis related to certainty and transparency of cash flows.

A "Meme Stock" is a stock that has gone viral online, attracting retail money seeking quick, short-term profits. Often these stocks are illiquid, which creates significant volatility. Perhaps the most well-known example of this new species is GameStop Corp. (GME), a heavily shorted videogame retailer on the verge of obsolescence. GME was promoted on the social media platform Reddit to create a short squeeze (force short sellers to buy higher). The GME story went viral, and the stock went from \$3 to \$300 in less than a year, bankrupting Melvin Capital, a hedge fund, along the way. Not exactly a great example of efficient price discovery, but rather an example of how manipulating liquidity by herding risk-seeking capital can drive the market-clearing price higher when liquidity is scarce relative to the capital trying to buy it.

"Non Fungible Tokens" (NFT's) are digital "assets" certified as original by a blockchain token. This new investment species is now considered a rare collectible, like rare art. In the same way that an original painting by a famous artist is more valuable than a printed copy, NFT's get their perceived intrinsic value from scarcity defined as a digital token authenticating originality. This quarter's most famous example of investor appetite for excessive risk for NFT's was "Beeple's Collage". Mike Winkelmann, a digital artist who goes by the name Beeple, created a collage of digital images of the first 5000 days of the internet (Beeple's Collage). Copies of Beeple's Collage sold for up to \$100 per copy. This quarter, the NFT of Beeple's Collage sold for \$69m at Christies Auction House.

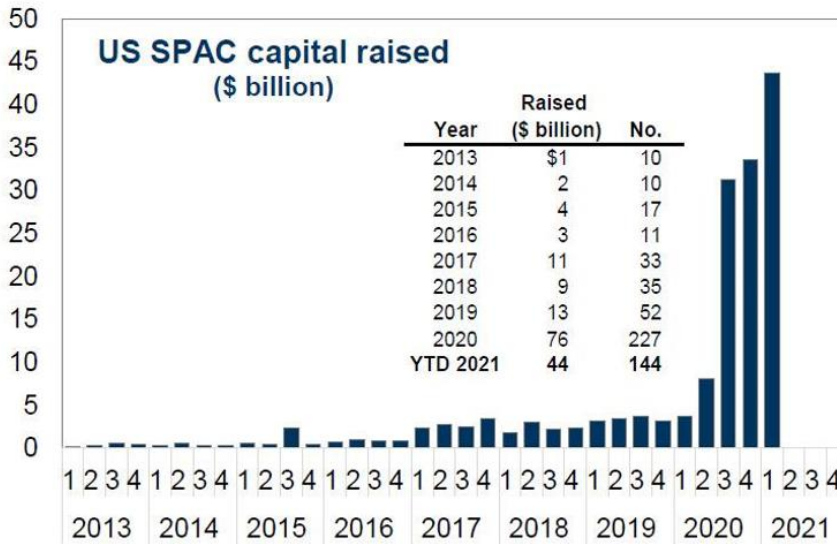
Additional signs of excess market liquidity include the record number of Special Purpose Acquisition Companies (SPACs), where investors agree to hand over money to a "company" that owns nothing but promises to buy something really great within two years. A record number of SPACs listed this quarter. Some were sponsored by credible, proven sources, and create opportunities for companies to go public more efficiently, but many are more dubious. In fact, several were sponsored by celebrities with no track record of capital allocation, like Colin Kaepernick and LeBron James. Nothing against Colin Kaepernick or LeBron James. They are terrific athletes, but we think it odd that investors are willing to sign over a blank check to them to



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invest in whatever they deem appropriate, while accepting 20% or more future dilution. Many SPACs come with special warrants and redemptions, which could bring dilution up to 50%, and creates arbitrage opportunities for hedge funds to profit by fleeing original SPAC investors. There were 48 SPACs in all of 2018 and 458 in the first quarter of 2021.

The SPAC Boom has Continued in Early 2021



Source: Dealogic, Goldman Sachs Global Investment Research; Data as of February 18, 2021.

The examples we cited are not the only signs of excessive risk taking, but, taken together, lead us to conclude excessive liquidity is driving investors toward seeking excessive risk, which may lower future returns.

Small Cap Leadership

With an investor appetite for risk as a background, small caps continued to significantly outperform larger cap companies. Not only do smaller companies carry more liquidity and credit risk, but smaller companies generally carry more business risk, and were fueled by expectations of a robust economic recovery that is taking hold. Within the small company Russell 2000 universe, the least liquid companies with the highest credit risk, continued to lead performance this quarter, as evidenced by the performance table below.

Revenge of the Zombies - Performance by Credit Rating

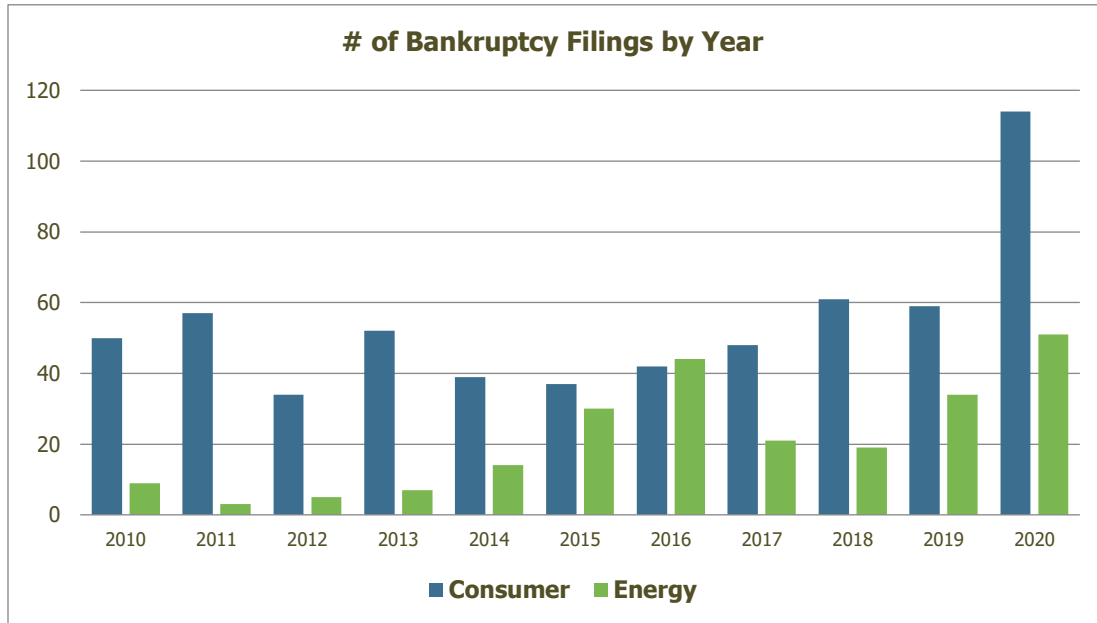
Credit Rating	Russell 2000 Index
AAA to A	9.34%
A- to BBB	6.59%
BBB-	5.80%
BB+ to BB	8.97%
BB- to B+	17.53%
B	21.23%
B- to CCC-	32.01%

Source: RMB Research Core; Data shown is YTD as of March 31, 2021.



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Investors are starting to look through to the other side, even though commercial bankruptcies were up significantly, and particularly in the Consumer and Energy sectors, where we forecasted a “zombie apocalypse.”



Source: Bloomberg; Data as of December 31, 2020.

Despite this fact, our thesis of a “zombie apocalypse,” where the highest quality companies would continue to outperform, has not played out as expected. In fact, it has been the exact opposite. “Revenge of the Zombies” is more apt, where the least credit worthy names continued to lead this quarter, as beneficiaries of the great economic stimulus and re-opening.

Our intentional lack of exposure to these lower quality names proved to be a headwind for performance this quarter, but, based on our research, we suspect it will turn to a tailwind as credit spreads stabilize and investor risk appetite normalizes.

Value Trounces Growth (finally)

Small Cap Value stocks (+21%) significantly outperformed Small Cap Growth stocks (+5%) this quarter. Small Cap Value stocks are more sensitive to the economic cycle, credit risk, and liquidity risk. All three risks were rewarded this quarter. As a Small Cap Core portfolio, we have approximately 50% of our holdings in “value” names, which contributed significantly to absolute performance this quarter.



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Contributors and Detractors

"Value" names were the biggest contributors to performance and were concentrated in the Financials sector. We are pleased that three banks were top contributors and that our positive thesis articulated in our 3Q 2020 letter played out - "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." TriCo Bancshares (TCBK, +34.94%), Seacoast Banking Corp. of Florida (SBCF, +23.06%), and Investors Bancorp Inc. (New Jersey) (ISBC, +41.22%) benefitted from a steeper yield curve, increasing loan growth and improving credit quality. Stifel Financial Corp. (SF, +27.26%), is a capital markets conglomerate with a focus on more stable wealth management and more cyclical investment banking, advising, and brokerage. Recently, the company has shifted more capital and resources into growing net interest income via Stifel Bank. Stifel has a strong track record of M&A and conservative balance sheet. We consider SF a skilled consolidator in the space.

"Growth" names were the biggest detractors and were concentrated in technology and healthcare. Q2 Holdings Inc. (QTWO, -20.81%) is a cloud software company in a position to benefit from faster adoption curves within the "digital" banking industry. QTWO is helping banks adapt to the cloud by enabling a new "banking as a service" (BaaS) model, with its innovative digital lending technologies. We still have high conviction in QTWO and it has performed in-line with other software names during the quarter, as the industry lost favor with investors. Digimarc Corp. (DMRC, -37.21%) seeks to disrupt the traditional UPC barcode industry with its innovative digital watermarking technology. The stock sold off, as one of its main customers, Walmart, delayed the rollout of the technology. Fortunately, we sold half of the position at \$50 (40% higher), so the position was properly weighted after large gains and we will stay patient here to see how Walmart and other early adopters gain traction with the technology as the economy reopens. Other detractors performed in-line or slightly better than their industry peers and were simply caught up in the rotation out of growth into value.

Portfolio Activity

Previous portfolio activity has the Strategy fairly balanced between growth and value and we are comfortable with overall portfolio positioning. However, the violent rotation out of growth this quarter created opportunities for us to get involved in some of our desired "biotech basket" buy candidates, whose prices fell to levels that we determined were attractive entry points. We purchased several leaders in gene editing technologies including Intellia Therapeutics Inc. (NTLA), CRISPR Therapeutics AG (CRSP), BioLife Solutions, Inc. (BLFS), and Editas Medicine Inc. (EDIT).

To fund smaller cap new biotech ideas, we sold-off most of our holdings in fairly valued, larger cap biotech company Ultragenyx Pharmaceuticals, after a 60% gain. We also sold Teledyne Technologies Inc. (TDY), given it had outgrown our small cap mandate at \$15B market cap after a 115% gain.

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FIRST QUARTER 2021 CONTRIBUTION REPORT

Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
TriCo Bancshares	+95	+34.94%
Seacoast Banking Corp. of Florida	+75	+23.06%
Investors Bancorp Inc.	+64	+41.22%
Stifel Financial Corp.	64	+27.26%
American Financial Group Inc.	+61	+30.95%
Bottom Detractors		
NeoGenomics Inc.	-32	-10.42%
Iovance Biotherapeutics Inc.	-30	-31.77%
Guidewire Software Inc.	-22	-21.05%
Digimarc Corp.	-20	-37.21%
Q2 Holdings Inc.	-19	-20.81%

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.



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Outlook

Despite excessive risk taking in many parts of the market, our outlook remains cautiously optimistic and we believe that our quality bias and diversified approach are well-suited to address the real question for investors: How much good news is priced in to current valuations?

First, the cautious part. The excessive risk taking highlighted in the first part of this letter is a classic signal for market tops. Additionally, the equity market is pricing in a robust economic recovery and valuations remain elevated on almost every valuation metric, except relative to bonds. Bond yields are rising and, at some point may rise to a level that triggers a rotation out of stocks and into bonds. Inflation risk is increasing. \$5T in stimulus may trigger sustained inflation fears and force the Federal Reserve to raise rates faster and more aggressively than previously communicated. Finally, there is a higher probability of higher taxes for corporations and capital gains, which could lead to a higher cost of capital, pressuring stocks and multiples lower. There is plenty to be cautious about currently, which we believe increases the attractiveness of higher quality portfolios like ours that could potentially protect capital in down markets.

Now, the optimistic part. The economy is roaring back and we believe likely to grow 6%-10% this year, according to several estimates. After a year of being locked down, receiving trillions in stimulus checks and facing better employment prospects, consumers are flush with cash and ready to spend. Even more stimulus may be on the way, with potentially another \$2T to be spent on infrastructure, which could boost growth even further. Corporate earnings are rapidly recovering and may grow into their high multiples. Additionally, stocks tend to perform well in periods of modest inflation, which is likely, given stronger economic growth.

We don't know whether it will pay to be cautious or optimistic throughout the rest of the year. More things can happen than will happen, which is why we believe *time in the market is more important than timing of the market*. We suspect the riskiest parts of the market, where we do not play, are most vulnerable. Additionally, we believe our concentrated, efficiently diversified core portfolio of high-quality companies, spread across the life-cycle, may help protect capital and minimize the style risk associated with big moves in value relative to growth, thereby positioning it to deliver attractive, risk adjusted returns.

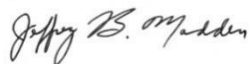
As always, the companies we invest in demonstrate high managerial skill in capital allocation, which creates value for customers, employees, communities, and shareholders.

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 3/31/21

Company	% of Assets
Seacoast Banking Corp. of Florida	3.64%
TriCo Bancshares	3.34%
Stifel Financial Corp.	2.82%
EastGroup Properties Inc.	2.79%
MKS Instruments Inc.	2.76%
Fair Isaac Corp.	2.51%
Catalent Inc.	2.49%
Repligen Corp.	2.49%
PTC Inc.	2.46%
NeoGenomics Inc.	2.43%

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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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.



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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

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 (%)
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 than the composite returns listed.*

